

WAYNE COUNTY WATER AND SEWER AUTHORITY

2017 Annual Report



Wayne County Water and Sewer Authority
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WAYNE COUNTY WATER AND SEWER AUTHORITY

2017 Annual Report

For the Period January 1, 2017 to December 31, 2017

MISSION STATEMENT

As a Public Benefit Corporation created by the New York State Legislature, the Wayne County Water & Sewer Authority has as its purpose to reliably provide the highest quality water and the most efficient wastewater services for the benefit of the people of the Authority's service area. The Authority's goal is to consistently provide these services at a reasonable and competitive cost while promoting an atmosphere of outstanding customer service, planning for future improvements and protecting resources and the environment. *(Adopted 3/22/11)*

AUTHORITY BACKGROUND

The Wayne County Water and Sewer Authority, Wayne County, New York (the Authority) is a public benefit corporation, created by special state legislation, Chapter 685 of the Laws of 1987 (NYS Public Authorities Laws 199-aa et seq.) and became operational in the spring of 1988 upon the appointment of the nine initial members of the Authority by the Wayne County Board of Supervisors. The legislation was later amended to provide for a "sewer" designation for the Authority. The Authority has the powers necessary to plan, finance, operate and manage water and sewer systems in Wayne County. The Authority provides a structure for planning and implementing improvement in the availability, reliability, and quality of public water supplies and sanitary sewer service in Wayne County.

The Authority has approximately 13,735 water service accounts supplying water within the Towns of Macedon, Walworth, Palmyra, Marion, Arcadia, Lyons, Butler, Huron, Sodus and Wolcott. The Authority also supplies the Village of Sodus Point and Cayuga County Water & Sewer Authority (wholesale only). The average yearly consumption of water from all sections of the Authority's service area encompasses nearly one billion gallons. The Authority is responsible for the operation and maintenance of over 500 miles of transmission and distribution mains, ten (10) water storage tanks (totaling approximately 10 million gallons), and seven (7) water pumping stations within its overall service area.

During the early years of operation, the Authority was primarily a "Water Authority" with wastewater collection, treatment and disposal representing only about 1.5% of operating revenues. Now, the Authority operates a 500,000 GPD Regional Wastewater Treatment Facility and a related collection system that includes approximately 9,000 linear feet of gravity sewer, 40,000 feet of force main and three main pump stations. This regional treatment facility replaced a 30,000 GPD treatment facility in September 2006. This system currently collects and treats approximately 250,000 GPD of wastewater, with the majority of the flows coming from the Village of Wolcott, Cayuga County Sewer District #2, Village of Red Creek, Red Creek Central Schools and the newly formed Blind Sodus Bay sewer district in the town of Wolcott. The New York State Department of Corrections contributed to the cost of building the regional facility, which replaced their aging and costly Correctional Facility treatment plant. The regional facility was designed to accept flows from the Village of Fairhaven, the Village of Red Creek, Village of Wolcott and other eastern Wayne County communities.

The Authority now also operates and maintains the Lyons and Macedon wastewater treatment plants and 17 pump stations along with the associated collection and conveyance systems, all in accordance with

lease/operations agreements with the Towns of Lyons and Macedon.

The Authority operates and maintains the Village of Palmyra's water and wastewater facilities under the terms of an operational agreement with the village.

The Authority has approximately 2,322 sewer customers. The Authority also operates a series of small sewer collection systems in western and eastern Wayne County which include three pump stations and approximately six miles of gravity sewer mains and related appurtenances. Collected wastewater from these systems is conveyed to existing wastewater treatment facilities owned by other municipalities and the Authority is billed on a total flow basis per thousand gallons treated. The Authority also operates and maintains portions of Cayuga County Sewer District #2 under contract with Cayuga County Water and Sewer Authority.

ACTIVITIES AND ACCOMPLISHMENTS

As in past years, the Authority continued with the construction of new watermain with its own forces. In 2017, the Authority completed the Town of Arcadia Water District No. 12 project with a project total of approximately 31,000 linear feet of new watermain. This district provided water service availability for approximately 92 customers in the Town of Arcadia. The Authority will maintain and operate the water main in this project area under contract with the Town of Arcadia.

The Authority installed 148 new water services throughout its service area in 2017.

