

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

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report
December 31, 2020 and 2019

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Monroe County Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Monroe County Water Authority (the Authority), a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2020 and the related notes to 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.

Auditors' 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 Authority'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 Authority'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 Monroe County Water Authority, as of December 31, 2020, 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.

Other Matters

Prior Period Financial Statements

The financial statements of the Monroe County Water Authority as of December 31, 2019, were audited by other auditors whose report dated March 3, 2020, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the additional information as listed in the table of contents on pages 44 through 46 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 11, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 11, 2021

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

Management's Discussion and Analysis

December 31, 2020

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Management provides the following discussion and analysis (MD&A) of the Authority's financial position and activities. This overview is provided for the year ended December 31, 2020. 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 2020 financial statements are presented with comparative totals from 2019.

MONROE COUNTY WATER AUTHORITY
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Management’s Discussion and Analysis, Continued

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of its most recent fiscal year by \$328,919,259 (net position). Of this amount \$47,460,943 (unrestricted net position) may be used to meet the Authority’s ongoing obligations.
- Operating revenues increased \$6,670,644 or 9% during the current year from \$71,155,349 for the 2019 fiscal year to \$77,825,993 for the 2020 fiscal year. Most of this increase in revenues occurred in the residential customer class and is largely due to consumption increase in 2020.
- In 2020 the Authority issued \$21,920,000 of bonds which mature in 2050. The Authority also received \$3,576,781 of premiums for this issuance. These bonds have a stated interest rate that ranges from 4.0% to 5.0%.
- Several major construction projects were completed during the year, increasing the Authority’s assets as follows:

| <u>Project Name</u> | <u>2020</u> |
|--------------------------------------|--------------|
| 2020 Residential Meter Replacements | \$ 1,010,000 |
| West I - Infrastructure | \$ 2,166,000 |
| Manitou Beach water Main Replacement | \$ 2,395,000 |
| E. River Road Water Main Replacement | \$ 1,722,000 |

Summary of Operations and Change in Net Position

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|----------------------|-------------------|
| Operating revenue | \$ 77,825,993 | 71,155,349 |
| Operating expenses | (64,973,837) | (59,874,479) |
| Operating income | 12,852,156 | 11,280,870 |
| Non-operating expenses, net | (5,411,706) | (3,838,797) |
| Income before capital contributions | 7,440,450 | 7,442,073 |
| Capital contributions | <u>2,841,816</u> | <u>3,659,335</u> |
| Change in net position | \$ <u>10,282,266</u> | <u>11,101,408</u> |

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

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Management's Discussion and Analysis, Continued

Financial Position Summary

Net position is an indication of the Authority's financial strength. The Authority's net position as of December 31, 2020 is \$328,919,259. A summary of the Authority's financial position is shown below.

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|--------------------|
| Assets: | | |
| Current assets | \$ 96,513,883 | 86,900,329 |
| Capital assets | 427,824,586 | 414,886,956 |
| Funds held by trustee | 25,860,508 | 12,378,318 |
| Restricted assets | <u>1,878,985</u> | <u>1,983,346</u> |
| Total assets | <u>552,077,962</u> | <u>516,148,949</u> |
| Deferred Outflows of Resources | <u>21,214,718</u> | <u>8,207,471</u> |
| Liabilities: | | |
| Current liabilities, including current portion of long-term | 15,968,091 | 15,228,575 |
| Long-term liabilities | <u>216,209,502</u> | <u>174,598,651</u> |
| Total liabilities | <u>232,177,593</u> | <u>189,827,226</u> |
| Deferred Inflows of Resources | <u>12,195,828</u> | <u>15,892,201</u> |
| Net Position: | | |
| Net investment in capital assets | 279,579,331 | 240,526,802 |
| Restricted | 1,878,985 | 1,983,346 |
| Unrestricted | <u>47,460,943</u> | <u>76,126,845</u> |
| Total net position | <u>\$ 328,919,259</u> | <u>318,636,993</u> |

Total assets increased from December 31, 2019 to 2020 by \$35,929,013 or 7% due to capital asset additions as well as increased funds held by others due to a new bond issuance.

Deferred outflows of resources at December 31, 2020 were \$13,007,247 higher than at December 31, 2019, due to an increase in the other postemployment benefits which was based on the current year actuarial valuation. Deferred outflows of resources also increased due to a change in the actuarial valuation of the New York State and Local Retirement System in the current year.

Total liabilities increased by \$42,350,367 due primarily to the actuarial valuations of the other postemployment benefits plan and the net pension liability as well as a new bond issuance.

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Management's Discussion and Analysis, Continued

Deferred inflows of resources at December 31, 2020 were \$3,696,373 lower than December 31, 2019, 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.

Authority Rates and Charges

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

Many factors were considered by the Authority's Board members when the rates were being set for 2020. 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>2020</u> | <u>2019</u> | <u>2018</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 | | | |
| Commodity charge per 1,000 gallons - | \$ 1.05 - 21.35 | 0.65 - 8.12 | 0.62 - 7.77 |
| 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 |

Summary of Operating Revenues

| | <u>2020</u> | <u>2020 Budget</u> | <u>2019</u> |
|-----------------------------------|----------------------|--------------------|-------------------|
| Water sales: | | | |
| Residential/quarterly | \$ 63,283,710 | 60,844,416 | 56,586,731 |
| Large commercial/monthly | 6,221,883 | 7,411,531 | 6,643,643 |
| Water districts/wholesale | <u>4,024,113</u> | <u>3,907,316</u> | <u>3,847,792</u> |
| Total water sales | 73,529,706 | 72,163,263 | 67,078,166 |
| Other water and operating revenue | <u>4,296,287</u> | <u>6,201,887</u> | <u>4,077,183</u> |
| Total operating revenue | <u>\$ 77,825,993</u> | <u>78,365,150</u> | <u>71,155,349</u> |

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Management’s Discussion and Analysis, Continued

Revenues

Water sales for 2020 were projected based on average historical usage with the typical residential customer using approximately 69 thousand gallons of water annually. This year’s water sales, which include the residential, large commercial and water district classes, were \$6,451,540 more than those of 2019 and \$1,366,443 more than budget. The summer of 2020 was hot and dry which increased demand. The effects of the pandemic resulted in an increase in residential sales and a decrease in industrial sales.

