

Agenda

AUDIT AND FINANCE COMMITTEE MEETING

March 15, 2024 at 8:00 a.m.

Watershed Education Center (Vitale Park)

Lakeville, NY 14480

- 1. Review and Discussion of 2023 Draft Financial Statements**

LIVINGSTON COUNTY WATER & SEWER AUTHORITY

FINANCIAL EXECUTIVE SUMMARY

For Years Ended December 31, 2023 and 2022



Livingston County Water & Sewer Authority Audit Committee

Dated: March 15, 2024

By: Thomas Zuber, CPA, Partner, Ryan McGlynn, CPA, Senior Manager

Mengel Metzger Barr & Co., LLP

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LIVINGSTON COUNTY WATER & SEWER AUTHORITY
Summarized Balance Sheet
December 31, 2023 and 2022

<u>Assets and Deferred Outflows:</u>	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Assets -			
Cash and cash equivalents	\$ 1,890,004	\$ 2,035,301	\$ (145,297)
Restricted cash, net	868,376	11,298	857,078
Accounts receivable (net of allowance)	1,650,658	1,113,036	537,622
Inventory	-	9,774	(9,774)
Capital contributions receivable, net	286,223	474,106	(187,883)
Prepaid items	182,924	158,995	23,929
Funds held by trustee/others	421,899	406,372	15,527
Net pension assets	-	175,240	(175,240)
Capital assets	44,145,155	41,978,970	2,166,185
Total Assets	<u>\$ 49,445,239</u>	<u>\$ 46,363,092</u>	<u>\$ 3,082,147</u>
Deferred Outflows -	<u>\$ 877,617</u>	<u>\$ 905,370</u>	<u>\$ (27,753)</u>
Liabilities, Deferred Outflows, and Net Position:			
Liabilities -			
Accounts payable/accrued liabilities/retainage	595,538	1,217,616	\$ (622,078)
Bond anticipation note	3,068,338	1,615,438	1,452,900
Revenue anticipation note	1,540,000	-	1,540,000
Bonds payable	10,656,350	10,107,466	548,884
Lease liability	187,770	222,997	(35,227)
Net pension liability	586,264	-	586,264
Compensated absences	52,290	56,622	(4,332)
OPEB liability	1,731,985	2,222,978	(490,993)
Total Liabilities	<u>\$ 18,418,535</u>	<u>\$ 15,443,117</u>	<u>\$ 2,975,418</u>
Deferred Inflows -	<u>\$ 572,067</u>	<u>\$ 694,414</u>	<u>\$ (122,347)</u>
Net Position -			
Net investment in capital assets	\$ 29,526,007	\$ 29,046,173	\$ 479,834
Restricted	389,506	375,370	14,136
Unrestricted net position	1,416,741	1,709,388	(292,647)
Total Net Position	<u>\$ 31,332,254</u>	<u>\$ 31,130,931</u>	<u>\$ 201,323</u>

Financial Highlights:

- * Unqualified Opinion, no material weaknesses, no significant deficiencies.
- * Restricted cash - unspent money from the \$1.5 million dollar revenue bond..
- * Accounts receivable - accrued billing increased \$254,000 to \$865,000, and the WIIA and WQIP grants increased \$166,000 to \$298,000, and the final payment of the Engineering grant totaling \$50,000.
- * Capital contributions receivable - Sparta Farms paid their balance totaling 130,594.
- * Investment in Capital assets - Various infrastructure improvements, and equipment purchases in excess of depreciation.
- * The NYS Pension system reported a net pension liability in the current year based on their March 31,2023 measurement date. The impact on net position is as follows:

Deferred Outflow	\$ 576,996	\$	501,901
Net pension (liability) asset	(586,264)		175,240
Deferred inflow	(28,676)		(604,288)
Impact to Net Position	<u>\$ (37,944)</u>	<u>\$</u>	<u>72,853</u>

- * Accounts payable/accrued liabilities - Decrease relates to an \$887,000 invoice for Morsh Pipeline in 2022
- * Debt - The authority issued \$1,540,000 in revenue note for UV disinfection at Groveland WWTP and a new chemical feed system at the Lakeville WWTP and drew down an additional \$1,452,900 for water system improvements. In addition, the authority issued the permanent financing for the for the Lakeville WWTP upgrades, and drew additional \$965,000 on those funds while making a \$416,000 payment
- * OPEB - decrease in liability was a result of changes to the discount rate and medical trend adjustments however, impact to net position was minimal as follows:

Deferred Outflow	\$ 303,621	\$	403,469
Net pension (liability) asset	(1,731,985)		(2,222,978)
Deferred inflow	(543,391)		(90,126)
Impact to Net Position	<u>\$ (1,971,755)</u>	<u>\$</u>	<u>(1,909,635)</u>

- * Total Net position increase \$201,323.

LIVINGSTON COUNTY WATER & SEWER AUTHORITY
Summarized Income Statement
For Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Operating Revenues	\$ 4,830,841	\$ 4,224,772	\$ 606,069
Operating Expenses -			
Operations	4,347,926	3,811,251	536,675
Depreciation and amortization	1,518,021	1,309,769	208,252
Total Operating Expenses	<u>\$ 5,865,947</u>	<u>\$ 5,121,020</u>	<u>\$ 744,927</u>
Operating (Loss) Income	\$ (1,035,106)	\$ (896,248)	\$ (138,858)
Nonoperating Revenues (Expenses)	<u>1,218,979</u>	<u>259,506</u>	<u>959,473</u>
Income (Loss) Before Capital Contributions	\$ 183,873	\$ (636,742)	\$ 820,615
Contributed funds from Livingston County	<u>17,450</u>	<u>260,000</u>	<u>(242,550)</u>
(Decrease) Increase in Net Position	\$ 201,323	\$ (376,742)	\$ 578,065
Net Position - Beginning of Year	<u>31,130,931</u>	<u>31,507,673</u>	<u>(376,742)</u>
Net Position - End of Year	<u>\$ 31,332,254</u>	<u>\$ 31,130,931</u>	<u>\$ 201,323</u>

Financial Highlights:

- * Operating revenue increase \$606,069.
- * Operating expense increased \$744,927.
- * Non operating Revenues (Expenses) increased \$959,473.
- * Overall net position increased \$201,323 over the prior year.

LIVINGSTON COUNTY WATER & SEWER AUTHORITY
Water Fund Summarized Income Statement
For Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
<u>Operating Revenues</u>			
Service fees	\$ 2,116,883	\$ 1,930,633	\$ 186,250
Permit fees	63,348	78,116	(14,768)
Other operating income	113,365	112,523	842
Total Operating Revenues	<u>\$ 2,293,596</u>	<u>\$ 2,121,272</u>	<u>\$ 172,324</u>
<u>Operating Expenses</u>			
Wages, salaries, and benefits	\$ 678,424	\$ 645,135	\$ 33,289
Professional services	119,799	140,840	(21,041)
Utilities	146,638	132,958	13,680
Vehicle expense	(21,340)	21,660	(43,000)
Purchased water and sewer	618,356	578,284	40,072
Equipment maintenance	19,553	32,216	(12,663)
Building maintenance	285,827	297,735	(11,908)
Other	45,739	39,583	6,156
Depreciation and amortization	580,251	437,411	142,840
Total Operating Expenses	<u>\$ 2,473,247</u>	<u>\$ 2,325,822</u>	<u>\$ 147,425</u>
Operating (Loss) Income	\$ (179,651)	\$ (204,550)	\$ 24,899
Nonoperating Revenues	282,251	27,424	254,827
Nonoperating (Expenses)	(7,335)	(13,220)	5,885
Capital Contributions	17,450	260,000	(242,550)
(Decrease) Increase in Net Position	<u>\$ 112,715</u>	<u>\$ 69,654</u>	<u>\$ 43,061</u>

Financial Highlights:

- * Service Fees - increase to fees as well as rate structure - debt is now based on fee plus usage.
- * Depreciation and amortization increases for additional infrastructure and equipment purchases.
- * Nonoperating revenues increases related to the NYS efficiency grant.
- * Capital contributions decrease relate to the Regional project that the county reimbursed the authority for expenses the majority of the project took place in 2022.
- * Water net position increases \$112,715.