Sewer:

- The Authority continued with its on-going inflow/infiltration program for sanitary sewers.
- The Port Bay sewer project with the potential of 640 connections in the Towns of Huron and Wolcott advanced into the bidding stage with a construction start anticipated in 2018.
- The Village of Wolcott continued pumping Village wastewater to the Regional Plant through the former Village treatment plant, now converted to a pump station.
- A feasibility study was completed for a Western Regional Wastewater Treatment Plant to service the Towns of Marion and Macedon and the Village of Palmyra. Environmental work was begun, the SEQR procedure was completed with the Authority serving as Lead Agency, funding was applied for, a preliminary Memorandum Of Understanding with the three participants was drafted.
- Phase 3 of the sanitary sewer system expansion in the Village of Red Creek was constructed. The project consists of a low pressure sanitary sewer system for 21 properties on South Street.
- Bids were received for the replacement of roofs on the process (main) building and influent building at the Red Creek Regional Wastewater Treatment Facility, with construction anticipated in the spring of 2018

Water:

- The Authority continued its meter replacement program.
- The Authority entered into a purchase option agreement with the owners of a property on the west side of Brantling Hill in the Town of Arcadia for the site of a 2 million gallon regional water storage tank. The project advanced with the Authority serving as Lead Agency for SEQR completion, engineering and environmental reports being completed, a Memorandum of Understanding with the six participating towns being signed and funding applied for through USDA.

- The Authority took over operation of the former Village of Macedon's water mains and appurtenances on February 1st, 2017.
- The Authority took over the water system operations in the Town of Sodus, starting on April 1, 2017 adding approximately 1,300 new retail water accounts. The Authority established a Sodus satellite office by leasing a portion of the Town's highway barn.
- The Town of Macedon (Bunker Hill) water tank was repainted. This is the last tank in the Authority's system to be painted at this time.
- The Authority began assisting the Village of Red Creek in their water operations.
- Although not a project of the Authority, the water main on Route 31 through the former Village of Macedon was replaced, improving water service to the area.

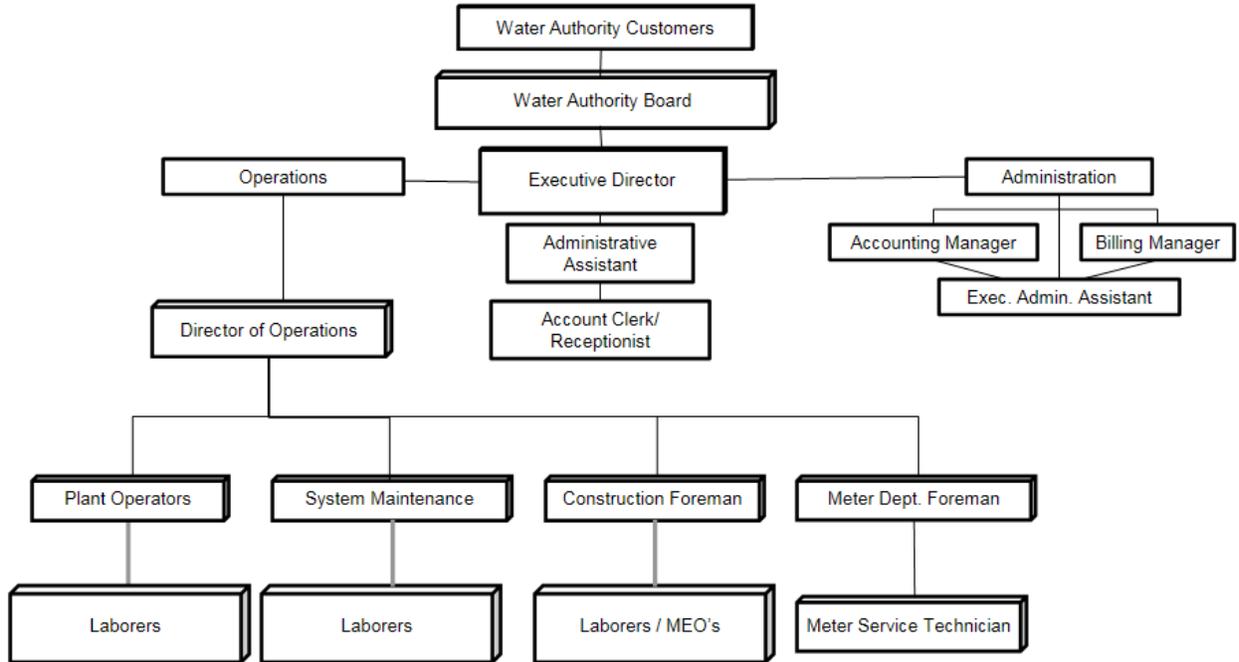
Miscellaneous:

- The Authority continued to exercise its vehicle and construction equipment replacement program by consigning older equipment to the municipal auction in the spring and purchasing replacement equipment.
- The Authority continues with participation in the BOCES cooperative bids for electric and natural gas service for those energy accounts that are eligible.
- The New York State Comptroller's office conducted an audit focusing on IT policies and other areas.
- The Authority augmented its administrative and operational staff with four additional employees.
- The Authority adopted a policy regarding the Authority's operating and capital reserve funds.
- The Authority issued water & sewer revenue bonds to cover the expansion of the Authority office as well as the replacement of roofs at the Red Creek Regional Wastewater Facility.
- Construction began on the expansion of the Authority office and facilities on Daansen Road in Walworth.
- The Authority's attorney submitted updated Sewer Use Rules to the DEC for comment.
- The Authority's updated Emergency Response Plan and Security Vulnerability Assessment were submitted to the Department of Health, as required every five years.

Future Factors:

- Upgrades to the Town of Macedon sewage treatment plant are being proposed to bring the plant in line with current standards. An alternative regional solution is also being pursued on a parallel track.
- The Authority expects to sign a contract with the Town of Sodus for construction of Water District No. 11 in the southwest corner of the town and a district extension on South Geneva Road.
- The Authority will be replacing water main on portions of Mill Street in the Town of Marion.
- The Authority is expecting to assist the Village of Palmyra with the replacement of 800 feet of water main.
- The Authority is planning to close on the purchase of the Brantling Hill (Regional Tank) property in early 2018.

Wayne County Water & Sewer Authority
Organizational Chart



3/29/2017

AUTHORITY BOARD

The Authority is governed by a Board consisting of nine members who are appointed by the Chairman of the Wayne County Board of Supervisors and confirmed by the Wayne County Board of Supervisors. The members are appointed to three year terms.

The powers of the Authority shall be vested in and exercised by the Board at a meeting duly called and held where a quorum of five members are present. No action is permitted to be taken by the Authority except pursuant to the favorable vote of no less than five members of the Authority.

The board of the WCWSA is comprised of nine (9) members: **LaVerne Blied** (Board Chairman), Town of Marion board member, retired farmer; **Robert Hutteman** (Vice-Chairman) Chairman of Town of Arcadia planning board; **Jean Johnson**, (Treasurer), Town of Walworth Comptroller; **Richard Stevens**, Retired Wayne County Director of Probation; **Don Ross**, retired RG&E employee and Dig Safely New York trainer; **William Hammond**, Retired Town of Macedon Supervisor; **David Scudder**, (Board Secretary) member, Wayne County Water Quality Coordinating Committee; President, Save Our Sodus; Member, Town of Huron Zoning Board of Appeals, retired Eastman Kodak department head; **Dan LaGasse**, President, LaGasse Works; former Lyons School Board and Town Board Member; **Mark Humbert**, Director of Financial Aid, SUNY Oswego.

Public Authorities Accountability Act Committees

Governance Committee:

David Scudder – Chairman
Mark Humbert
Robert Hutteman
Dan LaGasse
LaVerne Blied

Audit Committee:

Jean Johnson – Chairman
Don Ross
Richard Stevens
William Hammond
LaVerne Blied

Finance Committee:

LaVerne Blied–Chairman
Jean Johnson
Robert Hutteman
David Scudder

The appointed Ethics Officer is LaVerne Blied

FINANCIAL REPORTING

The revenues and expenses, and assets and liabilities, as of December 31, 2017 are set forth in the audited financial statements prepared for the Authority by Raymond F. Wager, CPA, P.C.

The most recent underlying rating assigned to the Authority by Moody's Investors Service, Inc. is a Aa3 rating which was assigned in connection with the issuance by the Authority of \$1,570,000 Water & Sewer Revenue (Refunding) Bonds, Series 2017, dated August 21, 2017.

ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROLS/PROCEDURES

The recommendations from the Authority's auditing firm, Raymond F. Wager, CPA, P.C. in regards to the Authority's internal controls based on their audit of the fiscal year ended 12/31/17 are attached and incorporated within the year end audited financials prepared by their firm.

MANAGEMENT'S ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROL STRUCTURE AND PROCEDURES

The Wayne County Water and Sewer Authority has developed policies and procedures to provide reasonable assurance that assets are safeguarded from unauthorized acquisitions, use of, or disposition of assets that could have a material effect on the Authority's operations, financial statements and reports and that the records of the Authority reflect only authorized transactions.

The Authority's system of internal controls is evaluated regularly by the Authority management and administrative staff. Independent external auditors also review the internal control system of the Authority in order to determine compliance with generally accepted accounting principles and safeguards for the purpose of expressing an opinion on the financial statements.

The Authority has established an Audit Committee in accordance with the Public Authorities Accountability Act. This committee meets with management and periodically with the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls and financial reporting matters.

This statement verifies that management has documented and assessed the internal control structure and procedures of the Wayne County Water & Sewer Authority for the year ending December 31, 2017. This assessment found the Authority's internal controls to be adequate, and to the extent that deficiencies were identified, the Authority has developed corrective action plans to reduce any corresponding risk.

Schedule of Outstanding WCWSA Debt
2011 Revenue Bond, 2017 Revenue Bond and 2006 EFC Revenue Bond

Year	2011 Principal	2006 Principal	2017 Principal	Total Debt
2018	95,000	20,000	130,000	\$ 245,000
2019	95,000	20,000	145,000	\$ 260,000
2020-25	200,000	120,000	945,000	\$1,265,000
Total	<u>\$ 390,000</u>	<u>\$ 160,000</u>	<u>\$ 1,220,000</u>	<u>\$1,770,000</u>

Real Property Transactions

The Wayne County Water and Sewer Authority did not have any real property transactions for 2017.

Personal Property Transactions

The Wayne County Water and Sewer Authority did not have any personal property transactions for 2017.

WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK

Statement of Revenues, Expenses and Changes in Net Position
For Years Ended December 31, 2017 and 2016

<u>OPERATING REVENUES:</u>	<u>2 0 1 7</u>	<u>2 0 1 6</u>
Water sales	\$ 4,870,378	\$ 4,289,111
Sewer sales	1,430,156	1,259,385
Penalty on water and sewer sales	96,050	72,387
Service and connection fees	475,710	443,001
Construction revenue	1,079,335	1,506,409
Other operating income	185,246	124,792
TOTAL OPERATING REVENUES	<u>\$ 8,136,875</u>	<u>\$ 7,695,085</u>
<u>OPERATING EXPENSES:</u>		
Water supply	\$ 2,383,725	\$ 1,998,716
Sewer disposal	9,312	12,417
Personnel services and benefits	2,705,989	2,394,234
Insurance	108,176	101,489
Professional services	90,464	144,494
Building/vehicle repair and maintenance	158,453	138,593
Electricity	199,827	157,383
Water and sewer tests and chemicals	41,929	33,967
Water line and sewer parts and supplies	1,155,941	1,528,266
Administration and office expense	226,405	201,804
Depreciation	773,307	698,881
TOTAL OPERATING EXPENSES	<u>\$ 7,853,528</u>	<u>\$ 7,410,244</u>
OPERATING INCOME (LOSS)	<u>\$ 283,347</u>	<u>\$ 284,841</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest earnings	\$ 5,198	\$ 726
Interest expense	(13,312)	(15,546)
Rental income	20,531	19,933
Bond discount	(66,758)	(815)
Gain on sale of equipment	6,190	49,770
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ (48,151)</u>	<u>\$ 54,068</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 235,196</u>	<u>\$ 338,909</u>
<u>OTHER ITEM:</u>		
Contributed capital	\$ 37,500	\$ -
INCREASE (DECREASE) IN NET POSITION	<u>\$ 272,696</u>	<u>\$ 338,909</u>
NET POSITION - BEGINNING OF YEAR	<u>16,065,732</u>	<u>15,726,823</u>
NET POSITION - END OF YEAR	<u>\$ 16,338,428</u>	<u>\$ 16,065,732</u>