Other water revenue includes private fire services in the amount of \$1,361,430, and late charges in the amount of \$943,823. 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 2020 and 2019, the service fee for Genesee County was \$1,307,823 and \$1,067,072, respectively. Other operating revenues included cell tower lease income of \$221,921 and \$201,423 in 2020 and 2019, respectively.

As a result, total operating revenue for 2020 was \$77,825,993, which was \$6,670,644 more than 2019, and \$539,157 less than budget estimates.

Operating Expenses

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

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

| | <u>2020</u> | <u>2020 Budget</u> | <u>2019</u> |
|--------------------------------|----------------------|--------------------|-------------------|
| Functional expenses: | | | |
| Administration | \$ 4,048,684 | 4,950,412 | 4,149,022 |
| Production/transmission | 14,161,400 | 16,028,245 | 13,275,283 |
| Engineering | 4,236,786 | 4,614,555 | 3,422,885 |
| Facilities, fleet & operations | 14,873,172 | 15,366,450 | 13,045,688 |
| Finance and business services | <u>8,448,903</u> | <u>9,232,375</u> | <u>6,961,498</u> |
| Total functional expenses | <u>\$ 45,768,945</u> | <u>50,192,037</u> | <u>40,854,376</u> |

Functional expenses (operating expenses excluding depreciation) were \$4,423,092, or 8.8% under budget for 2020.

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Management's Discussion and Analysis, Continued

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|----------------------|-------------------|
| Operating expenses: | | |
| Salaries and fringe benefits | \$ 23,980,649 | 23,524,713 |
| Operations and maintenance | 12,299,987 | 12,331,872 |
| General and administrative | 9,245,309 | 4,754,791 |
| City contract - capital | 243,000 | 243,000 |
| Depreciation and amortization | <u>19,204,892</u> | <u>19,020,103</u> |
| Total operating expenses | \$ <u>64,973,837</u> | <u>59,874,479</u> |

Total operating expenses increased \$5,099,358 from 2019. Salaries and Benefits increased \$455,936 or 1.9%. Operations and Maintenance expense decreased \$31,885 or (0.3%) compared to 2019. General and administrative expenses increased \$4,490,518 or 94.4% from 2019. 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 2020.

Non-Operating Revenue (Expenses)

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

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|--------------------|
| Non-operating revenue (expenses): | | |
| Federal interest subsidy | \$ 1,798,135 | 1,833,392 |
| Interest earnings | 722,325 | 1,570,885 |
| Interest expense | (7,239,451) | (6,906,207) |
| Bond issuance costs | (305,766) | - |
| Loss on disposal of capital assets | (418,865) | (377,308) |
| Realized and unrealized gains on investments, net | <u>31,916</u> | <u>40,441</u> |
| Total non-operating revenue (expenses), net | \$ <u>(5,411,706)</u> | <u>(3,838,797)</u> |

MONROE COUNTY WATER AUTHORITY
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Management's Discussion and Analysis, Continued

CAPITAL ASSETS

At the end of 2020, the Authority had \$427,824,586 invested in a broad range of capital assets (see table below). This amount represents a net increase of \$12,937,630 over last year.

Capital Assets, Net of Depreciation

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|--------------------|
| Land easements | \$ 10,591,378 | 10,391,054 |
| Construction-in-progress | 18,824,424 | 4,121,573 |
| Land improvements | 7,708,985 | 7,708,985 |
| Production and distribution system | 253,305,193 | 250,883,168 |
| Pipelines and district facilities | 325,135,539 | 315,045,465 |
| Meters and services | 104,783,925 | 101,689,474 |
| Automotive and construction equipment | 8,706,137 | 8,392,685 |
| Water facility capital lease | 78,056,980 | 78,056,980 |
| Furniture, fixtures and other equipment | 3,736,009 | 3,685,299 |
| Accumulated depreciation | (383,023,984) | (365,087,727) |
| | <u>\$ 427,824,586</u> | <u>414,886,956</u> |

DEBT ADMINISTRATION

Water Revenue Bonds

As of December 31, 2020, the Authority has six water revenue bond series outstanding totaling, \$143,885,000. The 2007 Series bonds continue to be payable by Genesee County to the Authority under the terms of the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. A portion of the 2020 Series bonds are also payable by Genesee County to the Authority. In 2020, the Authority issued bonds of \$21,920,000 which mature through 2050. The Authority also received \$3,576,781 of premiums for this issuance.

| <u>Authority Bond Series</u> | Outstanding as of December <u>2020</u> | Outstanding as of December <u>2019</u> | Principal Due <u>2021</u> |
|------------------------------|--|--|------------------------------|
| 2007 Series Refunding | \$ 12,935,000 | 13,535,000 | 610,000 |
| 2010 Series | - | 205,000 | - |
| 2010B Series | 85,810,000 | 88,250,000 | 2,515,000 |
| 2012 Series | 5,065,000 | 5,260,000 | 205,000 |
| 2013 Series | 14,205,000 | 14,690,000 | 490,000 |
| 2017 Series | 3,950,000 | 3,950,000 | 215,000 |
| 2020 Series | <u>21,920,000</u> | <u>-</u> | <u>300,000</u> |
| Total | <u>\$ 143,885,000</u> | <u>125,890,000</u> | <u>4,335,000</u> |

