MONROE COUNTY WATER AUTHORITY

ACCOUNTING POLICIES & PROCEDURES MANUAL

Re-Adopted by MCWA Board : June ~~9, 2022~~ 8, 2023

A Monroe County Water Authority
Accounting Policies and Procedures Manual
(Executive Summary)

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AUTHORITY GOVERNANCE SUMMARY

Mission and Ethics

Mission Statement

The Monroe County Water Authority is a not-for-profit public benefit corporation that reliably provides quality, affordable water that fosters economic vitality and enhanced quality of life for Monroe County and area communities who request service.

Conflict of Interest Policy/Code of Ethics

The Authority has a "conflict of interest policy" to make certain any Members, officers, employees and others who serve the Authority do not have any personal or business interest that may conflict with their responsibilities to the Authority. The Authority also has a "code of ethics policy" which governs the day-to-day actions of all Members, officers and employees of the Authority.

The Board of Directors

Powers and Duties

The Authority Board Members (collectively, the Board) have oversight responsibilities for managing the Authority and must make crucial decisions, such as hiring and terminating key officers and employees, engaging auditors and other professionals and authorizing significant financial transactions and new program initiatives.

Committees

Audit Committee – The Authority has an Audit Committee comprised of three Board Members who act as a liaison to the Authority's independent external auditor. The Audit Committee interacts with management to implement and monitor the internal control structure and have additional roles and responsibilities as described in the Authority's By-Laws.

Governance Committee – The Authority has a Governance Committee comprised of three Board Members. The Governance Committee examines ethical and conflict of interest issues and makes recommendations to the full Board for changes to the Authority's corporate governance guidelines as the Committee deems necessary and/or appropriate. The Governance Committee has additional roles and responsibilities as described in the Authority's By-Laws.

Finance Committee – The Authority has a Finance Committee comprised of three Board Members. The Finance Committee's primary responsibility is to review proposals and make recommendations for the issuance of debt by the Authority. The Finance Committee also has additional roles and responsibilities as described in the Authority's By-Laws.

Compensation Committee – The Authority has a Compensation Committee comprised of three Board members. The Compensation Committee's role is to appoint, compensate, and oversee an independent compensation consultant and work with said consultant to create, implement, and regularly update a written compensation policy. Additionally, it will be the role of the Compensation Committee to, from time to time, review and implement policies and procedures regarding the performance of, and compensation increases for, the Executive Director and Executive Staff. The Compensation Committee has additional roles and responsibilities as described in the Authority's By-Laws.

In April of 2018, the By-Laws of the Authority were amended and restated, and subsequently approved by the Board in Resolution #18-088, which, in part, established the new Compensation Committee and restated that the Chairperson of the Authority shall be a member ex-officio on all committees and shall have the right, but not the duty, to vote on all propositions before such committees.

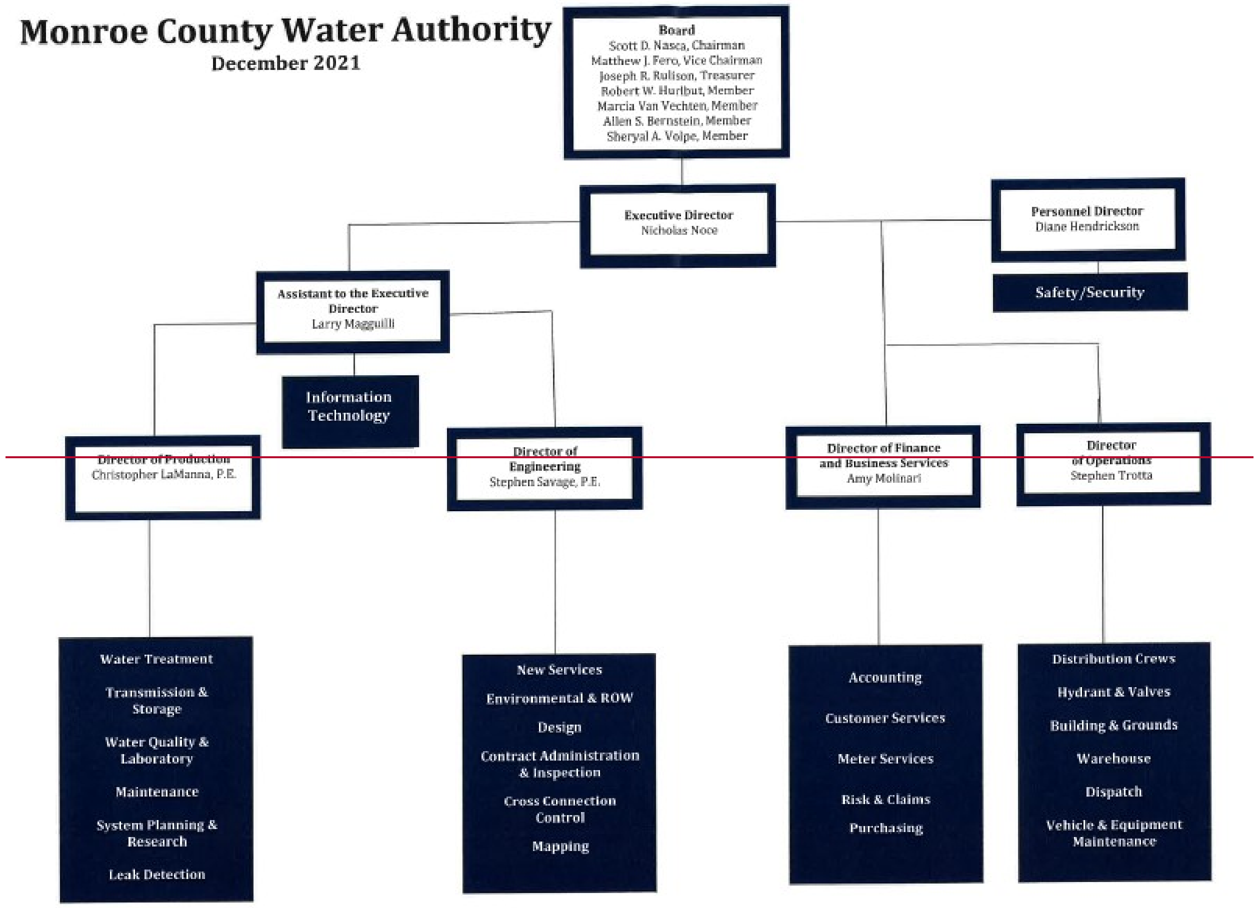
Independent Certified Public Accountants

It is the policy of the Authority to evaluate the Independent Certified Public Accountants at least every five years. The Authority utilizes the auditors as a resource for assistance with concerns about financial and other matters that arise during the year, not just during the audit fieldwork. The auditors prepare a management letter to be sent to the Members, which discusses internal controls or other issues identified during the audit that concern the financial management of the Authority.

