

Agenda

AUDIT AND FINANCE COMMITTEE MEETING

March 8, 2023 at 8:00 a.m.

Watershed Education Center (Vitale Park)

Lakeville, NY 14480

- 1. Review and Discussion of 2022 Draft Financial Statements**

March 8, 2023

To the Board Members of
Livingston County Water and Sewer Authority

We have audited the financial statements of the Livingston County Water and Sewer Authority (the Authority) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2022. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements.

As discussed in the footnotes to the financial statements, the Authority adopted GASB Statement No. 87, Leases.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- ***The net pension asset and related deferred inflows/outflows of resources, which are based on actuarial assumptions utilized by an actuary applied to the pension plan's census information.***
- ***The Total Other Postemployment Benefits liability, which is based on an actuarial valuation and is significant in the Authority's financial statements.***

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The disclosure of the Authority's pension plan in the footnotes describes the plan and the related pension asset or liability along with the deferred inflows/outflows of resources that are recognized.

The disclosure of the Authority's Total Other Postemployment Benefit liability along with any deferred inflows/outflows of resources describes the obligation to the Authority at year end.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The misstatements identified in our audit, and corrected by management, are displayed on Exhibit A.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated the same date as our Independent Auditor's Report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Total Other Postemployment Benefit Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability (Asset), and the Schedule of Contributions - Pension Plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Revenue, Expenses, and Change in Net Position and Schedule of Operating Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Exhibit A

Summary of Adjustments
For the Year Ended December 31, 2022

Change in net position - unaudited	<u>\$ (481,621)</u>
Audit adjustments:	
To roll net position	478
To adjust retirement contributions accrual	35,409
To adjust net pension asset	2,000
To adjust interest expense	(6,256)
To adjust amortization expense due to GASB 87 implementation	2,125
To adjust lease liability and accrued interest under GASB 87	<u>(5,268)</u>
Total audit adjustments	<u>28,488</u>
Client adjustment:	
To adjust grant revenue	46,838
To adjust accrual for water and sewer retail fees and sewer debt related fees based on actual billing	29,493
To adjust expenses	<u>60</u>
Total client adjustments	<u>76,391</u>
Change in net position - audited	<u><u>\$ (376,742)</u></u>

**LIVINGSTON COUNTY WATER AND
SEWER AUTHORITY**
(A Discretely Presented Component Unit of
the County of Livingston, New York)

**Financial Statements As of
December 31, 2022
Together With Independent
Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

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INDEPENDENT AUDITOR'S REPORT

MONTH XX, 2023

To the Board of Directors of the
Livingston County Water and Sewer Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Livingston County Water and Sewer Authority (the Authority), a New York Public Benefit Corporation and discretely presented component unit of the County of Livingston, New York, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2022, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management For the Financial Statements

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

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

Auditor's Responsibilities For the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability (asset), schedule of contributions - pension plans, and schedule of changes in total OPEB liability and related ratios 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of revenues, expenses and changes in net position and schedule of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue, expenses and change in net position and schedule of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **Month XX, 2023** 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.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

Introduction

The Livingston County Water and Sewer Authority (the Authority) is a public benefit corporation formed in 1995, created by legislation passed by the State of New York. Livingston County's (the County) Board of Supervisors appoints the volunteer members who comprise the Authority's Board. The NYS Authority Budget Office provides oversight of operations and practices of all public authorities in New York. The Authority also is required to meet the requirements of Federal, State, and County water pollution control and safe drinking water laws, thereby helping to protect the health of citizens, improving drinking water quality, and protecting the environment.

The Authority functions with required fair bidding laws, prevailing wage rates and financial safeguards. It is required to report as an Enterprise Fund similar to private business. Financial statements are prepared on the accrual basis in accordance with Generally Accepted Accounting Principles set forth by the Government Accounting Standards Board (GASB). Within these principles, revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid. The Authority is self-supporting and does not receive Federal, State or County appropriations for operating expenses or issuance of debt.

The Authority leased most of its workforce from the County's Public Works Department through December 31, 2018. Up until this time, employee related services, such as payroll, personnel, etc. were provided by the County. The County then billed the Authority annually for a share of the related indirect expenses. Payroll and health care costs were reimbursed monthly by the Authority. Beginning January 1, 2019, the Authority began employing these individuals directly and is no longer utilizing the County Department of Public Works.

The Authority has an overall staff of 18 full-time employees, which includes: One (1) Executive Director (who is the Chief Executive Officer and Chief Fiscal Officer of the Authority), One (1) Director of Operations, One (1) Deputy Director, One (1) Principal Account Clerk, Four (4) Office Staff, Seven (7) Water/Wastewater Maintenance Persons, and One (1) Building Maintenance Person, Two (2) Senior Wastewater Treatment Plant Operators.

The discussion and analysis of the Authority's financial performance provides highlights of the Authority's major activities that had an effect on the operations of the Authority for the fiscal year ended December 31, 2022 with comparative data for 2021. This report should be used and considered in conjunction with the 2022 audited financial statements, which follows this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Authority as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

These two statements report the Authority's net position and changes in them from one year to the next. The Authority's net position, the difference between assets and liabilities, is one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Authority's operating revenue and the fluctuation of the Authority's expenses, to assess the overall health of the Authority.

Financial Highlights

- Net Position decreased from 2021 by \$376,742, resulting in total 2022 net position of \$31,130,931. This was also the result of a prior period adjustment related to the implementation of GASB 87, *Leases*, which reduced opening net position by \$92,495.
- 2022 Operating Revenues increased over 2021 by \$369,966, or 9.6%.
- 2022 Operating Expenses increased over 2021 by \$529,077, or 11.5%.

The remainder of this report contains a series of financial information and tables disclosing the basis for the above financial highlights and the operations of the Authority.

NOTES TO FINANCIAL STATEMENTS

The financial statements also include notes that explain the information in the financial statements. They are essential to a full understanding of the data provided in the financial statements.

STATEMENTS OF NET POSITION

The condensed Statements of Net Position that follow provides information about the nature and amounts of resources (assets) and the obligations to the Authority's creditors (liabilities). The difference between the assets and liabilities is reported as net position. The following is a summary of the Authority's net position as of December 31 (in thousands):

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

Table 1 - Summary Statements of Net Position (in thousands)

	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$ 4,384	\$ 5,399
Capital assets, net	<u>41,979</u>	<u>38,138</u>
Total assets	<u>46,363</u>	<u>43,537</u>
Deferred outflows of resources	<u>905</u>	<u>1,160</u>
Liabilities:		
Current liabilities	3,285	2,032
Long-term liabilities	<u>12,159</u>	<u>10,301</u>
Total liabilities	<u>15,444</u>	<u>12,333</u>
Deferred inflows of resources	<u>694</u>	<u>764</u>
Net Position:		
Net investment in capital assets	29,046	29,705
Restricted	375	119
Unrestricted	<u>1,709</u>	<u>1,776</u>
Total net position	<u>\$ 31,130</u>	<u>\$ 31,600</u>

Current and other assets reflect the value of all cash accounts, accounts receivable, inventory, capital contribution receivables, prepaid expenses and funds held for others. These funds are the total customer payments and other operating deposits less the Authority's operating and repair expense payments. The balance of current and other assets decreased approximately \$1,015,000 from 2021 to 2022. This decrease is mainly related to a decrease in amounts due from New York State of approximately \$1,059,000, which was related to the NYS EFC grant funding earned in 2021.