MONROE COUNTY WATER AUTHORITY
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Management's Discussion and Analysis, Continued

Credit Ratings

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

ECONOMIC FACTORS AND NEXT YEAR'S GOALS

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

In 2021, the Authority intends to spend approximately \$19.8 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
- Generator Optimization
- Storage Tank Projects

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

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

REQUEST FOR INFORMATION

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

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Statements of Net Position
December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|--------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 58,015,035 | 70,893,407 |
| Investments | 20,777,218 | - |
| Accounts receivable | 7,534,591 | 5,448,651 |
| Accrued unbilled revenue | 7,742,000 | 8,005,000 |
| Materials and supplies | 1,518,516 | 1,563,605 |
| Prepayments and other current assets | <u>926,523</u> | <u>989,666</u> |
| Total current assets | <u>96,513,883</u> | <u>86,900,329</u> |
| Other assets: | | |
| Capital assets, net | 427,824,586 | 414,886,956 |
| Funds held by trustee | <u>25,860,508</u> | <u>12,378,318</u> |
| Total other assets | <u>453,685,094</u> | <u>427,265,274</u> |
| Restricted assets: | | |
| Debt service fund held by trustee | 4,645 | 6,612 |
| Debt service reserve held by trustee | <u>1,874,340</u> | <u>1,976,734</u> |
| Total restricted assets | <u>1,878,985</u> | <u>1,983,346</u> |
| Total assets | <u>552,077,962</u> | <u>516,148,949</u> |
| Deferred Outflows of Resources: | | |
| Pension - ERS | 11,707,530 | 4,263,525 |
| OPEB | 9,085,982 | 3,493,840 |
| Debt refunding | <u>421,206</u> | <u>450,106</u> |
| Total deferred outflows of resources | <u>21,214,718</u> | <u>8,207,471</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Current portion of water revenue bonds | 4,335,000 | 3,925,000 |
| Accounts payable and other liabilities | 3,707,302 | 3,516,017 |
| Accrued payroll and benefits | 4,969,868 | 5,075,912 |
| Accrued interest | <u>2,955,921</u> | <u>2,711,646</u> |
| Total current liabilities | <u>15,968,091</u> | <u>15,228,575</u> |
| Other liabilities: | | |
| Water revenue bonds, net of bond premium of \$4,781,461 in 2020 and \$1,391,622 in 2019 | 144,331,461 | 123,356,622 |
| Net pension liability - ERS | 16,339,575 | 4,094,611 |
| Total OPEB liability | <u>55,538,466</u> | <u>47,147,418</u> |
| Total other liabilities | <u>216,209,502</u> | <u>174,598,651</u> |
| Total liabilities | <u>232,177,593</u> | <u>189,827,226</u> |
| Deferred Inflows of Resources: | | |
| Pension - ERS | 378,751 | 1,461,014 |
| OPEB | <u>11,817,077</u> | <u>14,431,187</u> |
| Total deferred inflows of resources | <u>12,195,828</u> | <u>15,892,201</u> |
| Net Position: | | |
| Net investment in capital assets | 279,579,331 | 240,526,802 |
| Restricted | 1,878,985 | 1,983,346 |
| Unrestricted | <u>47,460,943</u> | <u>76,126,845</u> |
| Total net position | <u>\$328,919,259</u> | <u>318,636,993</u> |

See accompanying notes to financial statements.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|--------------------|
| Operating revenue: | | |
| Water sales - residential | \$ 63,283,710 | 56,586,731 |
| Water sales - industrial/commercial | 6,221,883 | 6,643,643 |
| Water sales - water district | 4,024,113 | 3,847,792 |
| Other water revenue | 3,792,884 | 3,519,635 |
| Other operating revenue | <u>503,403</u> | <u>557,548</u> |
| Total operating revenue | <u>77,825,993</u> | <u>71,155,349</u> |
| Operating expenses: | | |
| Salaries and fringe benefits | 23,980,649 | 23,524,713 |
| Operations and maintenance | 12,299,987 | 12,331,872 |
| General and administrative | 9,245,309 | 4,754,791 |
| City contract - capital | 243,000 | 243,000 |
| Depreciation | <u>19,204,892</u> | <u>19,020,103</u> |
| Total operating expenses | <u>64,973,837</u> | <u>59,874,479</u> |
| Total operating income | <u>12,852,156</u> | <u>11,280,870</u> |
| Non-operating revenue (expenses): | | |
| Federal interest subsidy | 1,798,135 | 1,833,392 |
| Interest earnings | 722,325 | 1,570,885 |
| Interest expense | (7,239,451) | (6,906,207) |
| Bond issuance costs | (305,766) | - |
| Loss on disposal of capital assets | (418,865) | (377,308) |
| Realized and unrealized gain and losses on investments, net | <u>31,916</u> | <u>40,441</u> |
| Total non-operating expenses, net | <u>(5,411,706)</u> | <u>(3,838,797)</u> |
| Gain before capital contributions | 7,440,450 | 7,442,073 |
| Capital contributions - developers and customers | <u>2,841,816</u> | <u>3,659,335</u> |
| Change in net position | 10,282,266 | 11,101,408 |
| Net position at beginning of year | <u>318,636,993</u> | <u>307,535,585</u> |
| Net position at end of year | <u>\$ 328,919,259</u> | <u>318,636,993</u> |

