

WAYNE COUNTY WATER AND SEWER AUTHORITY

NEW YORK

BASIC FINANCIAL STATEMENTS

For Years Ended December 31, 2019 and 2018

MENGEL METZGER BARR & CO. LLP

RAYMOND F. WAGER, CPA, P.C. DIVISION

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MENGEL METZGER BARR & CO. LLP

RAYMOND F. WAGER, CPA, P.C. DIVISION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Wayne County Water and Sewer Authority, New York, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wayne County Water and Sewer Authority, New York, as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 3-7 and pages 29-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Wayne County Water and Sewer Authority, New York's financial statements. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplemental 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the 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 23, 2020 on our consideration of the Wayne 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne County Water and Sewer Authority, New York's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
March 23, 2020

**Wayne County Water and Sewer Authority
Wayne County, New York**

Management's Discussion and Analysis (MD&A)

December 31, 2019

Introduction

Our discussion and analysis of the Wayne County Water and Sewer Authority, Wayne County, New York's (Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2019. It should be read in conjunction with the basic financial statements to enhance understanding of the Authority's financial performance, which immediately follows this section.

Activities and Accomplishments

Sewer:

The construction of the phase 4 sanitary sewers on Canada Street, in the Village of Red Creek, was completed. The project consists of 2,100 linear feet of low-pressure sewer with individual grinder pumps for 16 homes.

Construction on the Port Bay sewer project with the potential of 640 connections in the Towns of Huron and Wolcott continued with anticipated completion in 2020.

The Town of Walworth has expressed its intent to join the Western Regional Wastewater Treatment Plant Project and along with the Village of Palmyra and the Towns of Marion, Macedon, and Palmyra will be signing an Inter-Municipal Agreement. Design changes to the plant and collection system to include Walworth are currently underway. Surveying of the collection system route was completed. The regional wastewater treatment facility will be located on NYS Rte. 31 in the Village of Palmyra. This new facility will be owned, operated and maintained by the Authority. Grant monies in a total of \$13,750,000 have been awarded for the project.

Design is underway for new ultraviolet disinfection units for the Authority's Red Creek Regional Wastewater Treatment Plant at Chapman's Corners. Receipt of bids is anticipated in 2020.

The digester and thickener buildings at the Red Creek Regional Wastewater Treatment plant were re-coated with UV-resistant materials.

A study of the former Village of Lyons wastewater treatment plant is in progress which will identify necessary upgrades to the plant, including the construction of new disinfection improvements.

Water:

The Authority installed 98 new water services throughout its service area in 2019.

The Authority replaced 1,100 linear feet of antiquated water main on Mill Street in the town of Marion in conjunction with road reconstruction by the Wayne County Highway Department.

The Town of Arcadia Water District No. 17 was completed; it consists of 17,000 linear feet of 8" water main, serving 39 homes on Arcadia-Zurich-Norris Road, Henkel Road and Heidenreich Road.

Construction of the Town of Arcadia Water District No. 16 was substantially completed and will provide water for 112 Equivalent Dwelling Units in the west-central area of the town. The project consists of the installation of 23,000 linear feet of 8" water main on NYS Route 31, Stebbins Road, Stuart Avenue, Whitbeck Road and Tellier Road. Installation of Pressure Regulating Vaults and some restoration will be completed in 2020.

The Town of Lyons obtained a grant from New York State to replace existing lead water services. Construction is currently underway and out of an initial 73 services identified for replacement, 58 were replaced in 2019.

Cavanaugh Associates were engaged to conduct a Phase 1a non-revenue water audit, in which they provided helpful guidance and a number of recommendations. Meter testing equipment was purchased with the priority on testing large customer meters and mater meters.

The design work began for the Wayne County Regional Water Storage Project which consists of a new 2,000,000 gallon water storage tank in the Town of Arcadia, a new water booster pump station and 12" transmission main along NYS Rte. 88 in the Towns of Arcadia and Sodus, improvements to the existing water booster station in the Town of Williamson, transmission main improvements in the Town of Williamson, a secondary transmission connection in the Town of Huron and a new transmission line crossing of the Erie Canal. The participants have signed a Storage System Improvements and Service Agreement, effective January 1, 2020. Start of construction is scheduled for 2020. Grant monies in a total of \$4,650,000 have been awarded for this project.

Miscellaneous:

The Authority contracted with a software vendor to supply a one year license for Mobile Work Management software.