LIVINGSTON COUNTY WATER & SEWER AUTHORITY
Sewer Fund Summarized Income Statement
For Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
<u>Operating Revenues</u>			
Service fees	\$ 2,393,592	\$ 2,010,942	\$ 382,650
Operation and maintenance service fees	23,000	15,000	8,000
Permit fees	64,204	44,306	19,898
Other operating income	56,449	33,252	23,197
Total Operating Revenues	\$ 2,537,245	\$ 2,103,500	\$ 433,745
<u>Operating Expenses</u>			
Wages, salaries, and benefits	\$ 1,159,798	\$ 996,940	\$ 162,858
Professional services	179,840	212,871	(33,031)
Utilities	200,556	231,628	(31,072)
Vehicle expense	27,215	170	27,045
Purchased water and sewer	68,624	63,459	5,165
Equipment maintenance	18,332	42,430	(24,098)
Building maintenance	763,642	333,751	429,891
Other	36,923	41,591	(4,668)
Depreciation and amortization	937,770	872,358	65,412
Total Operating Expenses	\$ 3,392,700	\$ 2,795,198	\$ 597,502
Operating (Loss) Income	\$ (855,455)	\$ (691,698)	\$ (163,757)
Nonoperating Revenues	1,047,516	292,736	754,780
Nonoperating (Expenses)	(103,453)	(47,434)	(56,019)
(Decrease) Increase in Net Position	\$ 88,608	\$ (446,396)	\$ 535,004

Financial Highlights:

- * Service fees - Rate increase and different rate structure, in addition large user had high CBOD samples resulting in surcharges resulting in surcharges of approximately \$193,000.
- * Net impact of the NYS Pension system adjustment which totaled approximately \$114,000.
- * Building Maintenance - increase related to the costs associated with the emptying of the digester for heat exchange upgrades and pavement maintenance for the parking lots.
- * Nonoperating revenues relate to the NYS efficiency grant, draw down of grant funds for the WWTP projects.
- * Overall net position increases \$88,608.

**LIVINGSTON COUNTY WATER AND SEWER
AUTHORITY**

NEW YORK

**COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT**

For Year Ended December 31, 2023

March 14, 2024

To the Board Members
Livingston County Water and Sewer Authority, New York

In planning and performing our audit of the financial statements of Livingston County Water and Sewer Authority, New York as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 14, 2024 on the financial statements of the Authority. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

Current Year Deficiency in Internal Control:

Inventory –

As a result of the implementation of a new inventory software system January 1, 2024, the Authority was utilizing any inventory on hand. We recommend the Authority develop a formal procedure over the inventory process.

Other Item:

The following item is not considered to be a deficiency in internal control; however, we consider it an other item which we would like to communicate to you as follows:

Cyber Risk Management –

The Authority 's IT personnel routinely assesses cyber risk as part of their normal operating procedures. We recommend the Authority continue to document their cyber risk assessment process in writing which should include the risk assessment process and type of testing completed, the frequency of the risk assessment, how findings are to be communicated to the appropriate level of management, and how the process will be monitored. In addition, the Authority should consider cyber training for their employees who have email and/or access to computer systems.

* * *

We believe that the implementation of these recommendations will provide the Authority with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you at your convenience.

This communication is intended solely for the information and use of management, the Board others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation to all staff for the courtesies extended to us during the course of our examination.

Rochester, New York
March 14, 2024

**LIVINGSTON COUNTY WATER AND SEWER
AUTHORITY**

NEW YORK

LETTER OF COMMUNICATION

For Year Ended December 31, 2023

FINAL DRAFT

March 14, 2024

To the Board Members
Livingston County Water and Sewer Authority, New York

We have audited the financial statements of the Livingston County Water and Sewer Authority, New York for the year ended December 31, 2023, and have issued our report thereon dated March 14, 2024. Professional standards require that we provide you with the following information related to our audit.

A. Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 24, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Livingston County Water and Sewer Authority, New York. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Livingston County Water and Sewer Authority, New York's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

B. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management and the Board in our engagement letter dated July 24, 2023.

C. Significant Risks Identified

Professional standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The two risks which are always identified in an audit are management override of internal controls and revenue recognition. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the financial statements.

D. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Livingston County Water and Sewer Authority, New York are described in Note 1 to the financial statements. The new accounting pronouncements which were implemented were GASB Statement 94 *Public-Private and Public-Public Partnerships and Available Payment Arrangements*, GASB Statement 96 *Subscription Based Information Technology*, and GASB Statement 99 *Omnibus 2022-Leases, PPP, and SBITAS*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized 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. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no individually sensitive disclosures affecting the financial statements.

E. Difficulties Encountered in Performing the Audit

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

F. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

G. Disagreements with Management

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

H. Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 14, 2024.

I. 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 governmental unit’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.

J. 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 governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

K. Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Finance Director who reviews draft financial statements prior to issuance and accepts responsibility for them.

L. Other Matters

We applied certain limited procedures to the management’s discussion and analysis, schedule of changes in Authority’s total OPEB liability and related ratio, schedule of the Authority’s proportionate share of the net pension liability, and schedule of Authority contributions 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 supplementary information accompanying the financial statements (as listed in the table of contents) 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.

* * *

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

Rochester, New York
March 14, 2024

**LIVINGSTON COUNTY
WATER AND SEWER AUTHORITY**

NEW YORK

BASIC FINANCIAL STATEMENTS

For Year Ended December 31, 2023

DRAFT

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Livingston County Water & Sewer Authority
Livingston County, New York

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, of Livingston County Water and Sewer Authority, New York (the Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, of the Livingston County Water and Sewer Authority, New York, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Livingston County Water and Sewer Authority, New York 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 opinions.

Responsibilities of Management for the Financial Statements

Livingston County Water and Sewer Authority, New York's 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the authority's proportionate share of the net pension liability, and schedule of authority contributions on pages 4–10 and pages 32–34 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 opinions on the financial statements that collectively comprise Livingston County Water and Sewer Authority, New York's basic financial statements. The accompanying supplemental information as listed in the table of are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents 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. Such 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 supplementary information as listed in the table of contents is 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 March 14, 2024 on our consideration of Livingston County Water and Sewer Authority, New York'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 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 Livingston County Water and Sewer Authority, New York's internal control over financial reporting and compliance.

Rochester, New York
March 14, 2024

**Livingston County Water & Sewer Authority
Livingston County, New York**

Management's Discussion and Analysis (MD&A)

December 31, 2023

Introduction

The Livingston County Water and Sewer Authority, New York (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 sale 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 Financial Officer of the Authority), One (1) Deputy Director, one (1) Director of Operations, One (1) Principal Account Clerk, Four (4) Office Staff, Seven (7) Water/Wastewater Maintenance Persons, one (1) Building Maintenance Person, and Two (2) Wastewater Treatment Plant Operators.

The discussion and analysis of the Authority's financial performance provides highlights of the Authority's major activities that and an effect on the operations of the Authority for the year ended December 31, 2023 with comparative data for 2022. This report should be used and considered in conjunction with the 2023 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 at 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.