Authority Organizational Structure

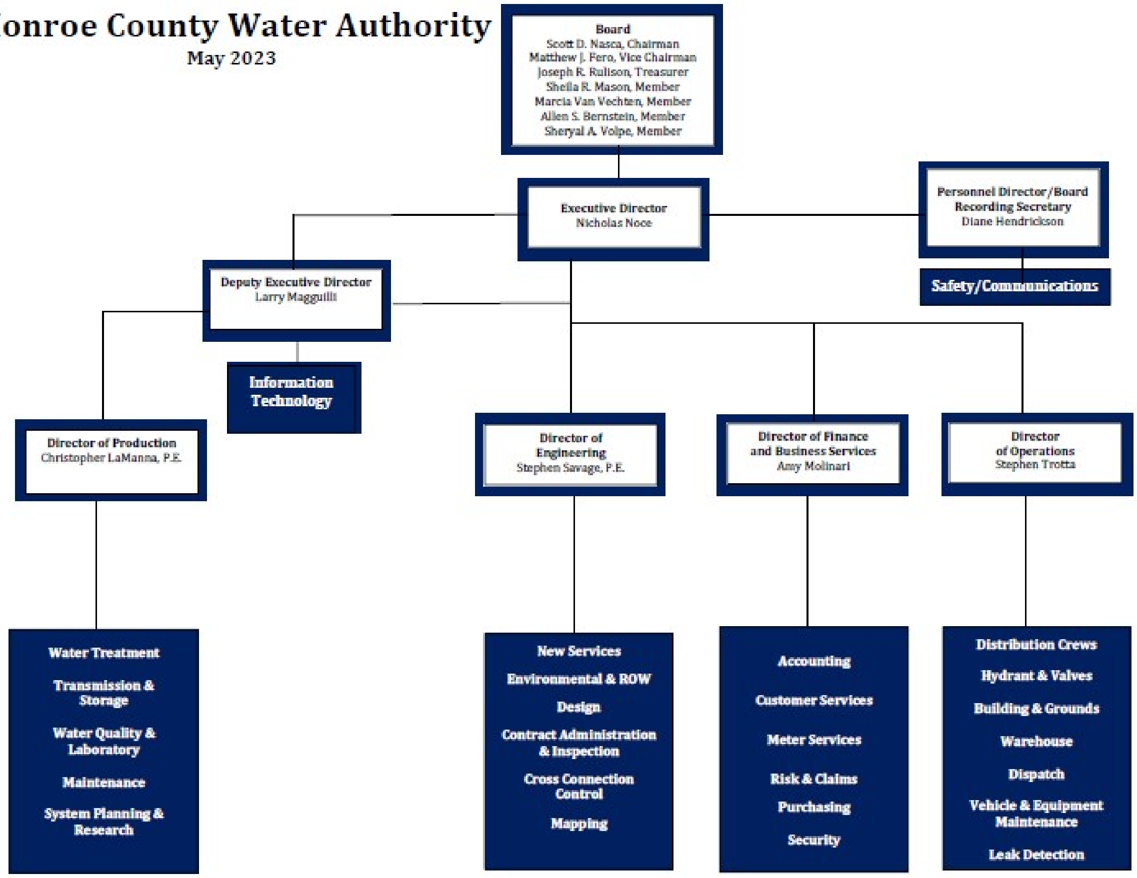
The Board Members conduct a periodic review of the Authority's structure in order to determine what is working well and what might want to change in order to be more efficient, effective or responsible.