In November, the Authority provided the opportunity for board members, advisors and employees to participate in a tour of the Authority's wastewater plants, primary pump stations and other facilities.

Summary of Operations and Changes in Net Position

	2019		2018		2017	
	<u>Water Activity</u>	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Sewer Activity</u>
Operating Revenues	\$ 7,737,385	1,780,605	\$ 6,870,093	\$ 1,578,466	\$ 6,575,120	\$ 1,561,755
Operating Expenses	7,627,701	1,677,912	7,025,336	1,427,381	6,423,340	1,430,188
Operating Income (Loss)	\$ 109,684	\$ 102,693	\$ (155,243)	\$ 151,085	\$ 151,780	\$ 131,567
Non-Operating Revenues	56,001	-	61,606	-	31,919	-
Non-Operating Expenses	(36,014)	(9,554)	(56,755)	(1,874)	(77,983)	(2,087)
Income Before Other Items	\$ 129,671	\$ 93,139	\$ (150,392)	\$ 149,211	\$ 105,716	\$ 129,480
Contributed Capital	175,339	600,000	-	-	37,500	-
Increase (Decrease) in Net Position	\$ 305,010	\$ 693,139	\$ (150,392)	\$ 149,211	\$ 143,216	\$ 129,480

The decrease of Net Position is explained in the following Operating Revenue and Operating Expense summaries.

Operating Revenues

The Authority's operating revenue increased by \$1,069,431 in 2019 and increased by \$311,684 in 2018.

Operating Expenses

The Authority's operating expenses increased by \$852,896 in 2019 and increased by \$399,723 in 2018.

The total number of active customers serviced during the past three years is as follows:

<u>Water</u>			<u>Sewer</u>		
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
13,990	13,847	13,735	2,358	2,322	2,322

Net Position

Net position is an indication of financial strength. The WCWSA net position increased by \$998,149 in 2019 and decreased \$1,181 in 2018. The following is a summary of the Authority's net position as of December 31, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS:</u>			
Current Assets	\$ 6,818,159	\$ 6,399,619	\$ 6,827,915
Fixed Assets	13,322,967	12,862,394	12,409,688
Total Assets	\$ 20,141,126	\$ 19,262,013	\$ 19,237,603
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	\$ 558,761	\$ 872,463	\$ 532,469
<u>LIABILITIES:</u>			
Current Liabilities	\$ 910,667	\$ 835,473	\$ 670,257
Noncurrent Liabilities	2,858,739	2,812,507	3,279,120
Total Liabilities	\$ 3,769,406	\$ 3,647,980	\$ 3,949,377
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	\$ 220,049	\$ 774,213	\$ 107,231
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 11,678,486	\$ 10,954,838	\$ 10,254,058
Restricted - Capital Reserve	2,112,678	2,092,788	1,791,483
Unrestricted	2,919,268	2,664,657	3,667,923
Total Net Position	\$ 16,710,432	\$ 15,712,283	\$ 15,713,464

The net position includes the value of the Authority's investment in infrastructure, and funds for ongoing repairs/replacement and/or additions to infrastructure.

WCWSA Rates and Charges

The Authority sets its rates annually in concurrence with the adoption of its annual operating budget. For 2019, the water rate was \$4.50/tg for all of the Authority's customers and the basic service charge was \$25 per quarter. Lyons sewer rates were as follows: \$32.00 for the first 5000 gallons, \$6.00 for 6000 to 100,000 additional gallons, and \$5.00 for 101,000 gallons and above.

The projected budgeted construction revenue for 2019 was \$1,250,000. The Authority exceeded this number due to the aforementioned capital projects.

Financial Statements

The WCWSA is a public benefit corporation functioning under legislation passed by the State of New York; its volunteer Board members are appointed by the Wayne County Board of Supervisors. The WCWSA functions much like a municipality with competitive bidding laws and financial safeguards required.

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. Effective December 31, 2004, the Authority adopted GASB Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments as amended by GASB Statements No. 37 and 38. The Authority is engaged only in business-type activities as defined in GASB Statement No. 34.