See accompanying notes to financial statements.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Statements of Cash Flows
Years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|---------------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 76,003,053 | 70,471,928 |
| Payments to suppliers | (21,488,779) | (17,841,521) |
| Payments to employees | <u>(20,183,201)</u> | <u>(23,715,025)</u> |
| Net cash flows provided by operating activities | <u>34,331,073</u> | <u>28,915,382</u> |
| Cash flows from capital and related financing activities: | | |
| Deposits (withdrawals) to funds held by trustees, net | (13,377,829) | 850,036 |
| Purchases of capital assets | (29,807,493) | (13,771,515) |
| Proceeds from disposal of capital assets | 87,922 | 115,203 |
| Federal interest subsidy | 1,798,135 | 1,833,392 |
| Repayments of water revenue bonds | (3,925,000) | (4,860,000) |
| Repayments of capital lease | - | (330,696) |
| Issuance of water revenue bonds | 21,920,000 | - |
| Amortization of debt refunding | 28,900 | 28,892 |
| Bond premiums received | 3,576,781 | - |
| Amortization of bond premiums | (186,942) | (117,252) |
| Bond issuance costs | (305,766) | - |
| Interest paid | <u>(6,995,176)</u> | <u>(6,960,840)</u> |
| Net cash flows used in capital and related financing activities | <u>(27,186,468)</u> | <u>(23,212,780)</u> |
| Cash flows from investing activities: | | |
| Purchase of investments, net | (20,777,218) | - |
| Interest received | 722,325 | 1,570,885 |
| Realized and unrealized gains and losses on investments, net | <u>31,916</u> | <u>40,441</u> |
| Net cash flows provided by (used in) from investing activities | <u>(20,022,977)</u> | <u>1,611,326</u> |
| Net change in cash and cash equivalents | (12,878,372) | 7,313,928 |
| Cash and cash equivalents at beginning of year | <u>70,893,407</u> | <u>63,579,479</u> |
| Cash and cash equivalents at end of year | <u>\$ 58,015,035</u> | <u>70,893,407</u> |

(Continued)

See accompanying notes to financial statements.

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

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|-------------------|
| Reconciliation of operating income to net cash flow provided by operating activities: | | |
| Operating income | \$ 12,852,156 | 11,280,870 |
| Adjustments to reconcile operating income to net cash flows provided by operating activities: | | |
| Depreciation | 19,204,892 | 19,020,103 |
| Bad debt expense | 19,531 | (3,368) |
| Changes in: | | |
| Accounts receivable | (2,105,471) | (252,843) |
| Accrued unbilled revenue | 263,000 | (435,000) |
| Materials and supplies | 45,089 | 96,580 |
| Prepayments and other current assets | 63,143 | 16,920 |
| Accounts payable and other liabilities | 191,285 | (621,990) |
| Accrued payroll and benefits | (106,044) | 195,703 |
| Pension items - ERS | 3,718,696 | 246,967 |
| OPEB items | 184,796 | (632,982) |
| Customer deposits | - | 4,422 |
| Net cash flows provided by operating activities | <u>\$ 34,331,073</u> | <u>28,915,382</u> |
| Non-cash capital and related financing activities: | | |
| Capital assets received directly from developers and customers | \$ 2,841,816 | 3,659,335 |
| Disposal of capital assets | <u>(418,865)</u> | <u>(377,308)</u> |
| | <u>\$ 2,422,951</u> | <u>3,282,027</u> |

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2020 and 2019

(1) Organization

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

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

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

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

(b) Basis of Presentation

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

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent capital-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

(2) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

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

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

(c) Cash and Cash Equivalents and Investments

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

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

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

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Cash Equivalents and Investments, Continued

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

(d) Accounts Receivable

Accounts receivable consists of fees for services for water charges due from individuals, businesses, and other governments. Accounts receivable are carried on the balance sheet at net realizable value. The Authority has elected to record bad debts using the direct write-off method. 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.

(e) Accrued Unbilled Revenues

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

(f) Materials and Supplies - Inventory

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

(g) Prepayments and Other Current Assets

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

(h) Capital Assets

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

| | |
|---|---------------|
| 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 |

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Capital Assets, Continued

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.

(i) Funds Held by Trustee

Funds held by Bank of New York (the Trustee) consist of fixed income United States Government securities. These funds are required to be held in accordance with the trust indentures for the water revenue bonds as described in note 7.

As of December 31, 2020 and 2019, the Authority had the following funds held by trustee:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|----------------------|-------------------|
| Capital improvement fund | \$ 19,979,424 | 6,646,106 |
| New construction fund | <u>5,881,084</u> | <u>5,732,212</u> |
| Total funds held by trustee | \$ <u>25,860,508</u> | <u>12,378,318</u> |

(j) Accrued Payroll and Benefits

It is the Authority's policy to record employee benefits, including accumulated vacation and sick leave, as a current liability 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.

(k) Other Postemployment Benefits (OPEB)

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

(l) Unamortized Bond Premium

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

(m) Deferred Outflows and Inflows of Resources

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(m) Deferred Outflows and Inflows of Resources, Continued

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

(n) Revenue Recognition

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

(o) Operating and Non-Operating Revenues and Expenses

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

(p) Capital Contributions from Developers and Customers

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

(q) Income Tax Status

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

(r) Estimates

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

(s) Reclassification

Reclassifications have been made to certain 2019 balances in order to conform them to the 2020 presentation.

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

Notes to Financial Statements, Continued

(3) Water Agreement

The Authority and the City of Rochester, New York (the City) entered into an agreement in 2011 that provides for the exchange of water between the two entities at a fixed rate that is established annually based on the weighted average cost of each entity's typical residential customer. Authority consumption of the City's water is offset against the City's consumption of the Authority's water with the net consumption charged at the annual exchange rate. For the year ended December 31, 2020 and 2019, the Authority had net purchases from the City of \$1,555,906 and \$1,563,457, respectively.