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 increased by \$201,323, resulting in total 2023 net position of \$31,332,254.
- 2023 operating revenues increased over 2022 by approximately \$605,000.
- 2023 operating expenses increased over 2022 by \$745,000.

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).

Summary of Net Position (In Thousands)

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
<u>ASSETS:</u>			
Current Assets	\$ 4,678	\$ 3,417	\$ 1,261
Noncurrent Assets	622	967	(345)
Capital Assets	44,145	41,979	2,166
Total Assets	\$ 49,445	\$ 46,363	\$ 3,082
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	\$ 878	\$ 905	\$ (27)
<u>LIABILITIES:</u>			
Current Liabilities	\$ 5,634	\$ 3,285	\$ 2,349
Noncurrent Liabilities	12,785	12,158	627
Total Liabilities	\$ 18,419	\$ 15,443	\$ 2,976
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	\$ 572	\$ 694	\$ (122)
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 29,526	\$ 29,046	\$ 480
Restricted	389	375	14
Unrestricted	1,417	1,710	(293)
Total Net Position	\$ 31,332	\$ 31,131	\$ 201

Current and noncurrent 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 operation deposits less the Authority's operating and repair expense payments. The balance increased approximately \$916,000 from 2022 to 2023. This increase is mainly related to unspent funds from the \$1.5 million financing and an increase in accounts receivable relating to EFC and the WQIP grant net of the pay off of the Sparta Farms loan.

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 \$2,976,000 from 2022 to 2023. This increase is a result of new debt issuance, the net pension liability, net of a decrease to the OPEB liability, and accounts payable.

Statements of Revenues, Expenses, and Changes 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 Revenues, Expenses, and Changes in Net Position provide information on the Authority's operations for the year ended December 31 (in thousands):

Summary Statement of Revenues, Expenses and Changes in Net Position (In Thousands)

	2023		2022		Variance	
	Sewer Activity	Water Activity	Sewer Activity	Water Activity	Sewer Activity	Water Activity
Operating Revenues	\$ 2,537	\$ 2,294	\$ 2,104	\$ 2,122	\$ 433	\$ 172
Operating Expenses	3,393	2,473	2,795	2,326	598	147
Operating Income (Loss)	\$ (856)	\$ (179)	\$ (691)	\$ (204)	\$ (165)	\$ 25
Non-Operating Revenues	1,047	282	292	27	755	255
Non-Operating Expenses	(103)	(7)	(47)	(13)	(56)	6
Income Before Contributed Capital	\$ 88	\$ 96	\$ (446)	\$ (190)	\$ 534	\$ 286
Contributed Capital	-	17	-	260	-	(243)
Increase (Decrease) in Net Position	\$ 88	\$ 113	\$ (446)	\$ 70		

The Statements of Revenues, Expenses, and Changes in Net Position shows a total increased in net position in 2023 of approximately \$201,000. Operating revenue is income earned by the Authority from normal operations. Total operating revenue increased approximately \$605,000 in 2023.

Non-operating revenue and expenses increased approximately \$960,000 in 2023 compared to 2022. This increase is a result of the draw down of the grant funds related to the Lakeville Waste Water Treatment Plan and the local government efficiency grant.

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 which each service area. Operating expenses increased approximately \$745,000 in 2023 from 2022

Capital Assets at Year End (In Thousands)

<u>Capital Assets</u>	<u>2023</u>	<u>2022</u>
Land	\$ 150	\$ 150
Construction in progress	4,541	1,457
Buildings	5,702	5,702
Water distribution system	20,709	20,709
Sewer collection system	30,144	30,136
Machinery and equipment	5,403	4,859
Leashold improvements	871	871
<u>Less: Accumulated aepreciation</u>	<u>(23,584)</u>	<u>(22,158)</u>
Total Capital Assets	<u>\$ 43,936</u>	<u>\$ 41,726</u>

<u>Lease Assets</u>	<u>2023</u>	<u>2022</u>
Lease-Water disribution system	\$ 259	\$ 259
<u>Less: Accumulated amortization</u>	<u>(50)</u>	<u>(6)</u>
Total Lease Assets	<u>\$ 209</u>	<u>\$ 253</u>

The Authority's capital assets increased approximately \$2,210,000 in 2023. This is the result of various upgrade projects in work in progress. These increases were offset by depreciation expense.

Long-Term Debt Outstanding at Year End (In Thousands)

	<u>2023</u>	<u>2022</u>
EFC Revenue Bonds	\$ 10,656	\$ 10,107
Lease Liability	188	223
OPEB Liability	1,732	2,223
Retainage Payable	23	-
Compensated Absences	53	57
Net Pension Liability	586	-
Total Long-Term Debt	<u>\$ 13,238</u>	<u>\$ 12,610</u>

Future Factors

- Leicester/York Regional Water Supply Expansion Project** – The project is intended to achieve the County's interest of 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; total project costs are estimated at ~\$25M. 2024 will include finalizing water supply and related agreements with municipal partners, design, bid and begin construction. *(Ongoing)*.
- Countywide Water System Improvements** – Remaining Countywide water improvements include: THM tank removal systems, construction of new water tank and SCADA upgrades. Total project cost is \$8.5M; \$3M grant from WIIA and \$5.5M long-term financing. *Success: Completion of all aspects of this project on-time and within budget. (December 2025)*.
- Conesus Lake Pump Station Improvements Project** – They Authority has been awarded \$1.75M of WIIA grant funding and \$2.5M of BIL grant funding to replace 26 pump stations around Conesus Lake and make needed SCADA upgrades. Total project cost is estimated to be \$7M. The Authority has also received interest free financing from NYS Environmental Facilities to complete the project. *Success: Design, bid and build project by the end of 2025. (December 2025)*.

4. **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 costs are \$484,850; local share \$286,795. *Success: Project was bid and awarded in 2023, completion is expected in 2024. (March 2024).*
5. **Manhole Improvements** – As a result of over 1,000 manhole inspections in 2022 and 2023, the Authority made improvements to over 50 manholes in 2023. In addition, approximately 50-60 manholes have been identified for manhole lining and another 70 for frame and cover replacements. *Success: Work with contractor to line up to 60 manholes. Authority to replace ~70 manhole frames and covers. (September 2024)*
6. **Groveland Water District #1** – In 2021 the Town of Groveland created Water District #1 and received funding from USDA Rural Development to install approximately 80,000 linear feet of 4-inch, 6-inch, 8-inch, and 12-inch water main in the Town of Groveland Water District No. 1 service area to provide potable water and fire service. *Success: Work with Town and hire contractor to monitor water line installation and accept operation and maintenance of the WD#1 upon completion. (December 2024).*
7. **Policy Review & Update** – Review current policies and make recommendations to the Authority Board for policy changes consistent with Authority practices and strategic direction. Utilize Governance Committee for review process. Policy reviews this year should include procurement, water/sewer design standards, volunteer fire dept. and cemetery. *Success: Put internal team together to review policies. (Ongoing).*
8. **Billing/Accounting Software Implementation** – Frey Software has been purchased to replace the current billing, budgeting, and accounting software's. The accounting software was operational January 1st and the billing software is scheduled to be operational May 1st. The budget module is expected to be utilized for the 2025 budget process. *Success: Work with software provider and administrative staff to ensure implementation of all new software is seamless with no disruptions in operations. Utilize full capabilities of reporting and budgeting formats. (September 2024).*
9. **Update City of Rochester Water Supply Agreements** – Currently the Authority has one water supply agreement with the City of Rochester that expires in 2036 and manages a second water supply agreement on behalf of the Town of Livonia that expires in 2028. Consolidating both agreements and extending the term in the future will provide the Authority and City with a continued partnership for wholesale water supply. *Success: Negotiate one new water supply agreement to update and replace the current agreements. (December 2024).*
10. **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. Furthermore, evaluation is needed to identify if the Authority can apply for membership or if additional approvals are needed from the State prior to being eligible. 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).*
11. **Develop Leakage Management Strategy** – Currently LCWSA has limited 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, including AWWA water audit process, and establish a water loss strategy for tracking water loss and making improvements to LCWSA water systems. (December 2024).*