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

Capital Assets

By the end of the 2019 year, the WCWSA had invested \$13,322,967 in a broad range of capital assets, including land, completed facilities, and equipment. The change in capital assets, including the accumulated depreciation, is reflected below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 257,071	\$ 257,071	\$ 257,071
Completed facilities	20,450,597	19,374,169	18,366,400
Equipment	3,017,509	2,696,760	2,510,224
<u>Less: Accumulated Depreciation</u>	<u>(10,402,210)</u>	<u>(9,465,606)</u>	<u>(8,724,007)</u>
Total	<u>\$ 13,322,967</u>	<u>\$ 12,862,394</u>	<u>\$ 12,409,688</u>

Long -Term Obligations

The Authority's long-term obligations are as follows:

1. **Water & Sewer System Revenue Bonds Refunded** - This \$920,000 bond was secured in 2011 with a ten (10) year maturity. The bond matures in 2021 and has an unpaid principle balance of \$200,000 as of December 31, 2019.

It should be noted that with the bond refunding in 2011, the Authority's bond rating was updated to a Moody's Underlying Rating of A1.

2. **State Revolving Fund Loan** - In June 2006, \$4,000,000 of EFC revenue bonds were issued to finance the Red Creek Area Regional Wastewater Treatment Facility construction project. The New York State Department of Corrections paid \$3,600,000, whereas the remaining outstanding balance as of December 31, 2019 of \$120,000 was refinanced reducing the Authority's future interest cost.
3. **Bond Payable** - In 2017, \$1,570,000 of revenue bonds were issued to finance work on a renovation project at the operations center, and a roof project at the regional wastewater facility. The bonds were issued with an interest rate of 2.00%-4.00%. Bonds outstanding as of December 31, 2019 amounted to \$1,295,000 and have a final maturity date of June 15, 2027.

Future Factors

The following prospective improvements are planned for the years 2020 and 2021:

The Town of Wolcott has formed the Brown-Wadsworth Water District, which will provide water for 46 Equivalent Dwelling Units in the north- central area of the town. The Authority will install the project, which consists of the installation of 22,000 linear feet of 8" water main on Wadsworth Road, Wheeler Road, Brown Road, Cemetery Road and Rasbeck Road.

The Town of Huron has formed Water District No. 8 on portions of North Huron Road and Lummisville Road. This district consists of 15,300 linear feet of 8" and 12" water main, serving 43 Equivalent Dwelling Units. The start of construction is not yet scheduled.

The Town of Sodus has started initial discussions for possible water districts along NYS Rte. 14 which could connect water mains at Ridge Road to the south and at Village of Sodus Point to the north. A second, smaller district providing water to a small community on Emerald Point, just east of the Village of Sodus Point on Sodus Bay is being pursued.

The Town of Arcadia is looking to form an additional water district in 2020. Roads under consideration are South Minstead, Decker, Fisher, Jungle, Lee, Cauwels and Steel Point. Construction on this district could begin as early as 2021.

Requests for Information

This financial report is designed to provide a general overview of the Wayne County Water and Sewer Authority, Wayne 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, Wayne County Water and Sewer Authority, 3377 Daansen Road, Walworth, N.Y. 14568.

**WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK**

STATEMENT OF NET POSITION

December 31, 2019 and 2018

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>	<u>2019</u>	<u>2018</u>
<u>Current Assets -</u>		
Cash and cash equivalents	\$ 2,287,592	\$ 3,302,390
Investments	1,518,020	1,001,118
Accounts receivable (net of allowance)	2,364,767	1,319,724
Materials and supplies inventory	572,829	646,141
Prepaid items	74,951	130,246
Total Current Assets	<u>\$ 6,818,159</u>	<u>\$ 6,399,619</u>
<u>Capital Assets -</u>		
Land and work in progress	\$ 257,071	\$ 257,071
Facilities and equipment, net of depreciation	13,065,896	12,605,323
Total Capital Assets, Net	<u>\$ 13,322,967</u>	<u>\$ 12,862,394</u>
<u>Deferred Outflow of Resources -</u>		
Deferred outflows of resources	\$ 558,761	\$ 872,463
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 20,699,887</u></u>	<u><u>\$ 20,134,476</u></u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION:</u>		
<u>Current Liabilities -</u>		
Accounts payable	\$ 644,945	\$ 491,218
Accrued liabilities	2,648	81,181
Current portion of debt	263,074	263,074
Total Current Liabilities	<u>\$ 910,667</u>	<u>\$ 835,473</u>
<u>Noncurrent Liabilities -</u>		
Revenue bonds payable (net of unamortized premiums/discounts)	1,281,408	1,524,482
EFC loan liability	100,000	120,000
Net Pension liability	549,417	231,965
OPEB liability	927,914	936,060
Total Noncurrent Liabilities	<u>\$ 2,858,739</u>	<u>\$ 2,812,507</u>
<u>Deferred Inflow of Resources -</u>		
Deferred inflows of resources	\$ 220,049	\$ 774,213
<u>Net Position -</u>		
Net investment in capital assets		
Water fund	\$ 4,581,090	\$ 4,367,180
Sewer fund	7,097,396	6,587,658
Restricted - capital reserve	2,112,678	2,092,788
Unrestricted net position		
Water fund	2,304,027	2,233,789
Sewer fund	615,241	430,868
Total Net Position	<u>\$ 16,710,432</u>	<u>\$ 15,712,283</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u><u>\$ 20,699,887</u></u>	<u><u>\$ 20,134,476</u></u>