(4) Deposits With Financial Institutions and Investments

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

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

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

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

Notes to Financial Statements, Continued

(4) Deposits With Financial Institutions and Investments, Continued

- Credit risk

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

- The Authority limits its investments in money market funds to those with the highest short-term or long-term rating by at least one nationally recognized rating agency. The money market funds detailed in this section are used as savings accounts by the Authority and these accounts are classified as cash and cash equivalents and not investments.
- As of December 31, 2020 and 2019, 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, 2020 and 2019:

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

| | 2019 | |
|--|----------------------|----------------------|
| | Carrying Amount | Bank Balance |
| Demand deposits | \$ 2,236,242 | 2,236,242 |
| Time deposits | <u>16,297,999</u> | <u>16,733,388</u> |
| 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> |

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

Notes to Financial Statements, Continued

(4) Deposits With Financial Institutions and Investments, Continued

Total cash and cash equivalents and marketable securities by type as of December 31, 2020 and 2019, 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>2020</u> | <u>2019</u> |
|------------------------------------|-----------------------|-------------------|
| United States Treasury obligations | \$ 3,239,076 | 1,194,817 |
| United States Treasury bills | 45,085,954 | 65,427,579 |
| Money market funds | - | 16,380,880 |
| Cash | <u>58,206,716</u> | <u>2,251,795</u> |
| | <u>\$ 106,531,746</u> | <u>85,255,071</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 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, 2020 and 2019, or both:

| | <u>2020</u> | <u>2019</u> |
|------------------------|---------------|-------------|
| M&T Bank | \$ 56,121,312 | 17,928,845 |
| Key Bank | \$ 455,300 | 305,561 |
| J.P. Morgan Chase Bank | \$ 725,346 | 33,635 |

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

Notes to Financial Statements, Continued

(5) Capital Assets

Capital asset activity for the year ended December 31, 2020 and 2019 was as follows:

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

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

Notes to Financial Statements, Continued

(5) Capital Assets, Continued

| | 2019 | | | | Balance 12/31/2019 |
|---|-----------------------|---------------------|---------------------|--------------------|-----------------------|
| | Balance 1/1/2019 | Additions | Transfers | Disposals | |
| 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 | <u>14,465,738</u> | <u>14,270,823</u> | <u>(14,223,934)</u> | <u>-</u> | <u>14,512,627</u> |
| 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 | <u>749,745,956</u> | <u>3,160,027</u> | <u>14,223,934</u> | <u>(1,667,861)</u> | <u>765,462,056</u> |
| Less accumulated depreciation: | | | | | |
| Land improvements | (2,460,729) | (268,249) | - | - | (2,728,978) |
| Production and distribution system | (92,198,576) | (8,100,274) | - | 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 | <u>(347,242,974)</u> | <u>(19,020,103)</u> | <u>-</u> | <u>1,175,350</u> | <u>(365,087,727)</u> |
| Total depreciable assets, net | <u>402,502,982</u> | <u>(15,860,076)</u> | <u>14,223,934</u> | <u>(492,511)</u> | <u>400,374,329</u> |
| Total capital assets, net | <u>\$ 416,968,720</u> | <u>(1,589,253)</u> | <u>-</u> | <u>(492,511)</u> | <u>414,886,956</u> |

(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.

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

Notes to Financial Statements, Continued

(6) Capital Leases, Continued

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>2020</u> | <u>2019</u> |
|-------------------------------|---------------------|---------------------|
| Completed water facilities | \$ 78,056,980 | 78,056,980 |
| Less accumulated amortization | <u>(78,056,980)</u> | <u>(78,056,980)</u> |
| | \$ _____ | _____ |

Amortization expense related to water facilities under capital leases was \$69,407 for the year ended December 31, 2019.

During 2019, 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>Ending Balance</u> | <u>Due Within 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% | \$ <u>330,696</u> | _____ | <u>330,696</u> | _____ | _____ |

December 31, 2019, interest expense was \$1,654 on capital leases. Cash paid for interest was \$9,921 during the year ended December 31, 2019.

(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, 2020 and 2019, the Authority is in compliance with its financial covenants.

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(7) Water Revenue Bonds, Continued

Series 2007 Bonds

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

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

Series 2010 Bonds

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

Series 2017 Bonds

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

Series 2020 Bonds

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

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Notes to Financial Statements, Continued

(7) Water Revenue Bonds, Continued

Remedies for Default

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

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

Changes in Water Revenue Bonds

At December 31, 2020 and 2019, \$421,206 and \$450,106, 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, 2020 and 2019, interest expense was \$7,239,451 and \$6,906,207, respectively, on the water revenue bonds. Cash paid for interest was \$6,995,176 and \$6,960,840, during the years ended December 31, 2020 and 2019, respectively.

Long-term water revenue bond activity for the year ended December 31, 2020:

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

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(7) Water Revenue Bonds, Continued

| | 2020 | | | | | |
|---|-----------------------------|-------------------|------------------|--------------------------|-------------------------------|------------------------------|
| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> | Due Within <u>One Year</u> | Due After <u>One Year</u> |
| Bonds issued in 2012 that mature in annual amounts ranging from \$205,000 to \$410,000 from 2021 to 2037 bearing interest ranging from 3.0% to 5.0% | \$ 5,260,000 | - | 195,000 | 5,065,000 | 205,000 | 4,860,000 |
| Bonds issued in 2013 that mature in annual amounts ranging from \$490,000 to \$960,000 from 2021 to 2042 bearing interest ranging from 1.44% to 4.69% | 14,690,000 | - | 485,000 | 14,205,000 | 490,000 | 13,715,000 |
| Bonds issued in 2017 as part of refunding that mature in annual amounts ranging from \$215,000 to \$360,000 from 2021 to 2034 bearing interest ranging from 2.0% to 5.0% | 3,950,000 | - | - | 3,950,000 | 215,000 | 3,735,000 |
| Bond issued in 2020 mature in annual amounts ranging from \$300,000 to \$220,000 from 2021 to 2050 bearing interest from 4.0% to 5.0% | - | 21,920,000 | - | 21,920,000 | 300,000 | 21,620,000 |
| Add: Bond premiums | <u>1,391,622</u> | <u>3,576,781</u> | <u>186,942</u> | <u>4,781,461</u> | <u>-</u> | <u>4,781,461</u> |
| Long-term water revenue bond liabilities | <u>\$ 127,281,622</u> | <u>25,496,781</u> | <u>4,111,942</u> | <u>148,666,461</u> | <u>4,335,000</u> | <u>144,331,461</u> |
| | 2019 | | | | | |
| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> | Due Within <u>One Year</u> | Due After <u>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 | 13,535,000 | 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 | 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 | 88,250,000 | 2,440,000 | 85,810,000 |