Total liabilities show the total funds the Authority borrowed to improve infrastructure either with debt or other current year payables, as well as liabilities related to future retirement benefits of Authority employees. Total liabilities increased approximately \$3,094,000 from 2021 to 2022. This was the result of an increase in short-term and long-term debt of approximately \$3.7 million as the Authority drew down on the EFC loan, completing work on the Waste Water Treatment Plant project.

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Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Net position changes as a result of operating activities over a period of one year (revenues earned, and expenses incurred). The following Statements of Revenue, Expenses, and Change in Net Position provide information on the Authority's operations for the years ended December 31 (in thousands):

Table 2 - Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	Sewer		Water	
	2022	2021	2022	2021
Operating revenue:				
Service fees	\$ 2,012	\$ 1,878	\$ 1,931	\$ 1,652
O&M service fees	15	15	-	85
Permit fees	44	34	78	107
Other income	33	37	113	47
Total operating revenues	<u>2,104</u>	<u>1,964</u>	<u>2,122</u>	<u>1,891</u>
Operating expenses:				
Wages, salaries, and benefits	997	755	645	587
Professional services	213	-	141	-
Utilities	232	277	133	128
Vehicle expense	-	177	22	132
Purchased water and sewer	63	88	578	123
Equipment maintenance	42	16	32	16
Building maintenance	334	63	298	580
Other	33	161	40	127
Easements and Judgements	-	854	-	444
Depreciation	872	28	437	27
Total operating expenses	<u>2,786</u>	<u>2,419</u>	<u>2,326</u>	<u>2,164</u>
Total operating income (loss)	<u>(682)</u>	<u>(455)</u>	<u>(204)</u>	<u>(273)</u>
Non-operating revenue (expense):				
Developers and customers	-	-	260	21
Interest revenue	11	4	27	24
Interest expense	(47)	(64)	(5)	-
Gain (loss) on sale of assets	-	(32)	-	90
Grant revenue	281	556	(8)	1,500
Debt fees	(9)	-	-	-
Total non-operating revenue (expense)	<u>236</u>	<u>464</u>	<u>274</u>	<u>1,635</u>
Change in net position	<u>\$ (446)</u>	<u>\$ 9</u>	<u>\$ 70</u>	<u>\$ 1,362</u>

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
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Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

The Statements of Revenues, Expenses, and Changes in Net Position (Table 2) show a total decrease in net position in 2022 of approximately \$376,000 and an increase of approximately \$1,371,000 in 2021. Operating revenue is income earned by the Authority from normal operations. Total operating revenue increased approximately \$371,000 in 2022 from 2021.

Non-operating revenue decreased approximately \$1,589,000 in 2022 compared to 2021. Approximately \$1,500,000 of this decrease was related to Water Infrastructure Improvement Act (WIIA) grant funding earned during 2021. In 2022, more of the project spending was funded by the loan portion of the agreements with NYS EFC rather than through grants.

Operating expense reflects the expenses incurred by the Authority during the execution of normal operating procedures. These normal operating costs include: personnel, professional, utilities, vehicle, equipment, building, permit, supply, and depreciation on capital assets. The Authority has Administrative, Treatment and Transmission/Collection Departments. The workforce performs work for both the water and sewer areas. All direct costs are applied directly to the applicable water/sewer service area. All indirect costs (costs applicable to both water and sewer, such as administrative salaries) are applied according to the number of service units within each service area. Operating expenses increased approximately \$529,000, in 2022 from 2021.

Table 3 - Capital Assets at Year End (in thousands)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Land	\$ 150	\$ 150
Construction work-in-progress	1,457	5,039
Leased right-to-use assets	259	259
Buildings	5,702	5,702
Water distribution system	20,709	16,855
Sewer collection system	30,137	25,367
Machinery and equipment	4,859	4,663
Leasehold improvements	871	871
Less: Accumulated depreciation and amortization	<u>(22,165)</u>	<u>(20,855)</u>
Total capital assets, net	<u>\$ 41,979</u>	<u>\$ 38,051</u>

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
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Management’s Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

As shown in Table 3 above, the Authority's capital assets increased approximately \$3,928,000 in 2022. This is the result of various upgrade projects in work in progress. These increases were offset by depreciation expense.

Table 4 - Long-Term Debt Outstanding at Year End (in thousands)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Sewer Installment Bond	\$ 1,880	\$ 1,970
Drinking Water Installment Bond (2011)	571	603
Clean Water Installment Bond	970	1,005
Drinking Water Installment Bond (2023)	<u>6,686</u>	<u>-</u>
Total bonds payable	<u>\$ 10,107</u>	<u>\$ 3,578</u>

As of December 31, 2022, the Authority had \$10,107,000 in outstanding bonds payable. In 2008, the Authority entered into a Trust Indenture under which debt is issued. The Authority covenants in its indenture that it will establish water and sewer rates sufficient to cover the sum of: (1) 105% times debt service, (2) operating revenues exceed operating expenses as defined by the covenant, and (3) any additional amounts required to restore the debt service reserve fund to the debt service reserve requirement. As of December 31, 2022 and 2021, there were no covenant violations with any outstanding debt issues for the Authority.

On July 21, 2021, the Authority and the Village of Livonia (the Village) entered into an agreement in which the Village leases its water distribution system to the Authority so that the Authority can operate and maintain such improvements and provide water delivery services for the benefit of Village residents. The Authority implemented GASB 87, Leases, in the current year, which restated the beginning balance of the right-to-use asset and lease liability associated with this lease, as well as beginning net position. The Authority's lease liability as of December 31, 2022 was approximately \$223,000.

FUTURE FACTORS

Leicester/York Regional Water Supply Expansion Project

The project is intended to achieve the County’s interest in providing enhanced public drinking water infrastructure for the Towns of Leicester and York, as well as supporting regional interests of providing greater access to affordable safe drinking water for all participating municipalities. The Authority has received \$5M from the WIIA program as well as qualifying for hardship financing. 2023 will include finalizing and gaining consensus on the preferred distribution and water supply sources along with municipal partner commitment. *Following municipal partner commitment, preliminary and final design can begin. (Ongoing).*

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Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

Countywide Water System Improvements

Include Countywide improvements: Disinfection system upgrades, THM tank removal systems, installation of new water meters for LCWSA customers throughout the consolidated water district, distribution improvements to the Pine Tree and Lake Forest Mobile Parks water systems, Stone Hill service transfers and Conesus Outlet Re-Connection. Total project cost for this work is \$3.25M. *Success: Completion of all aspects of this project on-time and within budget. (December 2023).*

SCADA System Wide Improvements – Phase 1

Project includes designing SCADA system improvements and bidding work for competitive pricing. Once design is completed and cost estimates provided, decision can be made regarding phased implementation approach. First phase of construction estimated \$1.5M. *Success: SCADA analysis and final design complete. (June 2023).*

Lakeville WWTP Upgrades – Phase 2

Phase 2 started June 2021 and is expected to end spring 2023. This is a \$5.5M project which includes upgrades to the Lakeville WWTP, including the construction of a UV treatment building and covered sludge storage building. *Success: Completion of project within revised timeline and within budget. Additional items to consider, painting of sludge storage tank and digester cover inspection depending on funding availability. (May 2023).*

I/I Study – Phase 3

Project includes smoke testing and manhole inspections for sewer collection system around Conesus Lake. Will involve resident communications and inspections of properties and possible notice of violations for illegal connections. Final report will involve testing results and recommended capital improvements. *Success: Completion of project on-time and within budget. (September 2023).*

Lakeville Wastewater Treatment Plant Phosphorus Removal

The Authority has been awarded \$198,055 through the DEC QWIP (Quality Water Improvement Program) to install year-round phosphorus removal at the Lakeville wastewater treatment facility. This project will reduce the amount of phosphorus entering the Genesee River. Total project estimated \$390,000; local share \$192,000. *Success: Design, bid and build project by the end of 2023. (December 2023).*