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

**WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK**

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

For Years Ended December 31, 2019 and 2018

<u>OPERATING REVENUES:</u>	<u>2019</u>	<u>2018</u>
Water sales	\$ 5,274,959	\$ 5,135,653
Sewer sales	1,493,646	1,437,745
Penalty on water and sewer sales	94,146	98,468
Service and connection fees	516,411	443,823
Construction revenue	1,922,052	1,260,627
Other operating income	216,776	72,243
TOTAL OPERATING REVENUES	<u>\$ 9,517,990</u>	<u>\$ 8,448,559</u>
<u>OPERATING EXPENSES:</u>		
Water supply	\$ 2,539,719	\$ 2,578,865
Sewer disposal	6,733	6,608
Personnel services and benefits	3,101,754	3,021,685
Insurance	118,122	115,272
Professional services	82,238	65,753
Building/vehicle repair and maintenance	229,843	167,149
Electricity	206,833	237,891
Water and sewer tests and chemicals	39,414	46,718
Water line and sewer parts and supplies	1,763,966	1,158,774
Administration and office expense	229,868	224,074
Depreciation	987,123	829,928
TOTAL OPERATING EXPENSES	<u>\$ 9,305,613</u>	<u>\$ 8,452,717</u>
OPERATING (LOSS) INCOME	<u>\$ 212,377</u>	<u>\$ (4,158)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest earnings	\$ 19,891	\$ 1,317
Interest expense	(40,203)	(54,764)
Rental income	21,836	21,147
Bond discount	(5,365)	(3,865)
Gain on sale of equipment (net)	14,274	39,142
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 10,433</u>	<u>\$ 2,977</u>
(DECREASE) INCREASE IN NET POSITION	<u>\$ 222,810</u>	<u>\$ (1,181)</u>
<u>OTHER ITEM:</u>		
Contributed capital - state grant	\$ 175,339	\$ -
Contributed capital - local	600,000	-
TOTAL CAPITAL CONTRIBUTIONS	<u>\$ 775,339</u>	<u>\$ -</u>
(DECREASE) INCREASE IN NET POSITION	<u>\$ 998,149</u>	<u>\$ (1,181)</u>
NET POSITION - BEGINNING OF YEAR	<u>15,712,283</u>	<u>15,713,464</u>
NET POSITION - END OF YEAR	<u>\$ 16,710,432</u>	<u>\$ 15,712,283</u>

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

**WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK**

STATEMENT OF CASH FLOWS

For Years Ended December 31, 2019 and 2018

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2019</u>	<u>2018</u>
Received from providing services	\$ 8,472,947	\$ 8,503,616
Payments to suppliers	(4,989,697)	(4,746,294)
Payments to employees	(3,056,148)	(2,910,570)
Net Cash Provided by Operating Activities	<u>\$ 427,102</u>	<u>\$ 846,752</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Principal payments on debt	\$ (260,000)	\$ (245,000)
Bond premium	(3,889)	(3,889)
Interest expense	(40,203)	(54,764)
Bond issuance cost	(4,550)	(3,050)
Acquisition and construction of capital assets	(1,447,696)	(1,293,763)
Proceeds from sale of assets	14,274	50,270
Capital contribution	775,339	-
Net Cash Used In Capital and Related Financing Activities	<u>\$ (966,725)</u>	<u>\$ (1,550,196)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Rental income	\$ 21,836	\$ 21,147
Interest income	19,891	264
Purchases/sales of investments (net)	(516,902)	-
Net Cash Provided By Investing Activities	<u>\$ (475,175)</u>	<u>\$ 21,411</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (1,014,798)	\$ (682,033)
Cash and Cash Equivalents - Beginning of Year	3,302,390	3,984,423
Cash and Cash Equivalents - End of Year	<u>\$ 2,287,592</u>	<u>\$ 3,302,390</u>
<u>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating (loss) income	\$ 212,377	\$ (4,158)
Adjustments to reconcile changes in net position to cash Provided by Activities -		
Depreciation	987,123	829,928
Changes in assets and liabilities -		
Accounts receivable	(1,045,043)	55,057
Deferred outflows	313,702	(339,994)
Deferred inflows	(554,164)	666,982
Net pension liability	317,452	(311,049)
Materials and supplies inventory	73,312	(295,781)
Prepayment and other current assets	55,295	(11,960)
Accounts payable, accrued payroll and benefits	67,048	257,727
Net Cash Provided by Operating Activities	<u>\$ 427,102</u>	<u>\$ 846,752</u>