Monroe County Water Authority
December 2021

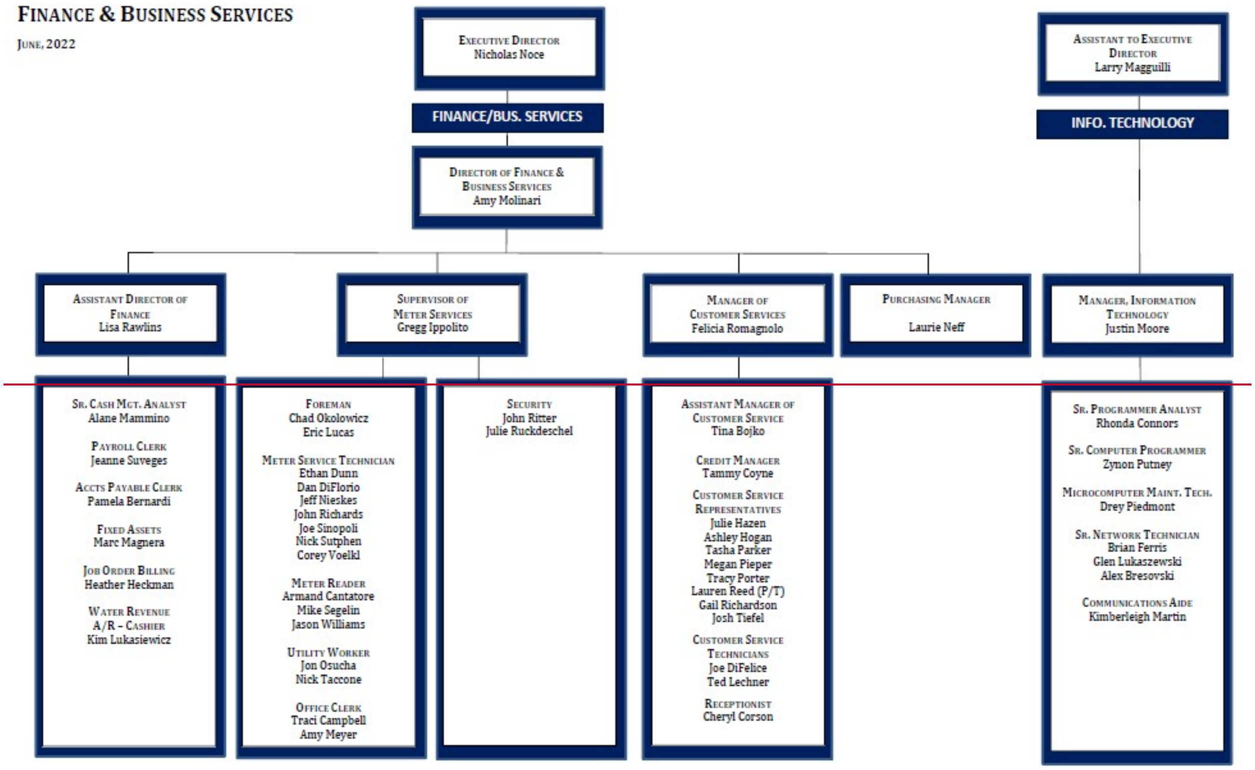


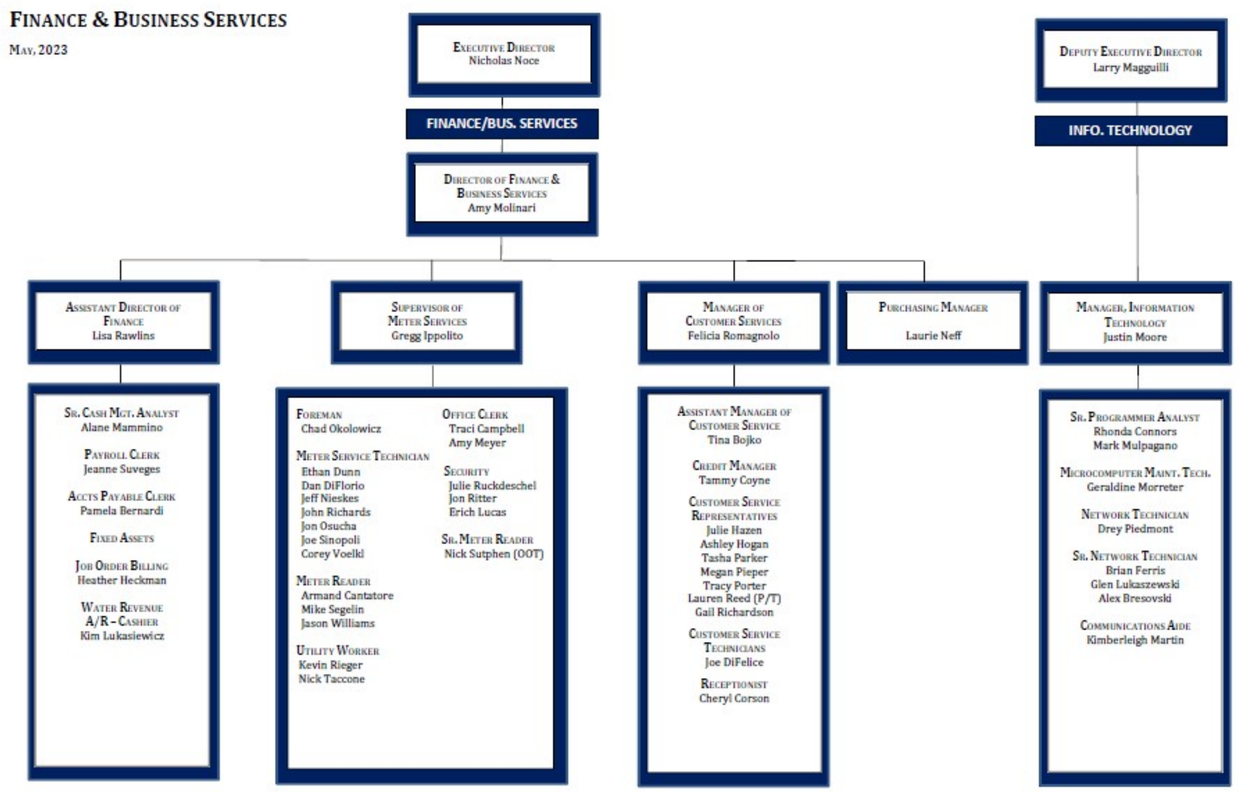
Monroe County Water Authority

May 2023



Finance & Business Services Organizational Chart





Review of Policies and Procedures

The Board Members conduct a periodic review of the Authority's policies in order to determine what is working well and what practices the Authority may want to change in order to be more efficient, effective or responsible.

PERSONNEL POLICIES AND PROCEDURES

Personnel Programs – General

The Authority employs both Union and Non-Union employees based on the requirements of the position.

Employment and Personnel Records

Job Descriptions

The Authority periodically updates job descriptions in conjunction with Civil Service jobs descriptions.

Recruitment and Selection

As a governmental agency, the Authority's recruitment and selection process follows the guidelines established by union contracts and civil service requirements as designated by the position. The Board of Directors confirms all new hires and salaries.

New Hire Orientation

The Personnel department coordinates and confirms that all required new hire forms in the New Hire Package are completed prior to employment. The Personnel department sets up new hires in the internal payroll system.

Benefit Processing

Workers Compensation - Workers compensation is a self-insured program. The eligible employee receives their net take-home salary for regularly scheduled hours. The insurance premium is allocated to the cost centers through the payroll system.

Disability Insurance – Employees receive 40% of their total pay each week after five sick days. Employees are allowed to offset the balance with sick, personal or vacation time. The employee submits a form from their physician verifying the disability to the Personnel department. The Personnel department notifies the Payroll Clerk for processing in the weekly payroll.

Retirement Benefits - Employees are covered under the New York State Employees' Retirement System. Tier 3 and Tier 4 employees must contribute a percentage of gross earnings for 10 years of membership in the retirement system. Tier 5 and Tier 6 employees must contribute a percentage of gross earnings during employment. In addition, the Authority makes an annual payment to the system for all employees based on a percentage of gross wages as determined by the NYS Retirement System.

Health Insurance – The Personnel department is responsible for processing the monthly payment to the insurance carriers, through Accounts Payable. Contribution is based on the union agreement or other Authority policies.