Groveland Wastewater Treatment Plant Disinfection Project

The Authority has been awarded \$367,576 through the DEC QWIP (Quality Water Improvement Program) to install ultraviolet effluent disinfection at the Groveland Station Wastewater Treatment Facility. This project will improve water quality by reducing pathogens in the treatment plant's discharge. Total project estimated \$680,000; local share \$312,500. *Success: Design, bid and build project. Design (May 2022), Construction starts (May 2023) and Operational (May 2024).*

Conesus Lake Pump Station Improvements Project

The Authority has been awarded \$1.75M through the WIIA program to replace 26 pump stations around Conesus Lake and make needed SCADA upgrades. Total project cost is estimated to be \$5M. The Authority has received a \$1.75M grant provided by the NYS Environmental Facilities Corporation WIIA program and a 30-year \$3.75M low interest loan to complete the project. *Success: Design, bid and build project by the end of 2025. (December 2025).*

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

Improve Financial and Capital Planning

Review current budget worksheet and spreadsheet processes and improve budget development and documents. Incorporate more long-term financial planning and rate structure projections along with capital planning and debt management strategy. Asset Management Program should also include Equipment Replacement Program (ERP). *Success: Update budget document, prepare ERP and develop debt management strategy for presentation with 2024 budget. (September 2023).*

Policy Review & Update

Review current policies and make recommendations to Authority Board for policy changes consistent with Authority practices and direction. Utilize Governance Committee for review process. *Success: Put internal team together to review policies. Priority will be procurement and design standard policies. (Ongoing).*

Greater Tompkins County Municipal Health Insurance Consortium

The Health Consortium launched in 2009 in Tompkins County includes sixteen contiguous counties in upstate NY with 53 municipal partners. The goal of the Health Consortium is to provide competitive health insurance premiums to its members. The Health Consortium has a NYS Insurance Article 47 certificate and operates with state oversight to ensure financial stability. In 2022 the Municipal Cooperative Agreement was amended to include Madison and Livingston Counties. The New York State Department of Financial Services is currently reviewing the request to amend the Certificate of Coverage. If expanded, the Authority would have the ability to apply for membership. Savings Estimate: \$40,000 annually, based on current Authority health insurance costs. *Success: Acceptance into the Consortium to achieve a reduction in healthcare costs with same coverage for 2024. (December 2024).*

Complete Income Survey

Current income data published in the American Community Survey's five-year estimates determining Median Household Income in the Lakeville sewer system is not reflective of the population in the service. As a result, the Board has approved an income survey of the Lakeville service area with the intent that the results of the survey would be used by EFC for determining hardship financing and additional subsidy eligibility, as well as qualifying for Community Development Block Grant ("CDBG") program funding. This would allow survey results to be used not only for future sewer projects but also water projects within that same service. *Success: Completion of the income survey in time for incorporation to CFA and EFC applications. (May 2023).*

Develop Water Loss Management Strategy

Currently LCWSA has limited tracking and systems in place to monitor water loss. Researching industry best practices will help develop a more comprehensive water loss management strategy to reduce the amount of revenue lost and identify infrastructure weaknesses. *Success: Review industry best practices and establish a water loss strategy for tracking water loss and making improvements to LCWSA water systems. (December 2023).*

Space Needs Assessment

The current administration building was originally built as a chemical storage building. It was retrofitted over 25 years ago to accommodate LCWSA office staff. With the addition of administrative staff in 2022, office and shop space needs to be evaluated to consider future growth. This assessment will evaluate current and future space needs based on prospective growth. *Success: Completion of Space Needs Assessment. Develop strategy to fund long-term office and facility needs. (September 2023).*

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2022

Develop an Infiltration & Inflow (I/I) Program

As required NYS DEC consent order, LCWSA will need to create an I/I program. Over the next year LCWSA will need to re-establish residential and commercial inspections and put forth a corrective action plan for non-compliant property owners. Lastly a long-term and sustainable strategy needs to be developed for monitoring I/I. *Establish procedures for system inspections, property inspections and compliance follow up. Develop a process for monitoring sewer flow levels throughout the system before and after recommendations are implemented. (October 2023).*

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Executive Director, LCWSA, P.O. Box 396, Lakeville, New York, 14480; or call 585-346-3523.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Statements of Net Position
December 31, 2022

	<u>2022</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,035,301
Accounts receivable	1,113,036
Current portion of capital contributions receivable	57,289
Inventory	9,774
Prepaid expenses	158,995
Funds held for others	<u>42,300</u>
Total current assets	<u>3,416,695</u>
NONCURRENT ASSETS:	
Restricted cash	11,298
Funds held by trustee	364,072
Net pension asset	175,240
Capital contributions receivable, net of current portion	416,817
Capital assets, nondepreciable	1,607,698
Capital assets, net	<u>40,371,272</u>
Total noncurrent assets	<u>42,946,397</u>
Total assets	<u>46,363,092</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	501,901
Total other postemployment benefits related	<u>403,469</u>
Total deferred outflows of resources	<u>905,370</u>
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	1,112,704
Current portion of bonds payable	416,805
Current portion of lease liability	35,226
Accrued interest	7,972
Other current liabilities	54,640
Funds held for others	42,300
Bond anticipation note payable	<u>1,615,438</u>
Total current liabilities	<u>3,285,085</u>

(Continued)

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Statements of Net Position
December 31, 2022

	<u>2022</u>
NONCURRENT LIABILITIES:	
Bonds payable, net of current portion	9,690,661
Lease liability, net of current portion	187,771
Compensated absences	56,622
Total other postemployment benefits liability	<u>2,222,978</u>
Total noncurrent liabilities	<u>12,158,032</u>
Total liabilities	<u>15,443,117</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	604,288
Total other postemployment benefits related	<u>90,126</u>
Total deferred inflows of resources	<u>694,414</u>
NET POSITION	
Net investment in capital assets	29,046,173
Restricted	375,370
Unrestricted	<u>1,709,388</u>
Total net position	<u>\$ 31,130,931</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022

	<u>2022</u>
OPERATING REVENUE:	
Service fees	\$ 3,941,575
Operation and maintenance service fees	15,000
Permit fees	122,422
Other income	145,775
Total operating revenue	<u>4,224,772</u>
OPERATING EXPENSES:	
Wages, salaries, and benefits	1,642,075
Professional services	353,711
Utilities	364,586
Vehicle expense	21,830
Purchased water and sewer	641,743
Equipment maintenance	74,646
Building maintenance	631,486
Other	72,238
Depreciation and amortization	1,309,769
Total operating expenses	<u>5,112,084</u>
Total operating income (loss)	<u>(887,312)</u>
NON-OPERATING REVENUE (EXPENSE):	
Interest revenue	38,839
Interest expense	(52,702)
Gain on sale of capital assets	-
Grant revenue	273,369
Debt issuance costs	(8,936)
Total non-operating revenue (expense)	<u>250,570</u>
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(636,742)</u>
CAPITAL CONTRIBUTIONS:	
Contributed funds from Livingston County	260,000
Total capital contributions	<u>260,000</u>
CHANGE IN NET POSITION	<u>(376,742)</u>
NET POSITION - beginning of year, as previously reported	31,600,168
PRIOR PERIOD ADJUSTMENT (See Note 16)	<u>(92,495)</u>
NET POSITION- beginning of year, as restated	<u>31,507,673</u>
NET POSITION - end of year	<u>\$ 31,130,931</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Statements of Cash Flows
For the Year Ended December 31, 2022