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of
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Notes to Financial Statements, Continued

(7) Water Revenue Bonds, Continued

| | 2019 | | | | | |
|--|------------------------------------|------------------|------------------|---------------------------------|--------------------------------------|-------------------------------------|
| | <u>Beginning</u> <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> | <u>Due After</u> <u>One Year</u> |
| Bonds issued in 2012 that mature in annual amounts ranging from \$195,000 to \$410,000 from 2020 to 2037 bearing interest ranging from 3.0% to 5.0% | \$ 5,450,000 | - | 190,000 | 5,260,000 | 195,000 | 5,065,000 |
| Bonds issued in 2013 that mature in annual amounts ranging from \$485,000 to \$960,000 from 2020 to 2042 bearing interest ranging from 1.44% to 4.69% | 15,170,000 | - | 480,000 | 14,690,000 | 485,000 | 14,205,000 |
| Bonds issued in 2017 as part of refunding that mature in annual amounts ranging from \$215,000 to \$360,000 from 2021 to 2034 bearing interest ranging from 2.0% to 5.0% | 3,950,000 | - | - | 3,950,000 | - | 3,950,000 |
| Add: Bond premium | <u>1,508,874</u> | <u>-</u> | <u>117,252</u> | <u>1,391,622</u> | <u>-</u> | <u>1,391,622</u> |
| Long-term water revenue bond liabilities | <u>\$ 132,258,874</u> | <u>-</u> | <u>4,977,252</u> | <u>127,281,622</u> | <u>3,925,000</u> | <u>123,356,622</u> |

The following is a schedule of the future minimum payments under the water revenue bonds as of December 31, 2020:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|-----------------------|--------------------|--------------------|
| 2021 | \$ 4,335,000 | 7,601,059 | 11,936,059 |
| 2022 | 4,525,000 | 7,433,313 | 11,958,313 |
| 2023 | 4,675,000 | 7,224,996 | 11,899,996 |
| 2024 | 4,840,000 | 7,009,754 | 11,849,754 |
| 2025 | 5,035,000 | 6,752,571 | 11,787,571 |
| 2026 - 2030 | 28,350,000 | 29,603,972 | 57,953,972 |
| 2031 - 2035 | 34,260,000 | 21,393,911 | 55,653,911 |
| 2036 - 2040 | 34,310,000 | 11,942,425 | 46,252,425 |
| 2041 - 2045 | 17,905,000 | 2,790,894 | 20,695,894 |
| 2046 - 2050 | <u>5,650,000</u> | <u>582,400</u> | <u>6,232,400</u> |
| | <u>\$ 143,885,000</u> | <u>102,335,295</u> | <u>246,220,295</u> |

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(8) Pension Obligations

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System

The Authority participates in the New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net position and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The County also participates in the Public Employees Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The GLIP is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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

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

At December 31, 2020 and 2019, the Authority reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2020 and 2019, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Authority.

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(8) Pension Obligations, Continued

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

| | <u>2020</u> | <u>2019</u> |
|---|---------------|-------------|
| Measurement date | 3/31/2020 | 3/31/2019 |
| Net pension liability | \$ 16,339,575 | 4,094,611 |
| County's proportion of the System's net pension liability | 0.0617040% | 0.0577902% |
| Changes in proportionate share from prior year | 0.0039138 | (0.0005962) |

For the years ended December 31, 2020 and 2019, the Authority recognized pension expense of \$6,149,944 and \$2,648,528, respectively, for the System in the statements of revenue, expenses and changes in net position. At December 31, 2020 and 2019 the Authority's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(8) Pension Obligations, Continued

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

| | 2019 | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 806,314 | 274,864 |
| Changes of assumptions | 1,029,218 | - |
| Net difference between projected and actual investment earnings on pension plan investments | - | 1,050,903 |
| Changes in proportion and differences between the County's contributions and proportionate share of contributions | 26,430 | 135,247 |
| County's contributions subsequent to the measurement date | <u>2,401,563</u> | <u>-</u> |
| Total | \$ <u>4,263,525</u> | <u>1,461,014</u> |

County contributions subsequent to the March 31, 2020 measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

| <u>Year ending</u> | |
|--------------------|---------------------|
| 2021 | \$ 1,572,482 |
| 2022 | 2,385,406 |
| 2023 | 3,058,815 |
| 2024 | 2,481,219 |
| Thereafter | <u>-</u> |
| | \$ <u>9,497,922</u> |

(c) Actuarial Assumptions

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

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Notes to Financial Statements, Continued

(8) Pension Obligations, Continued

(c) Actuarial Assumptions, Continued

| | |
|--|----------------|
| Measurement date | March 31, 2020 |
| Actuarial valuation date | April 1, 2019 |
| Investment rate of return (net of investment expense, including inflation) | 6.8% |
| Salary increases | 4.2% |
| Inflation rate | 2.5% |
| Cost-of-living adjustments | 1.3% |

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of 7.0%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return *</u> |
|--------------------------------|--------------------------|---|
| Asset class: | | |
| Domestic equity | 36.00% | 4.05% |
| International equity | 14.00% | 6.15% |
| Private equity | 10.00% | 6.75% |
| Real estate | 10.00% | 4.95% |
| Absolute return strategies (1) | 2.00% | 3.25% |
| Opportunistic portfolio | 3.00% | 4.65% |
| Real assets | 3.00% | 5.95% |
| Bonds and mortgages | 17.00% | 0.75% |
| Cash | 1.00% | 0.00% |
| Inflation - indexed bonds | 4.00% | 0.50% |
| | <u>100.00%</u> | |

*The real rate of return is net of the long-term inflation assumption of 2.5%.