Training

The Authority shall arrange for appropriate training for all involved, including new Members, officers and employees.

Evaluation

It is the Authority's policy to evaluate all employees annually.

Employee Files

The Personnel department stores all employee files in locked cabinets.

Compensation and Classification

Hourly / Salary / Exempt

The Union contracts and the Board of Directors regulate salaries and wages.

Payroll

It is the Authority's policy to process payroll timely and accurately. Payroll processing is the responsibility of the Finance & Business Services Department (Finance department).

Payroll Master Files

The Authority utilizes an internal software package that is integrated with the Personnel department. The Payroll Clerk and the Personnel department are responsible for maintaining the payroll tables. The Information Technology (IT) and Personnel departments update annual changes to the pay rates. The Personnel department is responsible for updating individual employee information including pay codes and deduction codes. All changes generate a change report which is reviewed by Personnel and the Director of Finance & Business Services, or designee.

Payroll Processing

The Authority payroll period is Monday through Sunday, and payroll is processed weekly. Each employee completes a timecard and/or electronic time sheet and submits it to their direct supervisor for approval. The Payroll Clerk enters any exceptions to the standard work week for each employee, including any sick, vacation, or personal time used. Once payroll is processed, the IT department prints the checks, which are signed by another member of the Accounting department using the check signing machine. The Payroll Clerk sends the NACHA (direct deposit) file to the bank electronically. Payroll registers are reviewed by the Director of Finance & Business Services, or designee.

Payroll Taxes and Deduction Payments

It is the Authority's policy to submit payments for NYS taxes, federal taxes and deferred compensation electronically. All other payments, including garnishments, are generated with the paychecks during the payroll process.

NYS Retirement Reporting

NYS Retirement reporting is done monthly after the last Sunday of each month. The file and related payments are handled electronically.

Quarterly Returns

The Payroll Clerk prepares the quarterly Federal form 941 and New York State form NYS-45 payroll tax returns and reconciles all quarterly returns to the year-end totals.

Time Off

It is the Authority's policy that employees accrue one sick day per month. Vacation time is posted to the employee's vacation bank the 1st of the month of the employee's anniversary. Each full-time employee is also credited with five days personal leave each year. The Payroll Clerk enters time used weekly during the payroll process.

FINANCE AND ADMINISTRATION

The Director of Finance & Business Services or designee is responsible for managing all financial transactions. The Finance department utilizes internally designed software for recording all revenue, expenses, fixed assets and financial reporting. The IT department maintains the security of the electronic files and programs (Systems) and implements any modifications as required. The IT department performs a full back up of the system monthly and performs a differential backup five times a week. A differential backup is a copy of only those files that have changed since the previous differential backup. The backups are stored offsite at a secure environmentally-controlled site, weekly. This process includes preserving electronic records, ensuring data compatibility when systems change, and creating an appropriate records retention policy.

Revenue and Receivables

Revenue

The Authority has two main revenue classifications, water and water related revenue. The Authority has the following procedures in place to ensure the accurate and timely processing of revenue.

Water Revenue Procedures

Customer Services is responsible for billing water related revenue for residential, commercial and wholesale services.

Residential and Small Commercial Services - Residential services are billed quarterly. MCWA customers are responsible for submitting a meter read to the Authority, using the company-provided meter card, entering the read into the Authority's web page, or by calling in the read to Customer Services or the Authority's 24-hour meter read call-in system. In addition, an increasing number of new meters are read electronically by the Water Authority's Meter Services. If no read is received by billing time, the read is estimated.

Commercial Services - Non-residential / large commercial services are billed monthly. The Water Authority's Meter Services department reads these meters monthly.

Wholesale Services - The Water Authority's Meter Services reads these meters monthly. The meter reads are given to the Manager of Customer Services to calculate the bill. Finance department accounting staff enter the information into the water district billing system which generates the bills and related general ledger entries.

Grants, Subsidies & Contributions

The Authority's Finance Department ensures that grants, -subsidies, and contributions received are properly recorded; accountings required as a condition of any grant are completed; and restrictions on the use of such funds, such as contributions given for a restricted purpose (e.g., donated land with use restrictions), are obeyed.

Temporary Hydrant Meter Sets

Customer Services collects a deposit from the customer and processes all permits and paperwork prior to issuing a work order for the meter and reduced pressure zone backflow preventer (RPZ) set. The Water Authority's Meter Services sets the meter and RPZ on the requested hydrant. After the meter and RPZ are removed per the customer's request, Customer Services calculates all charges and submits the paperwork to the Finance department accounting staff. The customer is charged for water consumption, daily base charge, damages to any equipment, and for each time the meter and RPZ were moved to a different hydrant. Any charges that exceed the deposit amount are billed to the customer via a manual bill. Any remaining credit amount is refunded to the customer.

Customer Refunds

Customer refunds are mostly due to transfer of services. It is the Authority's policy to issue refunds for amounts over $10.00. Balances that are less than $10.00 are written off. Accounts with a credit balance less than $10.00 are issued a refund check at the customer's request.

Water Related Billing Procedures

The Authority will generate manual bills for water related service work such as service installations and repairs, as well as claims. For most of these services, the Engineering department receives a request for work to be done from the customer. Engineering then determines the fee to be charged based on the estimated time and material required. The Engineering department notifies the customer of the amount due, and the work does not begin until payment is received. A work-in process (WIP) job order (JO) number is created in the general ledger which collects the costs associated with the job. When the project is completed, Accounting reconciles the costs in the JO to the fee received, charging any difference (over or under) to income.

The Accounting also generates manual bills for emergency repair work and claims utilizing JOs. Costs are collected in the JO as the work is performed. When Accounting is notified that the job is complete, a bill is prepared and sent to the customer.

Customer Receivables

All bills are due and payable when rendered. It is the policy of the Authority to process all payments timely and accurately. Customers may mail their payments to the Authority's lockbox bank or directly to the Authority. They may also pay in person at the Authority using the designated drop box, or pay electronically utilizing PC banking, through the MCWA website, utilizing E-Z Pay online or phone, or direct debit.

Daily Deposit Procedures

All payments received at the Authority are processed in the Water Revenue Accounts Receivable area. Once all payments are processed, the bank deposit is prepared. The checks and cash are recorded on the bank deposit slip and placed in a zippered bank bag to be delivered by the Authority's messenger to the bank.