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

**WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(Note 1) Summary of Significant Accounting Policies:

The financial statements of the Wayne County Water and Sewer Authority, Wayne 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 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 Authority has the powers necessary to plan, finance, operate and manage water systems in Wayne County. The Authority provides a structure for planning and implementing improvement in the availability, reliability, and quality of public water supplies in Wayne County.

The Authority has approximately 13,990 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 and 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 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 220,000 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 Correctional Facility is now closed, and the Department of Corrections has ceased making payments to the Authority as of August, 2019. However, the Authority has reserved its rights to require the Department of Corrections to continue making annual payments to the Authority for "operational and maintenance" expenses, including its pro-rata share of Authority debt service in connection with the regional facility, as required by its contractual agreement with the Authority. 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 a lease/operations agreement with the Towns of Lyons and Macedon.

(Note 1) (Continued)

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

The Authority has approximately 2358 sewer customers and operates a series of small 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.

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 Management

The Authority has adopted investment guidelines which conform with Sections 2735 and 2925 of the New York State Public Authorities Law. These guidelines establish the permissible investments and procedures for obtaining pledged collateral for investments which exceed FDIC insurance coverage.

D. 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.

E. Materials and Supplies Inventories

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

F. 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.

G. 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:

Facilities	20-40 Years
Transmission and Equipment	5-40 Years

(Note 1) (Continued)

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.

H. 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. The government may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Authority-wide Statement of Net Position. This represents the effect of the net change in the Authority's proportion of the collective net pension asset or liability and difference during the measurement period between the Authority's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly are the Authority contributions to the pension system (ERS) subsequent to the measurement date.

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. The Authority may have items related to pensions reported in the Authority-wide Statement of Net Position. This represents the effect of the net change in the Authority's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the Authority's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

I. Non-Current Liabilities

Long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using an amortization schedule consistent with the bond payment schedule. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. 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.

K. 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.

(Note 1) (Continued)

L. 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.

M. 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.

N. 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.

O. New Accounting Standards

The Authority has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2019, the Authority implemented the following new standards issued by GASB:

GASB has issued Statement 83, *Certain Asset Retirement Obligations*.

GASB has issued Statement 84, *Fiduciary Activities*.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

GASB has issued Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*.

(Note 1) (Continued)

P. Future Changes in Accounting Standards

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2020.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 90, *Conduit Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2020.

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

(Note 2) **Detail Notes on All Funds and Account Groups:**

A. Assets

1. Cash and Investments

The Authority's investment policies are governed by state statutes. In addition, the Authority has its own written investment policy. The Authority's monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit, which are not subject to investment risk relating to changing interest rates. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The revenue bond covenant account reported under restricted assets has been included as cash and cash equivalents in accordance with this definition. The Statement of Cash Flows uses the indirect method of reporting cash flows.

	<u>2019</u>	<u>2018</u>
Uncollateralized	\$ -	\$ -
Collateralized within Trust department or agent	3,031,364	2,917,442
Total	<u>\$ 3,031,364</u>	<u>\$ 2,917,442</u>

2. Accounts Receivable

The balance of accounts receivable for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Water Rents	\$ 1,095,337	\$ 996,650
Sewer Rents	379,445	274,491
Contributed Capital Sewer	600,000	-
Contributed Capital Water	175,339	-
Other Receivables	114,646	48,583
Total	<u>\$ 2,364,767</u>	<u>\$ 1,319,724</u>

(Note 2) (Continued)

3. **Fixed Assets**

The following is a summary of fixed assets for the Authority at December 31:

	Balance at 1/1/2019	Additions	Deletions	Balance at 12/31/2019
Land	\$ 257,071	\$ -	\$ -	\$ 257,071
Completed facilities	19,374,169	1,076,428	-	20,450,597
Equipment	2,696,760	371,268	(50,519)	3,017,509
<u>Less: Accumulated depreciation</u>	<u>(9,465,606)</u>	<u>(987,123)</u>	<u>50,519</u>	<u>(10,402,210)</u>
Total	<u>\$ 12,862,394</u>	<u>\$ 460,573</u>	<u>\$ -</u>	<u>\$ 13,322,967</u>

	Balance at 1/1/2018	Additions	Deletions	Balance at 12/31/2018
Land	\$ 257,071	\$ -	\$ -	\$ 257,071
Completed facilities	18,366,400	1,007,769	-	19,374,169
Equipment	2,510,224	285,993	(99,457)	2,696,760
<u>Less: Accumulated depreciation</u>	<u>(8,724,007)</u>	<u>(829,928)</u>	<u>88,329</u>	<u>(9,465,606)</u>
Total	<u>\$ 12,409,688</u>	<u>\$ 463,834</u>	<u>\$ (11,128)</u>	<u>\$ 12,862,394</u>

B. **Long-Term Debt**

1. **State Revolving Fund Loan**

The Authority entered into two loan agreements with the New York State Environmental Facilities Corporation (EFC) to provide short-term financing for the Red Creek Area Regional Wastewater Treatment Facility. The significant terms of the loan agreement are as follows:

- a. The Authority was allowed periodic draw downs with a maximum principal sum of \$1,750,000 on the loan dated September 30, 2004.
- b. During April 2006, the Authority entered into a second loan in which the Authority was allowed periodic draw downs with a maximum principal sum of \$2,199,338.
- c. The final maturity date of the loans was September 30, 2007, however, the loan balance was refinanced through a Revenue Bond during the 2006 year.

2. **Bond Payable**

In 2012, \$920,000 of revenue bonds were issued to refinance the original loan of \$1,630,000 in revenue bonds from 2001. The bonds were issued with an interest rate of 2.00%-3.00%. Bonds outstanding as of December 31, 2019 amounted to \$200,000 and have a final maturity date of March 15, 2021.

(Note 2) (Continued)

3. **EFC Revenue Bond Payable**

In June 2006, \$4,000,000 of EFC revenue bonds were issued to finance the Red Creek Area Regional Wastewater Treatment Facility construction project and refinance the original loans of \$1,750,000 from 2005 and the \$2,199,388 issued April 2006. The bonds were issued with an interest rate of 3.60%-4.75%. Revenue bonds outstanding as of December 31, 2019 amounted to \$120,000 and have a final maturity date of October 1, 2025.

4. **Bond Payable**

In 2017, \$1,570,000 of revenue bonds were issued to finance work a renovation project at the operations center, and a roof project at the regional wastewater facility. The bonds were issued with an interest rate of 2.00%-4.00%. Bonds outstanding as of December 31, 2019 amounted to \$1,295,000 and have a final maturity date of June 15, 2027.

5. **Change in Long-Term Debt**

	<u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Bonds	\$ 1,735,000	\$ -	\$ 240,000	\$ 1,495,000 *	\$ 240,000	\$ 1,255,000 *
Unamortized Bond Premium	35,001	-	3,889	31,112 *	3,889	27,223 *
Unamortized Bond Discount	(2,445)	-	(815)	(1,630) *	(815)	(815) *
Total Revenue Bonds	\$ 1,767,556	\$ -	\$ 243,074	\$ 1,524,482	\$ 243,074	\$ 1,281,408
EFC Revenue Bond	140,000	-	20,000	120,000	20,000	100,000
OPEB Liability	936,060	-	8,146	927,914	-	927,914
Unfunded Pension	231,965	317,452	-	549,417	-	549,417
Total Long-Term Debt	\$ 3,075,581	\$ 317,452	\$ 271,220	\$ 3,121,813	\$ 263,074	\$ 2,858,739

* The financial statements net the \$815 discount, and the \$27,223 premium against the \$1,255,000 bonds payable.