(1) Excludes equity oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(8) Pension Obligations, Continued

(d) Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate:

| | 1% Decrease <u>(5.8%)</u> | Current Assumption <u>(6.8%)</u> | 1% Increase <u>(7.8%)</u> |
|---|---------------------------------|--|---------------------------------|
| Employer's proportionate share of the net pension liability | \$ <u>(29,987,733)</u> | \$ <u>(16,339,575)</u> | \$ <u>(3,769,563)</u> |

(f) Pension Plan Fiduciary Net Position

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

| | (Dollars in Millions) |
|---|-----------------------|
| Measurement date | 3/31/2020 |
| Employers' total pension liability | \$ (194,596) |
| Plan fiduciary net position | <u>168,115</u> |
| Employers' net pension liability | \$ <u>(26,481)</u> |
| Ratio of plan fiduciary net position to the Employers' total pension liability | 86.39% |

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2020 and 2019 represent the projected employer contribution for the period of April 1, 2020 through March 21, 2021 and through April 1, 2019 through March 31, 2020, respectively, based on paid employee wages multiplied by the employer's contribution rate, by tier. Retirement contributions paid to the System for the year ended December 31, 2020 and 2019 was \$2,431,247 and \$2,401,563, respectively.

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(9) Other Postemployment Benefits

(a) Plan Description and Benefits

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

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

(b) Employees Covered by Benefit Terms

At December 31, 2020 and 2019, the following employees were covered by the benefit terms:

| | <u>2020</u> | <u>2019</u> |
|----------------------|-------------|-------------|
| Retired participants | 146 | 146 |
| Active participants | <u>197</u> | <u>200</u> |
| Total participants | <u>343</u> | <u>346</u> |

(c) Total OPEB Liability

The Authority's total OPEB liability of \$55,538,466 and \$47,147,418 was measured as of January 1, 2020 and 2019 and was determined by an actuarial valuation as of that date.

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

(d) Actuarial Methods and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------|--|
| Inflation | 2.5% per year |
| Payroll Growth | Based on New York State and Local Retirement System actuarial valuation as of August 2019; Sample annual increases are as shown below: |

| <u>Years of Service</u> | <u>Rate</u> |
|-------------------------|-------------|
| 0 | 8.80% |
| 5 | 4.95% |
| 10 | 4.18% |
| 15 | 3.63% |
| 18+ | 3.30% |

| | |
|-----------------------------|---|
| Discount Rate | 3.26% as of January 1, 2020 and 4.11% as of January 1, 2019 |
| Cost Method | Entry Age Normal Level % of Salary method |
| Healthcare Cost Trend Rates | 7.5% for 2021, (8.0% for 2020) decreasing to an ultimate rate of 4.5% for 2028 and later years |
| Employer Funding Policy | Pay-as-you-go cash basis |
| Census Data | Census information was provided by the Authority in August 2020. |
| 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. |

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

(d) Actuarial Methods and Other Inputs, Continued

| | |
|------------------------------------|---|
| 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 | General Employees and All Retirees SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020. Surviving Spouses SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020. |
| Disability | None |

(e) Changes in the Total OPEB Liability

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|--------------------|
| Total OPEB liability at beginning of year | \$ <u>47,147,418</u> | <u>54,897,278</u> |
| Changes for the year: | | |
| Service cost | 1,474,068 | 1,866,827 |
| Interest | 1,957,629 | 1,918,395 |
| Differences between expected and actual experience | 1,081,653 | (5,253,944) |
| Changes of assumptions | 5,879,065 | (4,270,515) |
| Benefit payments | <u>(2,001,367)</u> | <u>(2,010,623)</u> |
| Total changes | <u>8,391,048</u> | <u>(7,749,860)</u> |
| Total OPEB liability at end of year | \$ <u>55,538,466</u> | <u>47,147,418</u> |

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

Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

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

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

| | 2020 | | |
|----------------------|-----------------|-----------------|-----------------|
| | 1% | Current | 1% |
| | <u>Decrease</u> | <u>Discount</u> | <u>Increase</u> |
| | | <u>Rate</u> | |
| Total OPEB liability | \$ (64,088,677) | (55,538,466) | (48,565,746) |
| | 2019 | | |
| | 1% | Current | 1% |
| | <u>Decrease</u> | <u>Discount</u> | <u>Increase</u> |
| | | <u>Rate</u> | |
| Total OPEB liability | \$ (53,736,135) | (47,147,418) | (41,701,320) |

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

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

| | 2020 | | |
|----------------------|-----------------|--------------|-----------------|
| | 1% | Current | 1% |
| | <u>Decrease</u> | <u>Trend</u> | <u>Increase</u> |
| | | <u>Rate</u> | |
| Total OPEB liability | \$ (47,745,088) | (55,538,466) | (65,438,559) |
| | 2019 | | |
| | 1% | Current | 1% |
| | <u>Decrease</u> | <u>Trend</u> | <u>Increase</u> |
| | | <u>Rate</u> | |
| Total OPEB liability | \$ (40,583,439) | (47,147,418) | (55,408,681) |

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

For the year ended December 31, 2020 and 2019, the Authority recognized OPEB expense of \$2,110,470 and \$1,469,607, respectively. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