Collections

Collections are handled by Customer Service. It is the policy of the Authority that all bills are due and payable when rendered. In case any water bill or charges provided are not paid within twenty (20) days following the rendering of the bill, the ~~Authority may discontinue water services at its option~~account will be deemed delinquent and, if not paid within sixty (60) days after such bill has become delinquent, the Authority or its agents shall shut off the water service to the customer. Service will not be reestablished until such unpaid charges, together with the charge for restoration of service, are paid in full.

Collections Process

The Authority has four types of collection processes: the residential water usage, large commercial, final bills, and claims. It is the Authority's policy to charge a 10% late charge on all accounts past due.

Residential Water Usage

Residential water billing is generated quarterly. Collection Notices are generated as follows:

1st Notice	2 weeks after the due date
2nd Notice	2 weeks after the 1st notice
3rd Notice	Disconnect Notice, 2 weeks after the 2nd notice
	Issue door hanger or shut off 10 days after 3rd notice.

Large Commercial

Large commercial account billing is processed on a monthly basis. Collection for large commercial accounts is a manual process and handled on an individual basis.

Final Bills

The Authority does not differentiate between owners. If there is a past-due balance on the account at the time of a transfer, the balance remains on the account for the new owner, and a final bill is not issued. If the account is current at the time of the transfer, a final bill is issued. If that final bill is not paid, the amount is transferred to the previous owner's new account or any other account owned by the same customer. If the previous owner has moved outside of MCWA service area, a final notice is manually issued and if not paid within 14 days, the balance is reported to an outside collection agency.

Bankruptcy Notices

In the event a customer files bankruptcy, the Authority receives a notice and obtains a meter read, and Customer Services writes the balance off to bad debt. If the customer files for chapter 13 or chapter 11, the Authority submits a claim to the Bankruptcy Trustee for payment. If the bankruptcy is "dismissed", the Water Authority issues a letter to the debtor and transfers the debt back to the account for collection.

Water Service Shut Off

The Authority has the right to shut off service due to non-payment and for non-compliance.

Purchasing, Payables and Cash Disbursements

The Authority segregates the responsibility for purchasing and accounts payable into two areas, Purchasing and Accounts Payable. Purchasing is responsible for establishing and administering centralized purchasing services. Accounts Payable is responsible for processing invoices and issuing checks.

Purchasing

Refer to Purchasing/Procurement Guidelines.

Payables and Cash Disbursements

Vendor Master File

The Authority maintains a Vendor File for all vendors paid through Accounts Payable. The Authority will require a W9 to be on file for any new company receiving payment. Once the W9 is received, Accounts Payable will enter the company as a new vendor in the accounting system.

Invoice Processing

It is the Authority's policy to process all invoices timely and accurately. Invoices are matched to a receiving document and purchase order, or otherwise approved by management. The approved invoice is manually entered into the accounts payable system. Approved invoices are paid based on agreed upon terms, usually net 30 days. Discounts are taken where allowable.

Contractor Construction Projects

It is the Authority's policy to retain a certain percentage, usually 5%, of all contractor construction project expenses until the project is completed in full, or partially released at substantial completion.

Check Processing & ACH Payments

Payments to vendors are processed weekly by either issuing a check or initiating an ACH payment. F~~f~~or check payments, the Accounts Payable Clerk generates a Voucher report. Checks are printed by the IT department. The Accounts Payable Clerk prepares the checks for signing by another member of the Accounting department using the check signing machine. Checks are mailed at the end of the week. For ACH payments, the Accounts Payable Clerk sends the NACHA file to the bank electronically. Processed payments backup is reviewed by the Director of Finance & Business Services, or ~~his~~ designee. The original Vendor Payment Detail report is submitted to the Director of Finance & Business Services or designee for approval.

Credit Card Processing

The Authority has issued credit cards to various management/executive employees as outlined in the Purchasing and Procurement Guidelines ("Guidelines"). All purchases made through these credit cards are subject to the procurement thresholds outlined in the Guidelines as well as any terms and conditions outlined in the Travel and Reimbursement Policy ("Policy"). On a monthly basis the credit card bill is reconciled with the purchases made to ensure amounts are accurate and that all parties adhered to the Guidelines and the Policy. The Director of Finance & Business Services is responsible for making sure all transactions adhere to the Guidelines and Policy and shall have any purchases made specifically on behalf of the Director of Finance & Business Services approved by the Executive Director. The Executive Director shall have any purchases made specifically on behalf of the Executive Director reviewed and approved by the Director of Finance & Business Services and the Personnel Director.

Manual Checks

It is the Authority's policy to only print manual checks when absolutely necessary. A manual check must be approved by the Director of Finance & Business Services or designee. The Accounts Payable Clerk types the check and forwards it with backup to the Director of Finance & Business Services for signing, or if necessary, has another Accounting department employee sign it using the check signing machine.

1099's

The Accounts Payable Clerk prepares all necessary IRS forms 1099 after the close of the year.

Budgeting

The Director of Finance & Business Services or designee is responsible for preparing the annual budget, with input and assistance from Department Heads and Executive Director.

Operating Expense Budget

The Director of Finance & Business Services or designee prepares a draft department expense budget for Department Heads. The draft is sent to the Department Heads for review and changes. Changes are submitted back to the Director of Finance & Business Services or designee. A high-level four-year budget plan must be submitted each year through the NYS Authority Budget Office's on-line "PARIS" information system as required under the 2009 Public Authorities Reform Act.

Labor Budget

Salaries

Department Heads submit the changes to the Director of Personnel or designee for review. The Personnel department submits changes to the Director of Finance & Business Services or designee.

Benefits

The Director of Finance & Business Services or designee calculates fringe benefit rates based on anticipated amounts to be spent on personal insurance, NYS Retirement System, General Insurance, paid absence and other benefits.

Capital Budget

Department Heads submit capital project request forms to the Director of Finance & Business Services or designee. The capital budget is detailed by project and includes the current year budget and five to seven years of projections.

Budget Approval

The Director of Finance & Business Services or designee compiles all of the budget information. The Director of Finance & Business Services and/or designee, Department Heads and the Executive Director meet to review and discuss the completed budget. The budget package is submitted to the Board Members for approval.