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

WAYNE COUNTY WATER AND SEWER AUTHORITY

WAYNE COUNTY, NEW YORK

Statement of Net Position

December 31, 2017 and 2016

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>	<u>2 0 1 7</u>	<u>2 0 1 6</u>
<u>Current Assets -</u>		
Cash and cash equivalents	\$ 4,984,488	\$ 3,957,122
Accounts receivable (net of allowance)	1,374,781	1,296,891
Materials and supplies inventory	350,360	504,122
Prepaid items	118,286	101,436
Total Current Assets	<u>\$ 6,827,915</u>	<u>\$ 5,859,571</u>
<u>Capital Assets -</u>		
Land and work in progress	\$ 257,071	\$ 251,071
Facilities and equipment, net of depreciation	12,152,617	11,182,657
Total Capital Assets, Net	<u>\$ 12,409,688</u>	<u>\$ 11,433,728</u>
<u>Deferred Outflow of Resources -</u>		
Deferred outflows of resources	\$ 532,469	\$ 843,495
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 19,770,072</u></u>	<u><u>\$ 18,136,794</u></u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION:</u>		
<u>Current Liabilities -</u>		
Accounts payable	\$ 340,628	\$ 288,670
Accrued liabilities	81,555	75,201
Current portion of debt	248,074	114,185
Total Current Liabilities	<u>\$ 670,257</u>	<u>\$ 478,056</u>
<u>Noncurrent Liabilities -</u>		
Revenue bonds payable (net of unamortized premiums/discounts)	\$ 1,767,556	\$ 386,740
EFC loan liability	140,000	160,000
Net Pension liability	543,014	785,535
OPEB liability	203,586	154,728
Total Noncurrent Liabilities	<u>\$ 2,654,156</u>	<u>\$ 1,487,003</u>
<u>Deferred Inflow of Resources -</u>		
Deferred inflows of resources	\$ 107,231	\$ 106,003
<u>Net Position -</u>		
Net investment in capital assets		
Water fund	\$ 3,614,625	\$ 4,029,474
Sewer fund	6,639,433	6,743,329
Restricted - capital reserve	1,791,483	2,110,956
Unrestricted net position		
Water fund	3,900,545	3,023,006
Sewer fund	392,342	158,967
Total Net Position	<u>\$ 16,338,428</u>	<u>\$ 16,065,732</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u><u>\$ 19,770,072</u></u>	<u><u>\$ 18,136,794</u></u>

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

RAYMOND F. WAGER, CPA, P.C.
Certified Public Accountants

March 7, 2018

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

In planning and performing our audit of the financial statements of the Wayne County Water and Sewer Authority, New York as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Wayne County Water and Sewer Authority, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Prior Year Deficiencies Pending Corrective Action:

Procurement Procedures –

As the Authority continues to grow and expand their coverage in the Wayne County area, consideration should be made to review common types of materials and supplies (such as chemicals) that can be pooled together to be subjected to competitive bidding.

We recommend the Authority develop procedures to identify those products that are similar in nature and determine if a competitive bid can be utilized.

Current Year Deficiency in Internal Control:

Financial Accounting and Reporting –

As the Authority continues to grow the volume and complexity of the transactions will increase, requiring the Accounting Manager to spend more time analyzing the transactions. Because of this growth there were several audit entries required to reverse prior year accruals and to capitalize various capital asset related projects.

We recommend the Authority review the specific job duties of the Accounting Manager to determine if there is a need for additional personnel to assist with minor processing of certain transactions.

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:

Process and Procedures –

As the Authority continues to grow its customer base through inter-municipal cooperation, the need to consider a financial software package that integrates the billing, accounting, and asset management functions will become an important aspect of efficiencies and internal control. In addition, to aid in the business office functions, the Authority should continue to periodically review existing job descriptions and create new job descriptions as new positions are created.

Prior Year Recommendations:

We are pleased to report that the following prior year recommendations have been implemented to our satisfaction:

1. The Authority Administration is now reviewing payroll documents prior to payroll being distributed.
2. The Authority approved a policy relating to its operating and capital reserve funds during the year.
3. The Authority is in the process of completing and testing their written disaster recovery plan.

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

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

Raymond F. Wager, CPA, PC

Rochester, New York
March 7, 2018