	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:	
Revenues -	
Receipts from service fees	\$ 3,749,315
Receipts from permit fees	122,422
Service fees collected for other governments	674,463
Other operating receipts	145,775
Expenses -	
Payments to vendors and suppliers for goods and services	(3,696,778)
Payments to employees for wages and benefits	(1,470,424)
Service fees remitted to other governments	<u>(674,463)</u>
Net cash flow from operating activities	<u>(1,149,690)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(4,258,645)
Proceeds on disposal of capital assets	-
Cash received for capital contributions	316,412
Grants received for capital assets	1,332,721
Proceeds from bond anticipation note payable	3,770,370
Withdrawals from (deposits into) funds held with trustee	(256,723)
Principal payments made on bond anticipation note	(70,000)
Repayments of bond payable	(156,725)
Interest on capital debt	(65,706)
Lease principal and interest payments made	(36,312)
Debt issuance costs	<u>(8,936)</u>
Net cash flow from capital and related financing activities	<u>566,456</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest received	<u>38,839</u>
Net cash flow from investing activities	<u>38,839</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(544,395)
CASH AND CASH EQUIVALENTS - beginning of year	<u>2,590,994</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 2,046,599</u></u>
CLASSIFIED AS:	
Cash and cash equivalents	\$ 2,035,301
Restricted cash and cash equivalents	<u>11,298</u>
Total cash and cash equivalents	<u><u>\$ 2,046,599</u></u>

(Continued)

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Statements of Cash Flows
For the Year Ended December 31, 2022

	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (887,312)
Adjustments to reconcile operating loss to net cash flow from operating activities:	
Depreciation and amortization	1,309,769
Change in:	
Accounts receivable	(207,260)
Inventory	32,101
Prepaid expenses	(31,671)
Accounts payable	(1,536,968)
Compensated absences	19,227
Pension items - ERS	(41,116)
Other postemployment benefit items	176,645
Other current liabilities	<u>16,895</u>
Net cash flow from operating activities	<u>\$ (1,149,690)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY:	
Capital assets purchased but not yet paid in cash	\$ 978,924
Bond anticipation note converted to bond payable	<u>6,686,416</u>
Total non-cash capital and related financing activity	<u>\$ 7,665,340</u>

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

1. ORGANIZATION AND REPORTING ENTITY

The Livingston County Water and Sewer Authority (the Authority) 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 water and sewage facilities for the benefit of the residents of the County of Livingston, New York (the County).

The Authority was created by special New York State legislation on July 26, 1995 and commenced operations with the appointment of its officers on August 23, 1995 and September 13, 1995.

Members of the Authority's governing board are appointed by the County's Board of Supervisors; however, the Board of Supervisors exercises no oversight responsibility for management of the Authority, or accountability for fiscal matters. The County is not liable for any Authority indebtedness. The Authority is considered a component unit of the County and is included as such within the County's basic financial statements as a discretely presented component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

GASB requires the classification of net position into three components, as defined below:

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

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

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

Cash and Cash Equivalents

The Authority's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value.

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing and; therefore, any remaining proceeds are restricted. Also, certain assets were restricted to fund development and repairs associated with specific service areas.

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

Accounts Receivable

Accounts receivable consist of fees for services for sewer and water charges due from individuals and other governments. Accounts receivable are carried on the statement of net position 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 to 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.

Due From Other Governments

Due from other governments consists of amounts due from various local governments related to services provided by the Authority. Management expects this amounts to be fully collectible.

Capital Contributions Receivable

Capital contributions receivable represents contractual agreements with a village and two farms to repay the Authority for capital improvements that were made to system infrastructure to benefit the village's water system, and to provide additional system capacity to meet the farms' anticipated water demands. In addition, interest is charged by the Authority for amounts expended during project completion at rates equivalent to borrowings incurred by the Authority during that time and are recorded as interest income in the accompanying statement of revenues, expenses and changes in net position.

Inventory

Inventory of meters and supplies is stated at the lower of cost determined on the first-in, first-out method or market.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

Capital Assets

Capital assets, including distribution/collection systems, are stated at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

Machinery and equipment	5 - 10 years
Buildings	20 - 40 years
Water distribution system	30 - 50 years
Sewer collection system	20 - 50 years
Leasehold improvements	40 years

Improvements, renewals and significant repairs that do not extend the life of the asset are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation are written off and any related gains or losses are recorded. Capital assets also include leased right-to-use assets with a term greater than one year. The Authority does not implement a capitalization threshold for leased assets. Leased assets are amortized on a straight-line basis over the term of the lease.

Capital assets also include leased assets with a term greater than one year. The Authority does not implement a capitalization threshold for leased assets. Leased assets are amortized on a straight-line basis over the term of the lease.

Funds Held by Trustee

Funds held by M&T Bank (the Trustee) consist of fixed income United States Government securities. The Authority reports these items at reported values by the trustee. In 2022, this represents debt service funds required under the debt service reserve requirement.

Revenue Recognition

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

Capital Contributions

Capital contributions represent amounts that developers, customers and governments have contributed for betterments or additions to capital assets. These contributions are received in cash or in the form of non-cash contributions of capital items and are recorded at market value on the date of donation.

Operating and Non-Operating Revenues and Expenses

Operating revenue consists of water and sewer service fees and other related revenue. The Authority defines non-operating revenue as grant revenues, interest earnings on investment assets, and gains or losses on the sales of assets. Non-operating expenses consist of interest expense.

Unearned Revenue

Unearned revenue also arises when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Authority has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

Compensated Absences

Authority employees earn vacation time based on length of employment and employee contracts. Upon termination, employees are paid full value for any accrued unused vacation time. The Authority records this as a long-term liability.

Total Other Postemployment Benefits

The Authority administers a single-employer defined benefit Other Postemployment Benefit (OPEB) Plan (the Plan). The only employees eligible for the health care benefits through the Plan are the four employees previously employed by the County who were transferred to the Authority without a break in service on January 1, 2019. Those County employees who worked for the Authority but retired prior to the employee lease termination with the County will receive retiree health care benefits through the County, but these costs will be reimbursed by the Authority. Employees hired by the Authority after January 1, 2019 are not eligible for retiree health insurance. The total other postemployment benefit liability is actuarially determined and presented as a long-term liability.

Pensions

The Authority participates in the New York State Employees' Retirement System.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Income Taxes

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.

Budget

The Authority is not required to have a legally adopted budget. However, under the New York State Public Authorities Law, the Authority board must approve and issue a budget on an annual basis representing the Authority's objectives and priorities for the year.

Estimates

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

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

3. DEPOSITS WITH FINANCIAL INSTITUTIONS

The guidelines established by the Authority permit the investment of funds held by 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.

The Authority's investment policy requires its deposits and investments 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 interest rate risk, credit risk and custodial credit risk (as defined below):

- Interest rate risk
Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Credit risk
The Authority's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Authority's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:
 - o Interest bearing demand accounts.
 - o Certificates of deposit.
 - o Obligations of the United States Treasury and United States agencies.
 - o Obligations of New York State and its localities.
- Custodial credit risk
Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Authority's investment and deposit policy, all deposits of the Authority including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The Authority's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:
 - o Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
 - o Obligations issued or fully insured or guaranteed by New York State and its localities.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority did not have any investments that are measured using Level 2 or Level 3 inputs.

Fair value measurements of the Authority's investments at December 31, 2022 were comprised of U.S. Treasury Bonds valued at \$90,277 based on quoted market prices (Level 1 inputs). On the Statements of Net Position, these investments are included in funds held with trustee.