Accounting

Accounting System

The Authority utilizes an internally developed General Ledger System maintained by the IT department. This system processes all General Ledger and Accounts Payable transactions.

Treasury Policy (Cash Management and Investments)

Investment Policy

The Authority has adopted a formal Annual Statement of Investment Policy which is reviewed annually.

Procedures and Internal Controls

The following procedures and internal controls are designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority.

The Director of Finance & Business Services and designated Finance/Accounting department personnel for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. The Authority has a matrix in place that establishes dollar limits for money management transactions.

Employees shall be instructed to report any allegation of fraud or financial improprieties to the Audit Committee or its members.

Qualified Banks and Securities Dealers

The Authority conducts business only with banks, agents and registered investment securities brokers and dealers. Each Broker/Dealer and Financial Institution must complete a Request For Information document each year as required under the Authority's investment guidelines.

Risk Tolerance

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

The Authority shall maintain records with respect to long term liabilities (i.e., leases and employee benefit plans).

Reporting

The Director of Finance & Business Services submits quarterly and annual investment reports to the Board Members and the Executive Director.

Bank Reconciliation

It is the policy of the Authority to complete an account reconciliation of all bank and investment accounts on a monthly basis. The reconciliations are reviewed by the Director of Finance & Business Services or designee.

Property, Plant and Equipment and Other Capital Assets

Property and equipment is defined as fixed assets purchased for use in the business with an estimated useful life in excess of one year. Property and equipment is stated at cost less accumulated depreciation. The Authority's policy is to capitalize all property and equipment purchased with a value in excess of $5,000.

New Purchases

The Project Manager submits a completed authorization form for a requested project to their Department Head, the Director of Finance & Business Services, and the Executive Director for approval.

Disposal/ Retirements

The Fixed Asset staff records all retirements. The Fixed Asset staff prepares a journal entry to adjust the general ledger original cost and accumulated depreciation accounts.

Depreciation and Amortization

It is the Authority's policy to record all capital assets using the straight line depreciation method. It is the Authority's policy to record an estimated depreciation expense monthly and reconcile depreciation general ledger accounts to the actual depreciation at the end of each year.

It is the Authority's policy to record monthly amortization on Capital Leases based on an estimate and to reconcile the general ledger amortization accounts at year-end.

Control of Property and Equipment

It is the Authority's policy to tag assets when practical, inventory all physical assets every five years, and dispose of any property in accordance with the Authority's Disposal Guidelines.

Financial Reporting

Month-End / Year-End Processing

Senior accounting staff is responsible for coordinating the month-end and year-end processing.

Financial Statement Processing:

Senior accounting staff is primarily responsible for generating the following Monthly Financial Statements:

a. General Ledger Balance Sheet
b. Summary of Department Expenses
c. Project Management Report
d. Statement of Revenues
e. Consolidated Balance Sheet
f. Detailed Statement of Revenues
g. Operating Departments Expense Report

The Director of Finance & Business Services or designee review Detailed Statement of Revenues for reasonableness and check key items.

Financial Statement Distribution

The Director of Finance & Business Services submits quarterly and annual financial statements to the Board Members and the Executive Director. Monthly statements are available through the General Ledger System.

Officers, employees, and the public have a right to a copy of the Authority's annual financial report.

DEFERRED COMPENSATION PLAN
FOR EMPLOYEES OF
MONROE COUNTY WATER AUTHORITY

Financial Statements and Required
Supplementary Information

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

DEFERRED COMPENSATION PLAN FOR EMPLOYEES
OF MONROE COUNTY WATER AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Deferred Compensation Committee of the
Deferred Compensation Plan for Employees of
Monroe County Water Authority:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Deferred Compensation Plan for Employees of Monroe County Water Authority (the Plan), an employee benefit plan, which comprise the statements of fiduciary net assets available for plan benefits as of December 31, 2022 and 2021, and the related statements of changes in fiduciary net assets available for plan benefits for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets available for plan benefits of the Deferred Compensation Plan for Employees of Monroe County Water Authority as of December 31, 2022 and 2021, and the changes in its fiduciary net assets available for plan benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Williamsville, New York
, 2023

DEFERRED COMPENSATION PLAN FOR EMPLOYEES
OF MONROE COUNTY WATER AUTHORITY

Management's Discussion and Analysis

December 31, 2022 and 2021

This section presents Management's Discussion and Analysis (MD&A) of the Deferred Compensation Plan for Employees of Monroe County Water Authority's (the Plan) financial position and performance for the fiscal years ended December 31, 2022 and 2021. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan during the fiscal years ended December 31, 2022 and 2021.

Financial Highlights

- The Plan's fiduciary net assets available for plan benefits are $27,260,702 and $31,980,099 at December 31, 2022 and 2021, respectively. The fiduciary net assets available for plan benefits represent participant contributions and net investment income.
- The Plan's fiduciary net assets available for plan benefits as of December 31, 2022 decreased by $4,719,397 or approximately 14.8% from the prior year.
- The Plan's fiduciary net assets available for plan benefits as of December 31, 2021 increased by $1,927,362 or approximately 6.4% from 2020.
- The Plan had investment loss of $3,765,864 for the year ended December 31, 2022 compared to investment income $3,548,463 for the year ended December 31, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which comprise the following:

- Statements of Fiduciary Net Assets Available for Plan Benefits
- Statements of Changes in Fiduciary Net Assets Available for Plan Benefits
- Notes to Financial Statements

Statements of Fiduciary Net Assets Available for Plan Benefits - These statements present information regarding the Plan's assets, liabilities and resulting net assets held in trust for Plan benefits. These statements reflect the Plan's investments and notes receivable from participants at December 31, 2022 and 2021.

Statements of Changes in Fiduciary Net Assets Available for Plan Benefits - These statements present how the Plan's net assets held in trust changed during the years ended December 31, 2022 and 2021. These statements present employee contributions along with net investment income (loss) during the years from individual participant-directed investing activities. Deductions for participant benefit payments and administrative expenses are also presented.

Notes to Financial Statements - The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to better understand the Plan's financial statements.