	<u>1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2018</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Bonds	\$ 1,960,000	\$ -	\$ 225,000	\$ 1,735,000 *	\$ 240,000	\$ 1,495,000 *
Unamortized Bond Premium	38,890	-	3,889	35,001 *	3,889	31,112 *
Unamortized Bond Discount	(3,260)	-	(815)	(2,445) *	(815)	(1,630) *
Total Revenue Bonds	\$ 1,995,630	\$ -	\$ 228,074	\$ 1,767,556	\$ 243,074	\$ 1,524,482
EFC Revenue Bond	160,000	-	20,000	140,000	20,000	120,000
OPEB Liability	828,550	107,510	-	936,060	-	936,060
Unfunded Pension	543,014	-	311,049	231,965	-	231,965
Total Long-Term Debt	\$ 3,527,194	\$ 107,510	\$ 559,123	\$ 3,075,581	\$ 263,074	\$ 2,812,507

* The financial statements net the \$1,630 discount, and the \$31,112 premium against the \$1,495,000 bonds payable.

(Note 2) (Continued)

6. Estimated Debt Service Requirements

Revenue bond estimated debt service requirements to maturity are as follows:

<u>Year</u>	<u>2001 Revenue Bond</u>		<u>2006 EFC Revenue Bond</u>		<u>2017 Revenue Bond</u>		<u>Total Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 95,000	\$ 4,456	\$ 20,000	\$ 5,613	\$ 145,000	\$ 31,863	\$ 260,000	\$ 41,932
2021	105,000	1,575	20,000	4,694	150,000	27,438	275,000	33,707
2022	-	-	20,000	3,768	155,000	22,862	175,000	26,630
2023	-	-	20,000	2,833	160,000	17,338	180,000	20,171
2024	-	-	20,000	2,844	165,000	12,488	185,000	15,332
2025-27	-	-	20,000	-	520,000	22,214	540,000	22,214
Total	\$ 200,000	\$ 6,031	\$ 120,000	\$ 19,752	\$ 1,295,000	\$ 134,203	\$ 1,615,000	\$ 159,986

(Note 3) **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.

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.

(Note 3) (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 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.

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.

(Note 3) (Continued)

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.

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:

(Note 3) (Continued)

Prepayment	
<u>Due Date</u>	<u>ERS</u>
12/15/2019	\$ 299,803
12/15/2018	\$ 281,909
12/15/2017	\$ 253,439

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

At December 31, 2019, the Authority reported a liability of \$549,417 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, 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, 2019, the Authority's proportion was 0.0077543%.

For the year ended December 31, 2019 the Authority recognized pension expense of \$372,346. At December 31, 2019 and 2018, the Authority reported deferred inflows and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources <u>2019</u>	Deferred Outflows of Resources <u>2018</u>
Differences between expected and actual experience	\$ 108,192	\$ 82,734
Changes of assumptions	138,101	153,812
Net difference between projected and actual earnings on pension plan investments	-	336,911
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	87,616	87,574
SubTotal	\$ 333,909	\$ 661,031
Authority's contributions subsequent to the measurement date	224,852	211,432
Grand Total	\$ 558,761	\$ 872,463
	Deferred Inflows of Resources <u>2019</u>	Deferred Inflows of Resources <u>2018</u>
Differences between expected and actual experience	\$ 36,881	\$ 68,369
Net difference between projected and actual earnings on pension plan investments	141,011	665,028
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	42,157	40,789
Grand Total	\$ 220,049	\$ 774,186

(Note 3) (Continued)

\$224,852 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, 2019. 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>
2020	\$ 130,539
2021	(93,611)
2022	1,063
2023	75,869
Total	\$ 113,860

1. Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>
Inflation	2.50%
Salary increases	4.20%
Investment rate of return (net of investment expense, including inflation)	7.00%
COLA'S	1.30%

Annuitant mortality rates are based on April 1, 2010-March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2017.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 and 2018 are summarized below:

(Note 3) (Continued)

<u>Asset Class</u>	<u>2019 Long-Term Expected Real Rate of Return</u>	<u>2018 Long-Term Expected Real Rate of Return</u>
Domestic equity	4.55%	4.55%
International equity	6.35%	6.35%
Private equity	7.50%	7.50%
Real estate	5.55%	5.55%
Absolute return strategies *	3.75%	3.75%
Opportunistic portfolios	5.68%	5.68%
Real assets	5.29%	5.29%
Bond and mortgages	1.31%	1.31%
Cash	-0.25%	-0.25%
Inflation-indexed bonds	1.25%	1.25%

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

- * Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

2. Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 7%, 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 (6%) or 1-percentagepoint higher (8%) than the current rate:

(Note 3) (Continued)

	2019		
	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the net pension asset (liability)	\$ (2,402,137)	\$ (549,417)	\$ 1,007,000

	2018		
	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the net pension asset (liability)	\$ (775,109)	\$ (231,965)	\$ 1,056,554

4. Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the March 31, 2018, were as follows:

	2019	2018
	(In Thousands)	(In Thousands)
	<u>ERS</u>	<u>ERS</u>
Employers' total pension liability	\$ 189,803,429	\$ 183,400,590
Plan net position	(182,718,124)	(180,173,145)
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ (3,227,445)</u>
Ration of plan net position to the employers' total pension liability	96.27%	96.27%

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, 2019 represents the projected employer contribution for the period of December 31, 2019 through March 31, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2019 amounted to \$74,951.