- 12. 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 staff, office and shop space need 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 2024).*
- 13. Continue Implementation of Infiltration & Inflow (I/I) Program** – As required NYS DEC consent order, LCWSA has created an I/I program. Over the next year LCWSA will continue residential and commercial inspections and corrective actions for non-compliant property owners. Lastly a long-term and sustainable strategy needs to be developed for monitoring I/I. *Success: Continue 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 2024).*
- 14. Camp Run Collection System Study** – The Camp Run section of the sanitary sewer system has experienced several overflows over the years, with the most recent in 2014, 2016, 2019, and 2021. These overflows typically result in raw sewage entering Conesus Lake. The project will study the causes of the overflows, include field work to obtain accurate system information, provide alternatives to correct the issue, and recommendation. The field work will include sewer main televising and survey, to identify the condition, slope, size, and inverts of all pipes. The sewer system will be modeled to simulate the existing conditions and to simulate the proposed alternatives. The expected outcome is the elimination of future overflows that impact the local property owners and Conesus Lake. The deliverables will include an engineering report with alternatives and a recommendation, along with the completion of the environmental review of the recommended project. *Success: Complete the study on time and within budget (Project was submitted for grant funding. Project will only move forward if grant funding is awarded.) (December 2024).*
- 15. Lead and Copper Inventory** – On August 4, 2022, EPA released Guidance for Developing and Maintaining a Service Line Inventory to support water systems with their efforts to develop inventories and to provide needed information for oversight and reporting to EPA. The guidance provides essential information to help water systems comply with the requirement to prepare and maintain an inventory of service line materials by October 16, 2024. *Success: Complete the lead and copper inventory per EPA guidelines and deadline. (October 2024).*
- 16. Lakeville Sewer Asset Management Program** – The Authority was selected for the NYS DEC Asset Management Program for our Lakeville Wastewater Treatment Plant and Collection System. The project started in 2023 and involved field visits to collect asset specific data. Additional site visits are expected in Q1 2024. The outcomes of the project include an asset inventory, capital plan, preventative maintenance recommendations and sewer rate analysis and recommendations. *Success: Complete asset management program and produce usable guidance documents regarding upcoming needed capital improvements, preventative maintenance and impact on sewer customers. (June 2024).*
- 17. Update Industrial User Program** – The Authority’s industrial user program’s primary goal is to protect the Authority’s collection and treatment systems and the environment from adverse impacts that might occur when pollutants are discharged into a sewage system. The specific program goals include: preventing the introduction of pollutants into the collection system that will pass through the treatment works or are otherwise incompatible with treatment, prevent the introduction of pollutants that could interfere with plant operations, including interference with sludge use and disposal practices, as well as pollutants that could threaten worker health and safety. Reviewing and updating the current program will ensure industrial customers are compliant with the Sewer Use Law and that the Authority is monitoring all industrial customers properly. This process will include updating the Authority’s Fats, Oils and Grease (FOG) program. *Success: Review and update all industrial customer permits. Review existing FOG operating procedures, update and implement. (December 2024).*

- 18. Fire Hydrant Program** – The Authority has hundreds of fire hydrants throughout its distribution system composed of various vintages and models. Regular maintenance, repairs and replacement is critical to ensure hydrants are kept in good working order. Developing a formal program identifying regular maintenance, flushing and repairs throughout the system is critical for long-term operations of the public fire system. The 2024 budget has two additional seasonal labors dedicated for hydrant maintenance. *Success: Develop a systematic hydrant program that identifies the needed resources to ensure all hydrants are maintained and functioning. (September 2024).*
- 19. Implement Geographic Information Systems (GIS) Program** – Digital mapping will allow the Authority to view, in a single electronic format and location, all sewer and water assets as well as pertinent information such as pipe size, type, age of material and past maintenance records. A comprehensive GIS program would allow for exact location of assets making it a valuable tool in daily operations and assessing our overall system. The Authority has contracted with Ziptility to assist with digitizing all water and sewer piping as well as mapping other relevant water and sewer assets. 2024 has one intern dedicated to assisting with the field work and implementation of the Ziptility software. *Success: Field verify asset data points and train staff to use software for daily operations. (September 2024).*
- 20. Groveland Correctional WWTP** – In recent months the Authority has been engaged with State agencies in assuming the Groveland Correctional WWTP. This complements the Livingston County Economic Development efforts to redevelop an adjacent vacant prison facility. Should the Authority assume the Groveland Correctional WWTP it would provide the opportunity to decommission the Groveland Station WWTP and connect Groveland Station customers to the Groveland Correctional WWTP and avoid making unnecessary capital improvements to Groveland Station WWTP. *Success: Assume operational control of the facility and have special legislation adopted to start the title transfer from DOCCS to the Authority. (December 2024).*
- 21. Town of Springwater Water and Sewer Systems** – In August the Authority entered an intermunicipal agreement with the Town of Springwater to assist them with Springwater WWTP SPDES permit compliance. This has involved regular communications with the NYS DEC and coordinating with the Town’s engineers for an evaluation of the WWTP and development of a corrective action plan. As a result, the Town has identified a needed capital improvement to the WWTP. Next steps include Town approval of the project and applying for grant funding. In addition, the Town Board has expressed interest in transferring operation and maintenance responsibility of their water and sewer systems to the Authority. *Success: Assist the Town with approving the capital improvement project for the WWTP and apply for funding. Assess the transfer of the water and sewer utilities from the Town to the Authority. (July-October 2024).*

Requests for Information

This financial report is designed to provide a general overview of the Livingston County Water & Sewer Authority, Livingston County, New York’s finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Martin Aman, Executive Director, Livingston County Water & Sewer Authority, P.O. Box 396, Lakeville, New York 14480.

**LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK**

STATEMENT OF NET POSITION

December 31, 2023

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>	<u>2023</u>
<u>Current Assets -</u>	
Cash and cash equivalents	\$ 1,890,004
Restricted cash	856,681
Accounts receivable (net of allowance)	1,650,658
Current portion of capital contributions receivable	53,179
Prepaid items	182,924
Funds held for others	44,088
Total Current Assets	\$ 4,677,534
<u>Noncurrent Assets -</u>	
Restricted cash	\$ 11,695
Funds held by trustee	377,811
Capital contributions receivable, net of current portion	233,044
Total Noncurrent Assets	\$ 622,550
<u>Capital Assets -</u>	
Land and work in progress	4,690,880
Capital assets, net of depreciation	39,244,720
Lease assets, net of amortization	209,555
Total Capital Assets, Net	\$ 44,145,155
TOTAL ASSETS	\$ 49,445,239
<u>Deferred Outflows of Resources -</u>	
Deferred outflows of resources	\$ 877,617
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION:</u>	
<u>Current Liabilities -</u>	
Accounts payable	\$ 446,699
Accrued liabilities	49,304
Accrued interest	33,756
Funds held for others	42,408
Bond anticipation note	3,068,338
Revenue note payable	1,540,000
Current portion of debt	452,785
Total Current Liabilities	\$ 5,633,290
<u>Noncurrent Liabilities -</u>	
Bonds payable, net of current portion	\$ 10,239,545
Lease liability, net of current portion	151,790
Net pension liability	586,264
Compensated absences	52,290
OPEB liability	1,731,985
Retainage payable	23,371
Total Noncurrent Liabilities	\$ 12,785,245
<u>Deferred Inflows of Resources -</u>	
Deferred inflows of resources	\$ 572,067
Total Deferred Inflow of Resources	\$ 572,067
<u>Net Position -</u>	
Net investment in capital assets	\$ 29,526,007
Restricted	389,506
Unrestricted net position	1,416,741
Total Net Position	\$ 31,332,254