At December 31, 2022, cash and cash equivalents and restricted cash held by the Authority in financial institutions (not including funds held for others or funds held by trustee) were \$2,320,394. At December 31, 2022, cash and cash equivalents and restricted cash consisted of bank demand deposit and money market accounts, which are not subject to investment risk relating to changing interest rates. The Authority's deposits and investments are required to be collateralized in the event of loss due to the failure of the issuer or counterparty to its investments.

At December 31, 2022, the reported amount of the Authority's deposits, including funds held for others, was \$2,088,899 and the bank balance was \$2,154,044. Of the bank balance, \$250,000 was covered by federal depository insurance, with the remaining amount covered by collateral held in the pledging bank's trust department in the Authority's name.

4. RESTRICTED CASH

The Authority's cash is restricted for the following purposes as of December 31:

	<u>2022</u>
Capital development and repairs	<u>\$ 11,298</u>

5. FUNDS HELD BY TRUSTEE

Funds held by trustee refers to cash held by a third party for the benefit of the Authority. The funds held by trustee are not subject to the Authority's Investment and Deposit Policy or collateralization requirements. As of December 31, 2022, this amount was \$364,072. In 2022, the funds held by trustee were for debt service required by the Authority's Trust Indenture. As mentioned in footnote 3, the debt service funds held by trustee include U.S. Treasury Bonds which are stated at market value. The remaining balance in funds held with trustee is comprised of cash and cash equivalents.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

6. ACCOUNTS RECEIVABLE

The Authority's accounts receivable as of December 31 are as follows:

	<u>2022</u>
Accounts receivable:	
Water and sewer service fees	\$ 777,644
Due from local governments	<u>335,392</u>
	<u>\$ 1,113,036</u>

7. CAPITAL CONTRIBUTIONS RECEIVABLE

Capital contributions receivable at December 31 are as follows:

	<u>2022</u>
Village of Geneseo	\$ 200,166
Sparta Farms, LP	136,971
Dairy Knoll Farms, LLC	<u>136,969</u>
	<u>\$ 474,106</u>

Future scheduled principal payments of capital contributions are as follows at December 31:

2023	\$ 57,289
2024	59,779
2025	62,383
2026	65,096
2027	24,075
2028-2032	81,482
2033-2037	96,996
2038-2041	<u>27,006</u>
	<u>\$ 474,106</u>

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

8. CAPITAL ASSETS

The Authority's capital assets for 2022 are as follows:

	Balance January 1 (Restated)	Increases	Transfers	Decreases	Balance December 31
Land	\$ 150,285	\$ -	\$ -	\$ -	\$ 150,285
Construction work-in-progress	5,038,373	5,042,302	(8,623,262)	-	1,457,413
Total non-depreciable assets	5,188,658	5,042,302	(8,623,262)	-	1,607,698
Buildings	5,701,696	-	-	-	5,701,696
Water distribution system	16,854,599	-	3,854,060	-	20,708,659
Sewer collection system	25,366,844	-	4,769,202	-	30,136,046
Machinery and equipment	4,663,495	195,267	-	-	4,858,762
Leasehold improvements	871,377	-	-	-	871,377
Total depreciable assets	53,458,011	195,267	8,623,262	-	62,276,540
Less: Accumulated depreciation					
Buildings	(2,733,246)	(154,719)	-	-	(2,887,965)
Water distribution system	(4,649,690)	(350,039)	-	-	(4,999,729)
Sewer collection system	(10,923,431)	(581,890)	-	-	(11,505,321)
Machinery and equipment	(2,504,873)	(194,799)	-	-	(2,699,672)
Leasehold improvements	(43,568)	(21,785)	-	-	(65,353)
Total accumulated depreciation	(20,854,808)	(1,303,232)	-	-	(22,158,040)
Net depreciable assets	32,603,203	(1,107,965)	8,623,262	-	40,118,500
Leased right-to-use assets					
Water distribution system	259,309	-	-	-	259,309
Less: Accumulated amortization					
Water distribution system	-	(6,537)	-	-	(6,537)
Net leased assets	259,309	(6,537)	-	-	252,772
Total capital assets, net	\$ 38,051,170	\$ 3,927,800	\$ -	\$ -	\$ 41,978,970

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Notes to Basic Financial Statements
December 31, 2022

9. BOND ANTICIPATION NOTE

On February 1, 2018, the Authority issued a Bond Anticipation Note (BAN) Series 2018 through the Environmental Facilities Corporation (EFC) for a maximum amount of \$4,306,960 for the Lakeville wastewater treatment plant upgrades. This BAN included an initial rate of 0.00% under a NYS EFC short-term financing program, which is considered a direct borrowing. On September 23, 2020, the Authority adopted a resolution authorizing a new EFC Clean Water Facility note to increase the financing from EFC from \$4,303,960 to \$7,603,105. The new EFC BAN was dated August 5, 2021 in the amount of \$7,603,105, also with an initial interest rate of 0.00%. This BAN replaces the original 2018 BAN in the amount of \$4,306,960 and has a maturity date of February 1, 2023. At that time, the Authority can convert the BAN to long-term financing if all conditions are met and if such financing is made available by EFC. For 2022, principal payments of \$70,000 were required to be made based on actual total draws made on the BAN.

In 2022, the Authority drew down \$3,770,370, which increased the total BAN outstanding as of year end. As of December 31, 2022, this balance is intended to be refinanced on a long-term basis as demonstrated by the issuance of a long-term obligation after year end. On January 5, 2023 the Authority issued long-term debt in the amount of \$7,652,105. This amount represents the total project cost agreed to by EFC and the Authority. The December 31, 2022 balance of \$6,686,416 only represents the amount that has been spent and reimbursed by EFC to date. The actual project spending is finishing up in the first quarter of 2023, for a total project cost equal to \$7,652,105.

On November 4, 2021, the Authority issued a Bond Anticipation Note (BAN) through the Environmental Facilities Corporation (EFC) for a maximum amount of \$4,000,000 for the Water System Improvements Project. This BAN includes a interest free sum of \$1,333,333 and a market rate sum of \$2,666,667 at a market rate of 0.33% under a NYS EFC short-term financing program, which is considered a direct borrowing. The BAN has a maturity date of November 4, 2026. At that time, the Authority can convert the BAN to long-term financing if all conditions are met and if such financing is made available by EFC. The Authority drew down \$1,615,438 on this BAN in 2022. The following is a summary of changes in short-term debt:

	<u>2022</u>
Balance - January 1	\$ 4,601,484
Borrowings	3,770,370
Repayments	(70,000)
Conversion to long-term debt	<u>(6,686,416)</u>
Balance - December 31	<u>\$ 1,615,438</u>

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10. FINANCING ARRANGEMENTS

The Authority had the following debt outstanding as of December 31, 2022:

Direct Borrowings	Balance January 1	Increases	Decreases	Due Within One Year	Due After One Year
On August 27, 2009, the Authority issued a \$2,921,000 Sewer Installment Bond with the NYS Environmental Facilities Corporation to fund the cost of various sewer projects. The bond has an interest rate of 4.27% and will mature on August 1, 2039.	\$ 1,970,000	\$ -	\$ (90,000)	\$ (95,000)	\$ 1,785,000
On February 7, 2011 the Authority issued a \$951,750 Drinking Water Installment Bond with the NYS Environmental Facilities Corporation to fund the cost of the Groveland Station water project. The note has an interest rate of 0% and will mature on August 31, 2040.	602,775	-	(31,725)	(31,725)	539,325
On May 1, 2012, the Authority was a part of a \$1,322,692 offering of the NYS EFC Revenue Bonds to fund the cost of various sewer projects. The bond has an interest rate of 3.74% and will mature on May 1, 2042.	1,005,000	-	(35,000)	(35,000)	935,000