Condensed Financial Information

Net assets

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage
Assets:				
Investments:				
Mutual funds	$ 16,025,424	-	16,025,424	100.0%
Self-directed brokerage accounts	32,811	-	32,811	100.0%
General account	10,949,702	11,638,383	(688,681)	(5.9%)
Pooled separate accounts	-	20,122,896	(20,122,896)	(100.0%)
Total investments	27,007,937	31,761,279	(4,753,342)	(15.0%)
Notes receivable from participants	245,201	218,820	26,381	12.1%
Holding account	7,564	-	7,564	100.0%
Fiduciary net assets available for plan benefits	$ 27,260,702	31,980,099	(4,719,397)	(14.8%)

Change in net assets

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage
Fiduciary net assets available for plan benefits at beginning of year	$ 31,980,099	30,052,737	1,927,362	6.4%
Additions:				
Employee contributions	1,609,994	1,404,375	205,619	14.6%
Investment income (loss)	(3,765,864)	3,548,463	(7,314,327)	(206.1%)
Interest on notes receivable from participants	11,163	8,534	2,629	30.8%
Total additions (reductions)	(2,144,707)	4,961,372	(7,106,079)	(143.2%)

Description	2022	2021	Increase (decrease) Amount	Increase (decrease) Percentage
Deductions:				
Benefits paid to participants	$ 2,559,134	3,033,080	(473,946)	(15.6%)
Fees	15,556	930	14,626	1,572.7%
Total deductions	2,574,690	3,034,010	(459,320)	(15.1%)
Net change	(4,719,397)	1,927,362	(6,646,759)	(344.9%)
Fiduciary net assets available for plan benefits at end of year	$ 27,260,702	31,980,099	(4,719,397)	(14.8%)

Net assets

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage
Assets:				
Investments:				
Pooled separate accounts	$ 20,122,896	17,114,286	3,008,610	17.6%
General account	11,638,383	12,786,265	(1,147,882)	(9.0%)
Total investments	31,761,279	29,900,551	1,860,728	6.2%
Notes receivable from participants	218,820	152,186	66,634	43.8%
Fiduciary net assets available for plan benefits	$ 31,980,099	30,052,737	1,927,362	6.4%

Change in net assets

Description	2021	2020	Increase (decrease) Amount	Increase (decrease) Percentage
Fiduciary net assets available for plan benefits at beginning of year	$ 30,052,737	27,033,616	3,019,121	11.2%
Additions:				
Employee contributions	1,404,375	1,430,947	(26,572)	(1.9%)
Investment income	3,548,463	2,873,876	674,587	23.5%
Interest on notes receivable from participants	8,534	7,735	799	10.3%
Total additions	4,961,372	4,312,558	648,814	15.0%

			Increase (decrease)	
Description	2021	2020	Amount	Percentage
Deductions:				
Benefits paid to participants	3,033,080	1,292,749	1,740,331	134.6%
Fees	930	688	242	35.2%
Total deductions	3,034,010	1,293,437	1,740,573	134.6%
Net change	1,927,362	3,019,121	(1,091,759)	(36.2%)
Fiduciary net assets available for plan benefits at end of year	$ 31,980,099	30,052,737	1,927,362	6.4%

Investments

The Plan is participant-directed, which means that each Plan participant can decide how his or her contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value of the related investment funds.

Contributions and Distributions

The Plan received contributions of $1,609,994 during the year ended December 31, 2022 compared to $1,404,375 during the year ended December 31, 2021 and $1,430,947 during the year ended December 31, 2020.

The Plan had benefits paid to participants of $2,559,134 during the year ended December 31, 2022 compared to $3,033,080 during the year ended December 31, 2021 and $1,292,749 during the year ended December 31, 2020. There were 217 distributions to participants in 2022, versus 202 in 2021 and 259 in 2020.

Fiduciary Responsibilities

The Deferred Compensation Committee of the Deferred Compensation Plan for Employees of Monroe County Water Authority and the Plan administrator are co-fiduciaries of the Plan.

The Plan's assets can only be used for the exclusive benefit of the Plan's participants, beneficiaries and alternate payees.

Request for Information

This financial report is designed to provide a general overview of the Plan's finances. Questions concerning any of the information provided in this financial report or requests for additional information should be addressed to:

Monroe County Water Authority
475 Norris Drive
Rochester, New York 14610

DEFERRED COMPENSATION PLAN FOR EMPLOYEES
OF MONROE COUNTY WATER AUTHORITY

Statements of Fiduciary Net Assets Available for Plan Benefits

December 31, 2022 and 2021

	2022	2021
Investments:		
Investments, at fair value:		
Mutual funds	$ 16,025,424	-
Self-directed brokerage accounts	32,811	-
Pooled separate accounts	-	20,122,896
Total investments, at fair value	16,058,235	20,122,896
Investments, at contract value - investment contract	10,949,702	11,638,383
Total investments	27,007,937	31,761,279
Notes receivable from participants	245,201	218,820
Holding account	7,564	-
Fiduciary net assets available for plan benefits	$ 27,260,702	31,980,099

See accompanying notes to financial statements.

DEFERRED COMPENSATION PLAN FOR EMPLOYEES
OF MONROE COUNTY WATER AUTHORITY

Statements of Changes in Fiduciary Net Assets Available for Plan Benefits

Years ended December 31, 2022 and 2021

	2022	2021
Additions to fiduciary net assets attributed to:		
Employee contributions	$ 1,609,994	1,404,375
Investment income (loss)	(3,765,864)	3,548,463
Interest on notes receivable from participants	11,163	8,534
Total additions (reductions) to fiduciary net assets	(2,144,707)	4,961,372
Deductions from fiduciary net assets attributed to:		
Benefits paid to participants	(2,559,134)	(3,033,080)
Fees	(15,556)	(930)
Total deductions from fiduciary net assets	(2,574,690)	(3,034,010)
Net change	(4,719,397)	1,927,362
Fiduciary net assets available for plan benefits:		
Beginning of year	31,980,099	30,052,737
End of year	$ 27,260,702	31,980,099

See accompanying notes to financial statements.

(1) Description of Plan

The following description of the Deferred Compensation Plan for Employees of Monroe County Water Authority (the Plan) is provided for general informational purposes. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined contribution plan covering the employees of Monroe County Water Authority (the Authority). The Authority is a public benefit corporation and a discretely presented component unit of the County of Monroe, New York. The Plan is exempt from income taxes under Section 457(b) of the Internal Revenue Code (the Code). There were 246 and 249 plan participants as of December 31, 2022 and 2021, respectively.