(The accompanying notes are an integral part of these financial statements)

**LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION**

For Year Ended December 31, 2023

<u>OPERATING REVENUES:</u>	<u>2023</u>
Service fees	\$ 4,510,475
Operation and maintenance service fees	23,000
Permit fees	127,552
Other operating income	169,814
TOTAL OPERATING REVENUES	<u>\$ 4,830,841</u>
<u>OPERATING EXPENSES:</u>	
Wages, salaries, and benefits	\$ 1,838,222
Professional services	299,639
Utilities	347,194
Vehicle expense	5,875
Purchased water and sewer	686,980
Equipment maintenance	37,885
Building maintenance	1,049,469
Other	82,662
Depreciation and amortization	1,518,021
TOTAL OPERATING EXPENSES	<u>\$ 5,865,947</u>
OPERATING (LOSS) INCOME	<u>\$ (1,035,106)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest earnings	\$ 113,368
Interest expense	(60,913)
Gain (loss) on sale of assets	19,350
Debt fees	(49,875)
Grant revenue	1,197,049
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 1,218,979</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 183,873</u>
<u>CAPITAL CONTRIBUTIONS:</u>	
Contributed funds from Livingston County	\$ 17,450
TOTAL CAPITAL CONTRIBUTIONS	<u>\$ 17,450</u>
(DECREASE) INCREASE IN NET POSITION	\$ 201,323
NET POSITION - BEGINNING OF YEAR	<u>31,130,931</u>
NET POSITION - END OF YEAR	<u><u>\$ 31,332,254</u></u>

(The accompanying notes are an integral part of these financial statements)

**LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK**

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2023

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2023</u>
Revenues -	
Receipts from service fees	\$ 4,212,680
Receipts from permit fees	127,552
Service fees collected for other governments	753,111
Other operating receipts	169,814
Expenses -	
Payments to vendors and suppliers for goods and services	(3,165,935)
Payments to employees for wages and benefits	(1,695,902)
Service fees remitted to other governments	(753,111)
Net Cash Provided by Operating Activities	<u>\$ (351,791)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Purchases of capital assets	\$ (1,242,246)
Cash received for capital contributions	205,333
Grants received for capital assets	980,222
Proceeds from bond anticipation note payable	1,540,000
Repayments on bond payable	(416,805)
Interest on capital debt	(35,129)
Bond issuance cost	(49,875)
Lease principal payments	(35,227)
Proceeds from sale of assets	19,350
Net Cash Used In Capital and Related Financing Activities	<u>\$ 965,623</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest income	97,949
Net Cash Provided By Investing Activities	<u>\$ 97,949</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ 711,781
Cash and Cash Equivalents - Beginning of Year	<u>2,046,599</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,758,380</u>
Classified as:	
Cash and cash equivalents	\$ 1,890,004
Restricted cash and cash equivalents	868,376
Total cash and cash equivalents	<u>\$ 2,758,380</u>
<u>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating (loss) income	\$ (1,035,106)
Adjustments to reconcile changes in net position to cash Provided by Activities -	
Depreciation	1,518,021
Changes in assets and liabilities -	
Accounts receivable	(320,795)
Inventory	9,774
Prepaid expense	(23,929)
accounts payable	(666,005)
compensated absences	(4,332)
Net pension asset/(liability)	761,504
Other postemployment benefit	(490,993)
Deferred inflows	(122,347)
Deferred outflows	27,753
Other current liabilities	(5,336)
Net Cash Provided by Operating Activities	<u>\$ (351,791)</u>

(The accompanying notes are an integral part of these financial statements)

**LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

I. Summary of Significant Accounting Policies:

The financial statements of the Livingston County Water & Sewer Authority, Livingston County, New York, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. The Reporting Entity

The Livingston County Water & Sewer Authority, Livingston County, New York (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 Authority was created by special New York State legislation 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 Supervisor, 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 basis financial statements as a discretely presented component unit.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying basic financial statements of the Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") for governments as prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

Revenues and expenses are recorded under the accrual method of accounting.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Accounts Receivable

Accounts receivable consist of fees for services for sewer and water charges due from individuals and other governments and project and grant receivables. Accounts receivable are carried on the balance sheet at net realizable value. Generally accepted accounting principles requires the allowance method be used to recognize bad debts, however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(I.) (Continued)

E. Capital Contributions Receivable

Capital contributions receivable represents contractual agreements with the 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 charges in net position.

F. Materials and Supplies Inventories

Materials and supplies are stated at cost, determined on the first-in, first-out method, which approximates market.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Capital Assets

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

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 unrelated gains or losses are recorded.

I. 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. Construction revenues are recognized at the time an expenditure is incurred for the project.

J. Contributed Capital

Contributed capital 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 fair value on the date of donation.

K. 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.

(I.) (Continued)

L. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows 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 (expenses/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

M. 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.

N. Pension Benefits

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

O. 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.

P. 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.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates. Actual results could differ from those estimates.

R. Budgets

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.

(I.) (Continued)

S. **Net Position**

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

1. **Net investment in capital assets** - consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
2. **Restricted net position** - consists of restricted assets (i.e. restrictions imposed by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enable legislation) reduced by liabilities and deferred inflows related to those assets.
3. **Unrestricted net position** - consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

T. **New Accounting Standards**

The Authority has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2023, the Authority implemented the following new standards issued by GASB:

GASB has issued Statement 94 *Public-Private and Public-Public Partnerships and Available Payment Arrangements*.

GASB has issued Statement 96 *Subscription Based Information Technology*.

GASB has issued Statement 99 *Omnibus 2022-Leases, PPP, and SBITAS*.

U. **Future Changes in Accounting Standards**

GASB has issued Statement 99 *Omnibus 2022-Financial Guarantees, and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53*, which will be effective for fiscal year beginning after June 15, 2023.

GASB has issued Statement 100 *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*, which will be effective for fiscal year beginning after June 15, 2023.

GASB has issued Statement 101, *Compensated Absences*, which will be effective for reporting periods beginning after December 15, 2023.

GASB has issued Statement 102, *Certain Risk Disclosures*, which will be effective for fiscal year beginning after June 15, 2024.

The Authority is currently studying these statements and plans on adoption as required.

II. Cash and Investments

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:

- **Interest Rate Risk** – Interest rate risk is the risk that the fair value of investments will be affected by changing 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:
 - Interest bearing demand accounts
 - Certificates of Deposit
 - Obligations of the United States Treasurer and United States agencies
 - 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 incurred 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:
 - Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasurer and United States agencies
 - Obligations issued or fully insured or guaranteed by New York State and its localities

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principals. 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 3 inputs.

Governmental bonds and other fixed income instruments classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in market that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Fair value measurements of the Authority's investments at December 31, 2023 were comprised of U.S. Treasury Bonds valued at \$90,275 based on Level 2 inputs. On the Statement of Net Position, these investments are included in funds held by trustee.

(II.) (Continued)

At December 31, 2023, 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 \$2,758,380. At December 31, 2023, cash and cash equivalents and restricted cash consisted of bank demand deposits 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 counterpart to its investments.

At December 31, 2023 and 2022, the reported amount of the Authority's deposits, including funds held for others, was \$2,802,468 and the bank balance was \$2,876,224. Of the bank balance, \$250,000 was covered by federal depository insurance, with the remaining amount covered by collateral held in the pledging banks trust department in the Authority's name.