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Direct Borrowings (Continued)	Balance January 1	Increases	Decreases	Due Within One Year	Due After One Year
As of December 31, 2022, the Authority owed \$6,686,416 on the EFC BAN described in footnote 9, which funded the cost of the Lakeville Wastewater Treatment Plant upgrades. The balance is intended to be refinanced on a long-term basis, as demonstrated by the issuance of a long-term obligation after year end. As such, it is reported as long-term debt as of year end. The long-term debt was issued on January 5, 2023 and is a \$7,652,105 Clean Water Installment Bond with NYS EFC. The note has an interest rate of 0% and will mature on January 5, 2052.	-	6,686,416	-	(255,080)	6,431,336
	<u>\$ 3,577,775</u>	<u>\$ 6,686,416</u>	<u>\$ (156,725)</u>	<u>\$ (416,805)</u>	<u>\$ 9,690,661</u>

The Authority receives an interest subsidy from NYS Environmental Facilities Corporation each year on the 2009 and 2012 issuances. The subsidy is reflected in the payout schedule below. Future scheduled principal and interest payments on bonds from direct borrowings are as follows at December 31:

	Principal	Interest	Total
2023	\$ 416,805	\$ 60,241	\$ 477,046
2024	416,805	57,744	474,549
2025	416,805	55,205	472,010
2026	426,510	52,593	479,103
2027	426,805	49,805	476,610
2028-2032	2,179,025	205,611	2,384,636
2033-2037	2,259,025	125,552	2,384,577
2038-2042	1,980,575	38,810	2,019,385
2043-2047	1,275,400	-	1,275,400
2048-2052	309,711	-	309,711
	<u>\$ 10,107,466</u>	<u>\$ 645,560</u>	<u>\$ 10,753,026</u>

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Interest on all long-term debt, including the lease liability, for the year was composed of:

Interest paid	\$	65,706
Plus: Interest accrued in the current year		7,972
Less: Interest accrued in the prior year		<u>(20,976)</u>
Total interest expense	\$	<u>52,702</u>

In 2008, the Authority entered into a Trust Indenture under which debt is issued. The Trust Indenture pledges all revenues and other income collected by the Authority for payment of principal and interest on the bonds. The Trust Indenture also generally requires establishment of certain trust funds, for which M&T Bank acts as a trustee, into which monies are to be deposited. The Authority is required to maintain on deposit amounts sufficient to cover the annual debt service (as defined in the Trust Indenture) of its bonds. The Authority covenants in its indenture that it will establish water and sewer rates sufficient to cover the sum of: (1) 105% times debt service, (2) operating revenues exceed operating expenses as defined by the covenant, and (3) any additional amounts required to restore the debt service reserve fund to the debt service reserve requirement. As of December 31, 2022 and 2021, there were no covenant violations with any outstanding debt issues for the Authority. The Authority includes in their customer billings an amount designated for debt service. The intention by the Board, related to the use of these revenues, is to satisfy debt service requirements.

Should an event of default occur on any of the bonds under the general revenue bond resolution, the Trustee may declare the principal of all bonds outstanding to be due and payable immediately.

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11. LEASES

On July 21, 2021, the Authority and the Village of Livonia (the Village) entered into an agreement in which the Village leases its water distribution system to the Authority so that the Authority can operate and maintain such improvements and provide water delivery services for the benefit of Village residents. The term of this agreement is 40 years. In accordance with this agreement, the Authority shall make annual payments of \$40,000 to the Village, with an additional one-time payment which was made in the first year (2021) of \$52,495. The lease does not contain a renewal option. The Authority's incremental borrowing rate of 2.12% was used in calculating the lease liability.

The related water distribution system is recorded as an asset that is amortized over the term of the lease, or 40 years. The lease obligation is shown as a liability at year-end. The amortization on the related right-to-use asset will be included as an operating expense. The Authority implemented GASB Statement No. 87, *Leases*, as of January 1, 2022, and as such, the beginning balances of the right-to-use asset and lease liability were restated. See footnote 16.

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

	2022
Right-to-use asset	\$ 259,309
Less: Accumulated amortization	<u>(6,537)</u>
	<u>\$ 252,772</u>

Long-term lease activity for the year ended December 31, 2022 was as follows:

	Beginning Balance (restated)	Increases	Decreases	Due Within One Year	Due After One Year
Lease liability	<u>\$ 259,309</u>	<u>\$ -</u>	<u>\$ (36,312)</u>	<u>\$ (35,226)</u>	<u>\$ 187,771</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending December 31:	Principal	Interest	Total Payments
2023	\$ 35,226	\$ 4,774	\$ 40,000
2024	35,980	4,020	40,000
2025	36,751	3,249	40,000
2026	37,537	2,463	40,000
2027	38,341	1,659	40,000
2028-2032	<u>39,162</u>	<u>838</u>	<u>40,000</u>
Total future lease payments	<u>\$ 222,997</u>	<u>\$ 17,003</u>	<u>\$ 240,000</u>

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12. PENSION PLAN

New York State and Local Employees' Retirement System Plan Description

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

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

	<u>NYSERS</u>
2022	\$ 113,546
2021	\$ 97,052
2020	\$ 28,775

Of the cash paid for NYSERS during 2022, \$21,458 represents amounts owed for the period of January 1 - March 31, 2023 and is shown in prepaid expenses on the accompanying statement of net position.

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

At December 31, 2022, the Authority reported a net pension asset of \$175,240 for its proportionate share of the NYS ERS net pension asset. The net pension asset was measured as of March 31, 2022, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of that date. The Authority’s proportion of the net pension asset was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2022, the Authority’s proportionate share was .0021437%, which was a decrease from its proportionate share of .0022341% measured at December 31, 2021.

For the year ended December 31, 2022, the Authority recognized pension expense of \$51,855. At December 31, 2022, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,271	\$ 17,214
Changes in assumptions	292,457	4,935
Net difference between projected and actual earnings on pension plan investments	-	573,839
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	131,530	8,300
Contributions subsequent to the measurement date	64,643	-
Total	<u>\$ 501,901</u>	<u>\$ 604,288</u>

The Authority recognized \$64,643 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2022, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

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

Plan's Year Ended March 31:	<u>2022</u>
2023	\$ (637)
2024	(22,534)
2025	(114,217)
2026	(29,642)
	<u>\$ (167,030)</u>

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Actuarial Assumptions

The total pension asset at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Aggregate Cost Method
Inflation	2.50%
Salary scale	4.50%
Cost-of-living adjustments	1.30%
Decrements	Based on Plan's experience from April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2019
Investment Rate of Return	6.8% compounded annually, net of investment expense, including inflation

In 2022, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocations and best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2022 are summarized below:

Asset Type	2022	
	Allocations in %	Long-Term Expected Real Rate of Return in %
Domestic Equity	32	3.30
International Equity	15	5.85
Private Equity	10	6.50
Real Estate	9	5.00
Opportunistic/Absolute Return Strategies	3	4.10
Credit	4	3.78
Real Assets	3	5.58
Fixed Income	23	0.00
Cash	1	-1.00
	<u>100%</u>	

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Discount Rate

The discount rate used to calculate the total pension liability in 2022 was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority’s proportionate share of the net pension asset for 2022 calculated using the discount rate of 5.9%, as well as what the Authority’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1% lower (4.9%) or 1% higher (6.9%) than the current rate:

	1% Decrease 4.9%	Current Discount 5.9%	1% Increase 6.9%
Proportionate Share of Net Pension liability (asset)	\$ 451,067	\$ (175,240)	\$ (699,116)

Pension Plan Fiduciary Net Position (000’s)

The components of the current-year net pension liability (asset) of the employers as of March 31, 2022 and 2021 were as follows:

	2022
Total pension liability	\$223,874,888
Net position	232,049,473
Net pension liability (asset)	<u>\$ (8,174,585)</u>
ERS net position as a percentage of total pension liability	103.65%

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13. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The Authority provides certain health care benefits for retired employees. The Authority administers a single-employer defined benefit Other Postemployment Benefit (OPEB) Plan (the Plan). The only employees eligible for the health care benefits through the Plan are the four employees previously employed by the County who were transferred to the Authority without a break in service on January 1, 2019. Those County employees who worked for the Authority but retired prior to the employee lease termination with the County will receive retiree health care benefits through the County, but these costs will be reimbursed by the Authority. Employees hired by the Authority after January 1, 2019 shall not be eligible for retiree health insurance.