(b) Administration

The Plan is administered by the Deferred Compensation Committee of the Authority. Empower Trust Company, LLC is the Trustee of the Plan. Empower Retirement, LLC maintains the Plan's investment contracts and provides certain administrative and recordkeeping services to the Plan.

(c) Eligibility

Employees are eligible to participate in the Plan upon commencement of employment with the Authority.

(d) Contributions

The Plan provides for tax-deferred employee contributions between a minimum contribution of $10 per pay period and a maximum contribution equal to the lessor of 100% of the participant's compensation for the plan year or the maximum amount permitted by Section 457(e)(15) of the Code which was $20,500 and $19,500 in 2022 and 2021, respectively.

In addition, the Plan contains certain "catch-up" provisions that allow participants to make additional contributions to the Plan for the three years prior to that participant's normal retirement age. Under these provisions, eligible participants were able to contribute up to $41,000 and $39,000 in 2022 and 2021, respectively.

Employees direct their contributions at their discretion. The Plan does not provide for employer contributions.

(e) Administrative Expenses

Empower Retirement reimburses the Plan Sponsor, the Authority, for administrative expenses up to $10,000 each year.

(1) Description of Plan, Continued

(f) Participant Accounts

Each participant account is credited with the participant contributions and investment earnings. Participant accounts are reduced by their withdrawals. Fees paid by the Plan are allocated as a reduction of the participant's account.

(g) Vesting

Participants are immediately vested in their account balances.

(h) Notes Receivable from Participants

Active employees may take loans against their account balances. Participants may have only one loan outstanding at a time and the loan may not exceed the lesser of 50% of their account balance or $50,000. Participant loans bear interest at the prime rate plus 1% at the time the loan is issued and are generally paid over a 60-month period. Loans for the acquisition of a principal residence may be repaid over a term of up to 15 years. Loans are considered to be in default if a participant fails to make a required loan repayment within 90 days following the due date for such repayment. These loans are administered by Empower Retirement.

(i) Benefit Payments

The Plan provides for benefit payment upon either the termination of employment or the attainment of the age of 72. Plan members may elect to receive a lump sum amount or payments in substantially equivalent monthly, quarterly or annual installments. The minimum periodic or lump sum distribution must be $100 per payment.

(j) Unforeseeable Emergency Withdrawals

The Plan allows for unforeseeable emergency withdrawals under certain circumstances in accordance with the regulations promulgated under Section 457 of the Code.

(k) Plan Termination

Although it has not expressed any intent to do so, the Authority may discontinue the Plan at any time subject to the provisions of Federal and New York State laws. In the event of Plan termination, the Authority shall not permit any further deferrals of compensation and all amounts previously deferred shall be payable to participants as provided by the Plan document.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board.

(2) Summary of Significant Accounting Policies, Continued

(b) Benefit Payments

Benefit payments are recorded when paid.

(c) Investment Valuation and Income Recognition

The Plan's investments are stated at fair value, except for the fully benefit-responsive investment contract, which are valued at contract value (note 4). Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 3 for a discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes both the Plan's gains and losses on investments bought and sold as well as held during the year.

The Plan invests in various types of investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

(d) Use of Estimates

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

(e) Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan agreement. The loans bear interest rates charged by local financial institutions for similar loans. Principal and interest is paid ratably through payroll deductions.

(f) Subsequent Events

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

(3) Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. 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 Plan 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 asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used at December 31, 2022 and 2021.

- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.
- Self-directed brokerage accounts - Invested in equity securities and money market accounts. Equity securities are valued at the closing prices reported in the active markets in which the individual securities are traded.
- Pooled separate accounts - Valued at the net asset value (NAV) of units held by the Plan at year end. The unit values are calculated based on the observable NAV of the underlying investments.

(3) Fair Value Measurements, Continued

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 16,025,424	-	-	16,025,424
Self-directed brokerage accounts	32,811	-	-	32,811
Total	$ 16,058,235	-	-	16,058,235

	2021			
	Level 1	Level 2	Level 3	Total
Pooled separate accounts	$ -	20,122,896	-	20,122,896

(4) Investment Contract with Insurance Company

The Plan has a fully benefit-responsive investment contract with Empower Retirement, LLC, who maintains participant contributions in a general account, amounting to $10,949,702 and $11,638,383 as of December 31, 2022 and 2021, respectively. The account is credited with actual earnings on the underlying investments and is charged for certain administrative expenses of the Plan. The contract provides a liquidity guarantee for liquidations, transfers or hardship withdrawals initiated by participants without incurring a settlement charge to remove their funds from the Plan. Therefore, the contract is considered fully benefit-responsive and is included in the financial statements at contract value as reported to the Plan by Empower Retirement, LLC. Contract value represents contributions made under contract, plus investment earnings or losses, less benefit payments and administrative expenses. Therefore, no adjustment to contract value from fair value for fully benefit-responsive investment contracts is presented on the statements of fiduciary net assets available for plan benefits at either the year ended December 31, 2022 or 2021. The declared interest rate as of December 31, 2022 and 2021 was 2.0%.

The Plan's ability to receive amounts due is dependent on the issuers ability to meet its financial obligations. The issuer's ability to meet its contractual obligations may be affected by future economic and regulatory developments.

(4) Investment Contract with Insurance Company, Continued

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial Plan termination, or merger with another plan); (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions; (3) bankruptcy of the Plan sponsor or other Plan sponsor events that cause a significant withdrawal from the Plan; (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA; or (5) premature termination of the contract. The Plan administrator does not believe that any events which would limit the Plan's ability to transact at contract value with participants are probable of occurring.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Such events include (1) an uncured violation of the Plan's investment guidelines, (2) a breach of material obligation under the contract, (3) a material misrepresentation, and (4) a material amendment to the agreement without the consent of the issuer.

(5) Income Tax Status

The Plan obtained its latest determination letter on September 15, 2011, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code.

(6) Related Party Transactions

Certain Plan assets consist of notes receivable from participants which amounted to $245,201 and $218,820 at December 31, 2022 and 2021, respectively.