III. Restricted Cash

The Authority's restricted cash for 2023 is as follows:

	<u>2023</u>
Capital development and repairs	\$ 11,695
Wastewater collection and treatment	856,681
Total	<u>\$ 868,376</u>

IV. Funds Held by Trusts

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, 2023, this amount was \$365,714. The funds held by trustee are for debt service required for by the Authority's Trust Indenture. 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.

V. Accounts Receivable

The balance of accounts receivable for 2023 is as follows:

	<u>2023</u>
Water and Sewer Service Fees	\$ 1,039,522
Due From Other Governments	611,136
Total	<u>\$ 1,650,658</u>

VI. Capital Contributions Receivable

Capital contribution receivable for 2023 is as follows:

	<u>2023</u>
Village of Geneseo	\$ 155,628
Dairy Knoll Farms, LLC	130,595
Less: Current Portion	(53,179)
Total	<u>\$ 233,044</u>

(VI.) (Continued)

Future scheduled principal payments of capital contributions are as follows:

<u>Year</u>	
2024	\$ 53,178
2025	55,545
2026	58,016
2027	16,743
2028	7,591
2029-33	42,185
2034-38	50,218
2039	2,747
Total	<u>\$ 286,223</u>

VII. Capital Assets

The Authority's capital assets for 2023 are as follows:

	<u>Balance at</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2023</u>
<u>Non Depreciated Assets</u>				
Land	\$ 150,285	\$ -	\$ -	\$ 150,285
Construction in progress	1,457,413	3,173,720	(90,538)	4,540,595
Total Non Depreciated Assets	<u>\$ 1,607,698</u>	<u>\$ 3,173,720</u>	<u>\$ (90,538)</u>	<u>\$ 4,690,880</u>
<u>Depreciated Assets</u>				
Buildings	\$ 5,701,696	\$ -	\$ -	\$ 5,701,696
Water distribution system	20,708,659	-	-	20,708,659
Sewer collection system	30,136,046	7,747	-	30,143,793
Machinery and equipment	4,858,762	593,277	(48,957)	5,403,082
Leasehold improvements	871,377	-	-	871,377
Less: Accumulated depreciation	(22,158,040)	(1,474,804)	48,957	(23,583,887)
Total Depreciated Assets	<u>\$ 40,118,500</u>	<u>\$ (873,780)</u>	<u>\$ -</u>	<u>\$ 39,244,720</u>
Total Capital Assets	<u>\$ 41,726,198</u>	<u>\$ 2,299,940</u>	<u>\$ (90,538)</u>	<u>\$ 43,935,600</u>

The Authority's lease assets for 2023 are as follows:

	<u>Balance at</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2023</u>
Lease-water distribution system	\$ 259,309	\$ -	\$ -	\$ 259,309
Less: Accumulated amortization	(6,537)	(43,217)	-	(49,754)
Total Lease Assets	<u>\$ 252,772</u>	<u>\$ (43,217)</u>	<u>\$ -</u>	<u>\$ 209,555</u>

Total capital assets are as follows:

Capital Assets	\$ 43,935,600
Lease Assets	209,555
Total Capital Assets	<u>\$ 44,145,155</u>

VIII. Deferred Outflows and Deferred Inflows

The Authority reported deferred outflows and deferred inflows at December 31, 2023 as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>2023</u>	<u>2023</u>
Pension	\$ 573,996	\$ 28,676
Leases	303,621	543,391
Total	\$ 877,617	\$ 572,067

IX. Short-Term Debt

A. Bond Anticipation Notes

1. 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 an 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 sort-term financing program, which is considered a direct borrowing. The BAN has a maturity date of November 4, 2026. At this 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 and 1,452,900 in 2023.
2. The Authority authorized up to \$1,705,000 System Revenue Notes, 2023 and System Revenue Bonds, 2023 to finance the installation of a new UV disinfection system at Groveland Wastewater Treatment Plant financing the construction of a new chemical feed system at the Lakeville Wastewater Treatment Plant. The System Revenue Notes in the amount of \$1,540,000 are dated August 9, 2023 and will bear interest at a rate of 4.5% from that date until August 8, 2024, the maturity date.

The following is a summary of the changes in short-term debt as of December 31, 2023:

	<u>Original</u>		<u>Interest</u>	<u>Balance</u>			<u>Balance</u>
	<u>Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>1/1/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/23</u>
RAN-2023	\$ 1,540,000	8/8/2024	4.50%	\$ -	\$ 1,540,000	\$ -	\$ 1,540,000
BAN-2021	\$ 1,615,438	11/4/2026	0.33%	1,615,438	1,452,900	-	3,068,338
Total Short-Term Debt				\$ 1,615,438	\$ 2,992,900	\$ -	\$ 4,608,338

X. Long-Term Debt

A. EFC Revenue Bond Payable

1. On August 27, 2029, 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.
2. 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 Bond has an interest rate of 0% and will mature on August 31, 2040.
3. 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.

(X.) (Continued)

4. As of December 31, 2022, the Authority owed \$6,686,416 on the EFC BAN which funded the Lakeville Wastewater Treatment Plant upgrades. The balance was subsequently refinanced on a long-term basis. The long-term debt was issued on January 5, 2023 and is a \$7,652,105 Clean Water Installment Bond with NYS Environmental Facilities Corporation. The bond has an interest rate of 0% and will mature on January 5, 2052.

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 the 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, 2023 and 2022, 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 bond under the general revenue bond resolution, the Trustee may declare the principal of all bonds outstanding to be due and payable immediately.

B. Lease Liability –On July 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.

C. Compensated Absences – The Authority reports the value of compensated absences as a liability. 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.

D. Change in Long-Term Debt

	<u>Balance at</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2023</u>	<u>Current</u> <u>Portion</u>	<u>Non-Current</u> <u>Portion</u>
EFC Revenue Bonds	\$ 10,107,466	\$ 965,689	\$ 416,805	\$ 10,656,350	\$ 416,805	\$ 10,239,545
Lease Liability	222,997	-	35,227	187,770	35,980	151,790
OPEB Liability	2,222,978	-	490,993	1,731,985	-	1,731,985
Retainage payable	-	23,371	-	23,371	-	23,371
Compensated Absences	56,622	-	4,332	52,290	-	52,290
Net Pension Liability	-	586,264	-	586,264	-	586,264
Total Long-Term Debt	\$ 12,610,063	\$ 1,575,324	\$ 947,357	\$ 13,238,030	\$ 452,785	\$ 12,785,245

(X.) (Continued)

E. Estimated Debt Service Requirements

<u>Year</u>	<u>EFC Revenue Bonds</u>		<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 416,805	\$ 111,616	\$ 35,980	\$ 4,020
2025	416,805	106,569	36,751	3,249
2026	426,510	101,343	37,537	2,463
2027	426,805	95,766	38,341	1,659
2028	431,805	90,135	39,161	838
2029-33	2,194,025	362,159	-	-
2034-38	2,279,025	196,771	-	-
2039-43	1,768,850	38,166	-	-
2044-48	1,275,400	-	-	-
2049-52	1,020,320	-	-	-
Total	\$ 10,656,350	\$ 1,102,525	\$ 187,770	\$ 12,229

XI. Funds Held for Others

The Authority maintained funds for other unrelated governments related to collections for customer charges billed by the Authority in the amount of \$42,408 at December 31, 2023.

XII. Other Notes:

A. Employee Pension and Other Benefit Plans

1. Plan Description

The Authority participates in the New York State Local Employees' Retirement System (ERS). This is a cost sharing multiple employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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 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.