The obligations of the Plan are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. 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 Plan are paid by the Authority. The Authority currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Active employees	<u>4</u>
Total participants	<u><u>4</u></u>

Total OPEB Liability

The Authority's total OPEB liability of \$2,222,978 reported at December 31, 2022 was measured as of January 1, 2022 and was determined by an actuarial valuation as of January 1, 2022.

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Actuarial Methods and Other Inputs

The total OPEB liability in the actuarial valuation prepared for December 31, 2022 reporting date were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary Scale	3%
Discount Rate	2.06 % as of January 1, 2022
Actuarial Cost Method	Entry Age Normal Level - Level Percent of Pay
Mortality - Actives	The RPH-2014 Mortality Table for employees, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2020.
Mortality - Retirees	The RPH-2014 Mortality Table for Healthy Annuitants, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2020.
Turnover	Rates of decrement due to turnover based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant in the report titled, <i>Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 75 Valuation (June 2019)</i> .
Retirement Incidence	Rates of decrement due to retirement based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant in the report titled, <i>Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 75 Valuation (June 2019)</i> .

Medical Trend	Fiscal Year Ending 2022	
	To Fiscal Year	
	Ending	Post-65
	2022	6.50%
	2023	6.00%
	2024	6.00%
	2025	5.50%
	2026	5.45%
	2031	5.18%
	2036	5.18%
	2041	5.18%
	2051	5.18%
	2061	4.86%
	2071	4.45%
	2081	4.04%
	2091	4.04%

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Election Percentage	Fiscal Years Ending 2022	
	Participant Group	% Electing Coverage
	Retiree	100%
	Retiree's Spouse	80%
	Surviving Spouse	100%

Marriage Rate For fiscal year 2022, it is assumed that 70% of retirees will be married at the time of their retirement, with the male spouse assumed to be approximately 3 years older than the female.

Morbidity To reflect the differences in covered health care expenses due to aging, the premiums are adjusted by age and gender using the following age-sex factors:

Age	Fiscal Years Ending 2022	
	Male	Female
40-44	0.805	1.229
45-49	1.016	1.349
50-54	1.339	1.587
55-59	1.74	1.835
60-64	2.233	2.184
65-69	0.933	0.886
70-74	1.025	0.973
75-79	1.089	1.040
80-84	1.111	1.071
85-89	1.073	1.044
90-94	1.004	0.958
95+	0.931	0.827

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Post-65 Medical Coverage It has been assumed for this valuation that all future retirees enrolling in post-65 medical coverage will enroll in the same Medicare Advantage plan provided by Livingston County to its post-65 retirees.

Per Capita Costs The Authority provides pre-65 medical coverage to all actives and eligible future retirees through the SimplyBlue Plus Platinum 2 plan, a community rated plan provided through Excellus. For post-65 medical coverage is provided through Medicare Advantage plan (Medicare Blue Choice 1 Copay Plan). This plan is rated solely on the experience of post-65 retirees.

The following table presents per capita costs of the plan, including administrative fees, which was used to calculate the actuarial accrued liability, separated by male and female:

Fiscal Year Ending 2022				
Age	Male		Female	
40-44	\$	6,491	\$	9,906
45-49		8,196		10,881
50-54		10,794		12,800
55-59		14,033		14,798
60-64		18,088		17,609
65-69		4,834		4,591
70-74		5,311		5,042
75-79		5,643		5,389
80-84		5,757		5,550
85-89		5,560		5,410
90-94		5,202		4,964
95+		4,824		4,285

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Changes in the Total OPEB Liability

	<u>2022</u>
Balance at January 1,	\$ 2,094,564
Service cost	59,198
Interest cost	45,660
Difference between expected and actual experience	-
Changes in assumptions and other inputs	<u>23,556</u>
Balance at December 31,	<u>\$ 2,222,978</u>

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 for the year ending December 31, 2022:

	1% Decrease	Current Discount	1% Increase
	<u>1.06%</u>	<u>2.06%</u>	<u>3.06%</u>
Total OPEB Liability	<u>\$ 2,672,286</u>	<u>\$ 2,222,978</u>	<u>\$ 1,871,616</u>

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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 for the year ending December 31, 2022:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 1,827,915</u>	<u>\$ 2,222,978</u>	<u>\$ 2,732,890</u>

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

For the year ended December 31, 2022, the Authority recognized OPEB expense of \$178,877. As of December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 90,126
Changes of assumptions	401,237	-
Employer contributions subsequent to measurement date	<u>2,232</u>	<u>-</u>
Total	<u>\$ 403,469</u>	<u>\$ 90,126</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>Fiscal Year Ending</u>	<u>Amount</u>
2023	\$ 74,019
2024	74,019
2025	74,019
2026	69,584
2027	19,470
Thereafter	<u>-</u>
	<u>\$ 311,111</u>

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14. FUNDS HELD FOR OTHERS

At December 31, the Authority maintained funds for other unrelated governments related to capital projects and collections for customer charges billed by the Authority, as follows:

	<u>2022</u>
Compact of towns (flood gates)	\$ 22,415
Collections	<u>19,885</u>
	<u>\$ 42,300</u>

15. COMMITMENTS AND CONTINGENCIES

Contingencies

The Authority has various insurance policies with third-party carriers related to property protection and casualty.

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.

Lakeville Wastewater Treatment Plant Upgrades Project

On February 1, 2018, the Authority entered into a short-term Clean Water State Revolving Fund financing agreement with the New York State Environmental Facilities Corporation for a total project cost of \$5,716,460. The budget was amended in 2020 to a total project cost of \$9,877,366 to finance additional improvements at the WWTP. The project is financed with \$7,707,606 of debt (0% long term interest rate) along with a WIIA grant in the amount of \$1,412,500 and a WQIP grant in the amount of \$767,250. It is anticipated that the project will close by the end of 2023.

Water System Improvement Project

On November 4, 2021, the Authority entered into a short-term Drinking Water State Revolving Fund financing agreement with New York State Environmental Facilities Corporation for a total project cost of \$7,000,000. The project is financed with \$4,000,000 of debt (\$1,333,333 at a long term interest rate of 0% and \$2,666,667 at a long term rate of 0.33%) along with a WIIA grant in the amount of \$3,000,000. In January of 2022, the Board increased the total borrowing to \$5,500,000 bringing the total project financing to \$8,500,000. It is anticipated that the project will close by the end of 2024.