MONROE COUNTY WATER AUTHORITY
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Notes to Financial Statements, Continued

(9) Other Postemployment Benefits, Continued

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

| | 2020 | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 927,131 | 8,766,710 |
| Changes in assumptions | 6,233,177 | 3,050,367 |
| Contributions subsequent to the measurement date | <u>1,925,674</u> | <u>-</u> |
| Total | \$ <u>9,085,982</u> | <u>11,817,077</u> |
| | 2019 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | 10,770,746 |
| Changes in assumptions | 1,492,473 | 3,660,441 |
| Contributions subsequent to the measurement date | <u>2,001,367</u> | <u>-</u> |
| Total | \$ <u>3,493,840</u> | <u>14,431,187</u> |

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

| <u>Year Ending</u> | |
|--------------------|-----------------------|
| 2021 | \$ (1,321,227) |
| 2022 | (1,321,227) |
| 2023 | (1,321,227) |
| 2024 | (1,321,229) |
| 2025 | (366,249) |
| Thereafter | <u>994,390</u> |
| | \$ <u>(4,656,769)</u> |

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of
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Notes to Financial Statements, Continued

(10) Commitments and Contingencies

(a) Commitments

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

Amounts due under these commitments are summarized as follows for the years ending December 31:

| | |
|------|------------------|
| 2021 | \$ 38,569 |
| 2022 | <u>36,900</u> |
| | \$ <u>75,469</u> |

Total rental expense charged to operations amounted to \$45,835 and \$46,803 during the years ended December 31, 2020 and 2019, respectively.

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

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

Phase II includes the construction of new transmission mains, new pump stations, and improvement to an existing pump station in Monroe County with a goal of providing an additional 2.4 million gallons of water per day to Genesee County.

Phase II is currently in construction and a 2021 service date is anticipated.

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

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

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

Notes to Financial Statements, Continued

(10) Commitments and Contingencies, Continued

(a) Commitments, Continued

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

| | | |
|------|--|---------------------|
| 2021 | | \$ 829,847 |
| 2022 | | 829,847 |
| 2023 | | 829,847 |
| 2024 | | 829,847 |
| 2025 | | 829,847 |
| 2026 | | <u>829,847</u> |
| | | <u>\$ 4,979,082</u> |

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

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

| | | |
|-------------|--|---------------------|
| 2021 | | \$ 243,000 |
| 2022 | | 243,000 |
| 2023 | | 243,000 |
| 2024 | | 243,000 |
| 2025 | | 243,000 |
| 2026 - 2030 | | 1,215,000 |
| 2031 - 2032 | | <u>486,000</u> |
| | | <u>\$ 2,916,000</u> |

The Authority expensed \$243,000 under this agreement during each of the years ended December 31, 2020 and 2019.

(b) Contingencies

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

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

Notes to Financial Statements, Continued

(10) Commitments and Contingencies, Continued

(b) Contingencies, Continued

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

(11) Self- Insured Workers' Compensation

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 per occurrence, subject to a deductible of \$500,000 per occurrence. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2020 and 2019, 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, 2025. For the years ended December 31, 2020 and 2019, the Authority paid \$3,216,058 and \$2,954,549, respectively, to the County under the terms of this agreement.

(13) Subsequent Events

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

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

Notes to Financial Statements, Continued

(14) Accounting Standards Issued But Not Yet Implemented

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

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

Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2020.

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Required Supplementary Information
Schedule of Changes in the Authority's
Total OPEB Liability and Related Ratios
December 31, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|--------------------|--------------------|
| Total OPEB liability | | | |
| Service cost | \$ 1,474,068 | 1,866,827 | 2,047,877 |
| Interest | 1,957,629 | 1,918,395 | 2,277,994 |
| Changes of benefit terms | - | - | 421,956 |
| Differences between expected and actual experience | 1,081,653 | (5,253,944) | (8,774,311) |
| Changes of assumptions | 5,879,065 | (4,270,515) | 2,086,463 |
| Benefit payments | <u>(2,001,367)</u> | <u>(2,010,623)</u> | <u>(1,798,585)</u> |
| Net change in total OPEB liability | 8,391,048 | (7,749,860) | (3,738,606) |
| Total OPEB liability - beginning | <u>47,147,418</u> | <u>54,894,278</u> | <u>58,632,884</u> |
| Total OPEB liability- ending | <u>\$ 55,538,466</u> | <u>47,144,418</u> | <u>54,894,278</u> |
| Covered payroll | \$ 14,641,528 | 17,097,419 | 16,478,853 |
| Total OPEB liability as a percentage of covered payroll | 379.32% | 275.80% | 333.10% |

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each actuarial valuation:

| <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------|-------------|-------------|
| 3.26% | 4.11% | 3.44% |

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

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
December 31, 2020

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

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

MONROE COUNTY WATER AUTHORITY
 (A Discretely Presented Component Unit of the County of Monroe, New York)
 Required Supplementary Information
 Schedule of the Authority's Pension Contributions
 December 31, 2020

| NYSERS Pension Plan | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Contractually required contribution | \$ 2,431,247 | 2,238,932 | 2,251,223 | 2,216,347 | 2,628,166 | 2,975,247 |
| Contributions in relation to the contractually required contribution | <u>2,431,247</u> | <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> | <u>-</u> |
| Authority's covered payroll | \$ 16,860,861 | 16,617,975 | 14,993,931 | 14,584,555 | 14,651,331 | 14,724,692 |
| Contributions as a percentage of covered payroll | 14.42% | 13.47% | 15.01% | 15.20% | 17.94% | 20.21% |

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

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

The Board of Directors
Monroe County Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Monroe County Water Authority (the Authority), a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2020, 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 11, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
March 11, 2021