(XII.) (Continued)

2. **Benefits Provided**

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tier 3, 4, 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age of Tier 6 is 63 for ERS members.

(XII.) (Continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

(XII.) (Continued)

3. **Contributions**

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly, used in computing the employers' contributions based on salaries paid during the Systems' financial year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Prepayment	
<u>Due Date</u>	<u>ERS</u>
12/15/2023	\$ 150,242
12/15/2022	113,546
12/15/2021	97,052

B. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At December 31, 2023, the Authority reported a liability of \$586,264 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2023, the Authority's proportion was 0.0027339%.

For the year ended December 31, 2023 the Authority recognized pension expense of \$256,166. At December 31, 2023, the Authority reported deferred inflows and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	<u>2023</u>
Differences between expected and actual experience	\$ 62,442
Changes of assumptions	284,728
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	114,144
Subtotal	\$ 461,314
Authority's contributions subsequent to the measurement date	112,682
Grand Total	<u>\$ 573,996</u>

(XII.) (Continued)

	Deferred Inflows of Resources <u>2023</u>
Differences between expected and actual experience	\$ 16,465
Changes of assumptions	3,147
Net difference between projected and actual earnings on pension plan investments	3,444
Authority's contributions and proportionate share of contributions	<u>5,620</u>
Grand Total	<u><u>\$ 28,676</u></u>

\$112,682 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 126,260
2025	11,276
2026	128,433
2027	166,669
Total	<u><u>\$ 432,638</u></u>

1. **Actuarial Assumptions**

The total pension liability at March 31, 2023 was determined by using an actuarial valuation of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>
Inflation	5.90%
Salary increases	4.40%
Inflation rate	2.90%
COLA'S	1.50%

Annuitant mortality rates are based on April 1, 2015-March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

(XII.) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2023 are summarized below:

<u>Asset Class</u>	2023 Long-Term Expected Real Rate of Return
Domestic equity	4.60%
International equity	6.85%
Private equity	7.50%
Real estate	4.60%
Opportunistic portfolios	5.38%
Real assets	5.84%
Credit	5.43%

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

2. **Discount Rate**

The discount rate used to calculate the total pension liability was 5.90%. 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. **Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.90%) or 1-percentagepoint higher (6.90%) than the current rate:

	2023		
	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset (liability)	\$ (1,416,748)	\$ (586,264)	\$ 107,702

(XII.) (Continued)

4. **Pension Plan Fiduciary Net Position**

The components of the current year net pension liability of the employers as of the March 31, 2023, were as follows:

	2023
	(In Thousands)
	<u>ERS</u>
Employers' total pension liability	\$ 232,627,259
Plan net position	211,183,223
Employers' net pension asset/(liability)	<u>\$ (21,444,036)</u>
Ration of plan net position to the employers' total pension liability	90.78%

5. **Prepayments to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2023 represents the projected employer contribution for the period of December 31, 2023 through March 31, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2023 amounted to \$37,561.

XIII. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – Full time employees who retire after 25 or more years of continuous service with the Authority or after 25 or more years of combined continuous service with both the Authority and a municipality that joins the Authority (with at least 5 years of those combined years spent working for the Authority) and who are retiring in accordance with the NYS Retirement System eligibility requirements, may elect to continue to be covered by the health insurance plan(s) offered to current employees.

If the employee elects to continue coverage under the Authority's plan, the Authority will pay up to \$250 per month toward the premium for the former employee and spouse, provided that the retired employee pays the balance of the premium due by the first day of the month of coverage. If the former employee fails to pay his or her share of the premium when due, the Authority reserves the right to cancel the coverage without notice. Once the retired employee is no longer covered by the Authority's health insurance plan, whether because the retired employee does not elect to maintain coverage, or the retired employee does not pay his or her share of the premium when due, then the retired employee's right to this benefit shall terminate and may only be reinstated by the action of the Board of the Authority, in its sole discretion. This benefit shall also terminate upon the death of the retired employee, when the retired employee is no longer eligible for coverage under the terms of the Authority's health insurance plan, or when the retired employee becomes eligible for other coverage (excluding Medicare)

At age 65, the retired employee must switch from regular coverage to Medicare Supplement coverage. Several different Medicare Supplement policies are available. It is the retired employee's responsibility to apply for Medicare Parts A and B, so he or she is eligible for a Medicare Supplement policy. After the retired employee has applied for such coverage, the Authority will continue to pay up to \$250 per month toward the cost of any approved supplemental insurance policy to help cover the Medicare "gap".

(XIII.) (Continued)

Employees Covered by Benefit Terms – At March 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active Employees	<u>4</u>
Total	<u>4</u>

B. Total OPEB Liability

The Authority's total OPEB liability of \$1,731,985 was measured as of December 31, 2023, and was determined using the alternative method.

The assumptions used for the alternative method are as follows:

Inflation	2.50%
Discount Rate	3.72%
Healthcare Cost Trend Rates	6.80% in 2024 to 3.94% in 2093
Retirees' Share of Benefit-Related Costs	0-20%

The discount rate was based on the rate for a 20-year high quality tax-exempt municipal bond index as of the measurement date.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables adjusted for mortality improvements with the scale MP-2021.

C. Changes in the Total OPEB Liability

	<u>2023</u>	<u>2022</u>
Beginning Balance at December 31	\$ 2,222,978	\$ 2,094,564
<u>Changes for the Year -</u>		
Service cost	\$ 61,312	\$ 59,198
Interest	47,033	45,660
Differences between expected and actual experience	(134,582)	-
Changes in assumptions or other inputs	(462,524)	23,556
Benefit payments	(2,232)	-
Net Changes	<u>\$ (490,993)</u>	<u>\$ 128,414</u>
Ending Balance at December 31	<u>\$ 1,731,985</u>	<u>\$ 2,222,978</u>

Changes of benefits represents additional employees added to the system.

(XIII.) (Continued)

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 (2.72 percent) or 1-percentage-point higher (4.72 percent) than the current discount rate:

	2023		
	1% Decrease	Discount	1% Increase
	(2.72%)	Rate	(4.72%)
	(2.72%)	(3.72%)	(4.72%)
Total OPEB Liability	\$ 2,023,783	\$ 1,731,985	\$ 1,497,497

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The liability would not change due to a change in health trend rates as there is a cap on the amount paid on behalf of employees which will not change if health cost trend rates change.

XIV. Commitments and Contingencies:

1. Lakeville Wastewater Treatment Plan 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 \$7,652,105 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.

2. 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 be closed by the end of 2024.

3. 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 includes 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. Its anticipated that the project will be completed by the end of 2025.

4. Litigation

There is no litigation pending against the Authority as of the balance sheet date.