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

Notes to Basic Financial Statements
December 31, 2022

Leicester-York Regional Water Supply Expansion Project

On February 2022 the Livingston County Board of Supervisors engaged with the Authority to lead a water project intended to achieve the County’s interest in providing enhanced public drinking water infrastructure for the Towns of Leicester and York, as well as supporting regional interests of providing greater access to affordable safe drinking water for all participating municipalities. On November 9, 2022 the Authority was awarded \$5,000,000 from NYS Water Infrastructure Improvement (WIIA) program for the Leicester-York Regional Water Supply Expansion Project. This project is coupled with the commitment from Livingston County to commit up to \$17,000,000 of Akzo Settlement funds to support the project. 2023 will include finalizing and gaining consensus on the preferred distribution and water supply sources along with municipal partner commitments. Following municipal partner commitment, preliminary and final design can begin. It is anticipated that the project will be completed by the end of 2025.

16. PRIOR PERIOD ADJUSTMENT

The Authority has adopted GASB Statement No. 87, *Leases*, during the year ended December 31, 2022. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The implementation date of this standard for the Authority was January 1, 2022. As such, the present value of the future minimum lease payments was calculated at the implementation date. As a result, the Authority's right-to-use asset, lease liability, and beginning net position were restated, as shown below.

	Right-To-Use		
	Asset	Lease Liability	Net Position
Balance at December 31, 2021, as previously stated	\$ 346,471	\$ (253,976)	\$ (31,600,168)
Restatement of beginning balance- Adoption of GASB Statement No. 87	<u>(87,162)</u>	<u>(5,333)</u>	<u>92,495</u>
Balance at December 31, 2021, as restated	<u>\$ 259,309</u>	<u>\$ (259,309)</u>	<u>\$ (31,507,673)</u>

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
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Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)
For the Year Ended December 31:

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability (asset)	0.0021437%	0.0022341%	0.0007925%	0.0001872%						
Proportionate share of the net pension liability (asset)	\$ (175,240)	\$ 2,225	\$ 209,871	\$ 13,264						
Covered-employee payroll	\$ 700,362	\$ 689,904	\$ 219,459	\$ 52,308						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-25.02%	0.32%	95.63%	25.36%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	103.65%	99.95%	86.39%	96.27%						

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

Draft - Subject to Change

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
 (A Discretely Presented Component Unit of the County of Livingston, New York)

Schedule of Contributions - Pension Plans (Unaudited)
For the Year Ended December 31:

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 113,546	\$ 97,052	\$ 28,775	\$ 4,772						
Contributions in relation to the contractually required contribution	<u>113,546</u>	<u>97,052</u>	<u>28,775</u>	<u>4,772</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Covered-employee payroll	<u>\$ 700,362</u>	<u>\$ 689,904</u>	<u>\$ 219,459</u>	<u>\$ 52,308</u>						
Contributions as a percentage of covered-employee payroll	16.21%	14.07%	13.11%	9.12%						

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

Draft - Subject to Change

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
For the Year Ended December 31:

	Last 10 Fiscal Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB Liability -										
Service cost	\$ 59,198	\$ 51,388	\$ 31,936	\$ -						
Interest	45,660	54,111	59,058	-						
Changes of benefit terms	-	-	-	-						
Differences between expected and actual experience	-	(139,918)	-	-						
Changes in assumptions	23,556	205,503	423,975	-						
Benefit payments	-	-	-	-						
Transfer of Total OPEB Liability from the County	-	-	-	1,408,511						
Total change in total OPEB liability	128,414	171,084	514,969	1,408,511						
Total OPEB liability - beginning	2,094,564	1,923,480	1,408,511	-						
Total OPEB liability - ending	<u>\$ 2,222,978</u>	<u>\$ 2,094,564</u>	<u>\$ 1,923,480</u>	<u>\$ 1,408,511</u>						
Covered-employee payroll	<u>\$ 204,961</u>	<u>\$ 284,875</u>	<u>\$ 279,865</u>	<u>\$ 259,234</u>						
Total OPEB liability as a percentage of covered-employee payroll	1085%	735%	687%	543%						

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

Notes to schedule:

Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate in effect at the measurement date each year was as follows:

2.06%	2.12%	2.74%	4.10%
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Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

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

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
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Schedule I

Schedule of Revenues, Expenses and Changes In Net Position
For the Year Ended December 31, 2022

	2022		Total
	Sewer	Water	
OPERATING REVENUE:			
Service fees	\$ 2,010,942	\$ 1,930,633	\$ 3,941,575
O&M service fees	15,000	-	15,000
Permit fees	44,306	78,116	122,422
Other income	33,252	112,523	145,775
Total operating revenue	2,103,500	2,121,272	4,224,772
OPERATING EXPENSES:			
Wages, salaries, and benefits	996,940	645,135	1,642,075
Professional services	212,871	140,840	353,711
Utilities	231,628	132,958	364,586
Vehicle expense	170	21,660	21,830
Purchased water and sewer	63,459	578,284	641,743
Equipment maintenance	42,430	32,216	74,646
Building maintenance	333,751	297,735	631,486
Other	32,655	39,583	72,238
Depreciation and amortization	872,358	437,411	1,309,769
Total operating expenses	2,786,262	2,325,822	5,112,084
Total operating income (loss)	(682,762)	(204,550)	(887,312)
NON-OPERATING REVENUE (EXPENSE):			
Interest revenue	11,415	27,424	38,839
Interest expense	(47,434)	(5,268)	(52,702)
Grant revenue	281,321	(7,952)	273,369
Debt issuance costs	(8,936)	-	(8,936)
Total non-operating revenue (expense)	236,366	14,204	250,570
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(446,396)	(190,346)	(636,742)
CAPITAL CONTRIBUTIONS:			
Contributed funds from Livingston County	-	260,000	260,000
Total capital contributions	-	260,000	260,000
CHANGE IN NET POSITION	\$ (446,396)	\$ 69,654	(376,742)
NET POSITION - beginning of year, as previously reported			31,600,168
PRIOR PERIOD ADJUSTMENT (See Note 16)			(92,495)
NET POSITION - beginning of year, as restated			31,507,673
NET POSITION - end of year			<u>\$ 31,130,931</u>

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Schedule II

Schedule of Operating Expenses
For the Year Ended December 31, 2022

	2022		
	Sewer	Water	Total
OPERATING EXPENSES:			
Administrative -			
Wages, salaries, and benefits	\$ 294,290	\$ 255,040	\$ 549,330
Professional services	128,687	107,506	236,193
Utilities	2,084	1,994	4,078
Vehicle expense	170	165	335
Equipment maintenance	5,019	4,880	9,899
Building maintenance	12,084	13,334	25,418
Other	19,251	22,130	41,381
Total administrative	461,585	405,049	866,634
Treatment -			
Wages, salaries, and benefits	275,388	21,642	297,030
Professional services	20,115	-	20,115
Utilities	74,731	131	74,862
Purchased water and sewer	63,459	579,910	643,369
Equipment maintenance	2,431	-	2,431
Building maintenance	118,660	5	118,665
Other	8,709	-	8,709
Total treatment	563,493	601,688	1,165,181
Transmission/collection -			
Wages, salaries, and benefits	427,262	368,453	795,715
Professional services	64,069	33,334	97,403
Utilities	154,813	130,833	285,646
Vehicle expense	-	21,495	21,495
Purchased water and sewer	-	(1,626)	(1,626)
Equipment maintenance	34,980	27,336	62,316
Building maintenance	203,007	284,396	487,403
Other	4,695	17,453	22,148
Total transmission/collection	888,826	881,674	1,770,500
Depreciation	872,358	437,411	1,309,769
Total operating expenses	\$ 2,786,262	\$ 2,325,822	\$ 5,112,084

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

MONTH XX, 2023

To the Board of Directors of
Livingston County Water and Sewer 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Livingston County Water and Sewer Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Livingston, New York, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated **MONTH XX, 2022**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.