Required Supplemental Information

**LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK**

**SCHEDULE OF CHANGES IN AUTHORITY'S TOTAL OPEB
LIABILITY AND RELATED RATIO
(Unaudited)**

For Year Ended December 31, 2023

	TOTAL OPEB LIABILITY				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 61,312	\$ 59,198	\$ 51,388	\$ 31,936	\$ -
Interest	47,033	45,660	54,111	59,058	-
Changes in benefit terms					
Differences between expected and actual experiences	(134,582)	-	-	-	-
Changes of assumptions or other inputs	(462,524)	-	(139,918)	-	-
Benefit payments	(2,232)	23,556	205,503	423,975	-
Transfer from County	-	-	-	-	1,408,511
Net Change in Total OPEB Liability	\$ (490,993)	\$ 128,414	\$ 171,084	\$ 514,969	\$ 1,408,511
Total OPEB Liability - Beginning	\$ 2,222,978	\$ 2,094,564	\$ 1,923,480	\$ 1,408,511	\$ -
Total OPEB Liability - Ending	\$ 1,731,985	\$ 2,222,978	\$ 2,094,564	\$ 1,923,480	\$ 1,408,511
Covered Employee Payroll	\$ 304,202	\$ 204,961	\$ 284,875	\$ 279,865	\$ 259,234
Total OPEB Liability as a Percentage of Covered Employee Payroll	569.35%	1084.59%	735.26%	687.29%	543.34%

10 years of historical information is not available and will be reported each year going forward

(See Independent Auditors' Report)

Required Supplemental Information
LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
(Unaudited)**

For Year Ended December 31, 2023

NYSERS Pension Plan					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the net pension liability (asset)	0.0027339%	0.0021437%	0.0022341%	0.0007925%	0.0001872%
Proportionate share of the net pension liability (asset)	\$ 586,264	\$ (175,240)	\$ 2,225	\$ 209,871	\$ 13,264
Covered-employee payroll	\$ 1,165,904	\$ 700,362	\$ 689,904	\$ 219,459	\$ 52,308
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.284%	-25.021%	0.323%	95.631%	25.357%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	86.27%

10 years of historical information is not available and will be reported each year going forward

(See Independent Auditors' Report)

Required Supplemental Information
LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK

SCHEDULE OF AUTHORITY CONTRIBUTIONS
(Unaudited)

For Year Ended December 31, 2023

NYSERS Pension Plan					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 150,242	\$ 113,546	\$ 97,052	\$ 28,775	\$ 4,772
Contributions in relation to the contractually required contribution	<u>(150,242)</u>	<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>	<u>\$ -</u>
Covered-employee payroll	\$ 1,165,904	\$ 700,362	\$ 689,904	\$ 219,459	\$ 52,308
Contributions as a percentage of covered-employee payroll	12.89%	16.21%	14.07%	13.11%	9.12%

10 years of historical information is not available and will be reported each year going forward

(See Independent Auditors' Report)

Supplemental Schedule
LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

For Year Ended December 31, 2023

	<u>Sewer</u> <u>Activity</u>	<u>Water</u> <u>Activity</u>	<u>2023</u> <u>Total</u>
<u>OPERATING REVENUES:</u>			
Service fees	\$ 2,393,592	\$ 2,116,883	\$ 4,510,475
Operation and maintenance service fees	23,000	-	23,000
Permit fees	64,204	63,348	127,552
Other operating income	56,449	113,365	169,814
TOTAL OPERATING REVENUES	<u>\$ 2,537,245</u>	<u>\$ 2,293,596</u>	<u>\$ 4,830,841</u>
<u>OPERATING EXPENSES:</u>			
Wages, salaries, and benefits	\$ 1,159,798	\$ 678,424	\$ 1,838,222
Professional services	179,840	119,799	299,639
Utilities	200,556	146,638	347,194
Vehicle expense	27,215	(21,340)	5,875
Purchased water and sewer	68,624	618,356	686,980
Equipment maintenance	18,332	19,553	37,885
Building maintenance	763,642	285,827	1,049,469
Other	36,923	45,739	82,662
Depreciation and amortization	937,770	580,251	1,518,021
TOTAL OPERATING EXPENSES	<u>\$ 3,392,700</u>	<u>\$ 2,473,247</u>	<u>\$ 5,865,947</u>
OPERATING (LOSS) INCOME	<u>\$ (855,455)</u>	<u>\$ (179,651)</u>	<u>\$ (1,035,106)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Interest earnings	\$ 63,039	\$ 50,329	\$ 113,368
Interest expense	(53,578)	(7,335)	(60,913)
Gain (Loss) on sale of assets	9,830	9,520	19,350
Debt fees	(49,875)	-	(49,875)
Grant revenue	974,647	222,402	1,197,049
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 944,063</u>	<u>\$ 274,916</u>	<u>\$ 1,218,979</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 88,608</u>	<u>\$ 95,265</u>	<u>\$ 183,873</u>
<u>CAPITAL CONTRIBUTIONS:</u>			
Contributed funds from Livingston County	\$ -	\$ 17,450	\$ 17,450
TOTAL CAPITAL CONTRIBUTIONS	<u>\$ -</u>	<u>\$ 17,450</u>	<u>\$ 17,450</u>
(DECREASE) INCREASE IN NET POSITION			<u>\$ 201,323</u>
NET POSITION - BEGINNING OF YEAR			<u>31,130,931</u>
NET POSITION - END OF YEAR			<u>\$ 31,332,254</u>

(See Independent Auditors' Report)

Supplemental Schedule
LIVINGSTON COUNTY WATER & SEWER AUTHORITY
LIVINGSTON COUNTY, NEW YORK

SCHEDULE OF OPERATING EXPENSES

For Year Ended December 31, 2023

<u>OPERATING EXPENSES:</u>	<u>Sewer</u>	<u>Water</u>	<u>2023</u>
	<u>Activity</u>	<u>Activity</u>	<u>T o t a l</u>
<u>Administrative -</u>			
Wages, salaries, and benefits	\$ 379,831	\$ 296,099	\$ 675,930
Professional services	127,081	106,080	233,161
Utilities	637	619	1,256
Vehicle expense	17	16	33
Equipment maintenance	745	724	1,469
Building maintenance	4,324	6,245	10,569
Other	19,271	22,230	41,501
Total Administrative	<u>\$ 531,906</u>	<u>\$ 432,013</u>	<u>\$ 963,919</u>
<u>Treatment -</u>			
Wages, salaries, and benefits	\$ 286,323	\$ 43,464	\$ 329,787
Utilities	81,959	2,323	84,282
Vehicle expense	150	-	150
Purchased water & sewer	61,892	604,112	666,004
Equipment maintenance	501	21	522
Building maintenance	406,512	12,333	418,845
Other	9,207	206	9,413
Total Treatment	<u>\$ 846,544</u>	<u>\$ 662,459</u>	<u>\$ 1,509,003</u>
<u>Transmission/Collection -</u>			
Wages, salaries, and benefits	\$ 493,644	\$ 338,861	\$ 832,505
Professional services	52,759	13,719	66,478
Utilities	117,960	143,696	261,656
Vehicle expense	27,048	(21,356)	5,692
Purchased water & sewer	6,732	14,244	20,976
Equipment maintenance	17,086	18,808	35,894
Building maintenance	352,806	267,249	620,055
Other	8,445	23,303	31,748
Total Transmission/Collection	<u>\$ 1,076,480</u>	<u>\$ 798,524</u>	<u>\$ 1,875,004</u>
Depreciation -	<u>\$ 937,770</u>	<u>\$ 580,251</u>	<u>\$ 1,518,021</u>
TOTAL OPERATING EXPENSES	<u>\$ 3,392,700</u>	<u>\$ 2,473,247</u>	<u>\$ 5,865,947</u>

(See Independent Auditors' Report)

**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***

Independent Auditors' Report

To the Board Members
Livingston County Water & Sewer Authority
Livingston County, New York

We have audited, 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, the financial statements of the business-type activities, of the Livingston County Water and Sewer Authority, New York as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Livingston County Water and Sewer Authority, New York's basic financial statements, and have issued our report thereon dated March 14, 2024.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston County Water and Sewer Authority, New York’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.

Rochester, New York
March 14, 2024

FINAL DRAFT

**LIVINGSTON COUNTY WATER & SEWER AUTHORITY
NEW YORK**

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2023

I. Summary of the Auditors' Results

Financial Statements

a) Type of auditor's report issued	Unmodified
b) Internal control over financial reporting	
1. Material weaknesses identified	No
2. Significant deficiency(ies) identified	No
c) Noncompliance material to financial statements noted	No

II. Financial Statement Findings

There were no current year findings and there were no prior year findings.