(Note 4) **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.

(Note 4) (Continued)

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”.

Employees Covered by Benefit Terms – At March 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active Employees	38
Total	38

B. Total OPEB Liability

The Authority’s total OPEB liability of \$927,914 was measured as of December 31, 2019, and was determined using the alternative method.

The assumptions used for the alternative method are as follows:

Inflation	3.0 percent
Discount Rate	3.6 percent
Healthcare Cost Trend Rates	WCWSA caps their share of Benefit-Related costs at \$3,000, therefore Healthcare Cost Trend Rates are not applicable
Retirees' Share of Benefit-Related Costs	All cost above \$3,000

The discount rate was based on a Aa rating.

Mortality rates were based on the IRS Social Security tables.

(Note 4) (Continued)

C. **Changes in the Total OPEB Liability**

	<u>2018</u>	<u>2017</u>
Beginning Balance at December 31	\$ 936,060	\$ 828,550
<u>Changes for the Year -</u>		
Benefit payments	\$ (8,146)	\$ 107,510
Net Changes	\$ (8,146)	\$ 107,510
Ending Balance at December 31	<u>\$ 927,914</u>	<u>\$ 936,060</u>

Changes of benefits represents additional employees added to the system.

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 (2.6 percent) or 1-percentage-point higher (4.6 percent) than the current discount rate:

	<u>2018</u>			
	1% Decrease	Discount	1% Increase	
	<u>(2.6%)</u>	<u>Rate</u>	<u>(3.6%)</u>	<u>(4.6%)</u>
Total OPEB Liability	\$ 1,149,990	\$ 927,914	\$ 761,954	

	<u>2017</u>			
	1% Decrease	Discount	1% Increase	
	<u>(2.6%)</u>	<u>Rate</u>	<u>(3.6%)</u>	<u>(4.6%)</u>
Total OPEB Liability	\$ 1,167,222	\$ 36,060	\$ 764,440	

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.

(Note 5) **Related Party Transactions:**

The Authority enters into contracts and other agreements with towns and villages whose supervisor or mayor may sit on the Authority’s Board.

(Note 6) **Commitments and Contingencies:**

A. **Subsequent Debt**

The Authority is in the process of financing a \$53,500,000 capital project to construct a new Western Wayne County Regional Wastewater Treatment Plant and associated improvements. Financing will be in the form of Authority-issued revenue bonds supported with grants, NYSEFC loans, and re-imbusement from the participating municipalities.

(Note 6) (Continued)

In addition, the Authority is in the process of financing a \$10,500,000 capital project to construct a Regional Water Storage Tank and associated improvements. Financing for this project will be in the form of Authority-issued revenue bonds supported with grants, bonds, and re-imbursement from the participating municipalities.

B. Litigation

Management is not aware of any pending litigation as of the date of this report.

C. Regional Wastewater Treatment Project

The Authority has begun work on a \$53,500,000 Regional Wastewater Treatment project in Western Wayne County that will be financed through the New York State Environmental Facilities Corporation with the issuance of Authority revenue bonds supported with various grants and loans.

As part of the project, the Authority has entered into an Agreement with all participating municipalities who will collectively pay capital charges equal to the debt payments on the Authority bonds as part of the IMA/Service Agreement with the Authority.

The strength of this IMA is backed by the ability of each municipality to re-levy unpaid debt upon the County tax rolls, thereby assuring payment to the Authority.

D. Regional Water Storage Project

The Authority has also begun work on a \$10,500,000 Regional Water Storage Project in Central Wayne County that will be financed through the issuance of Authority revenue bonds supported with various grants and loans.

As part of this project, the Authority has entered into an Agreement with all participating municipalities who will pay capital charges equal to the debt payments on the Authority bonds as part of the IM/ service Agreement with the Authority.

The strength of this IMA is backed by the ability of each municipality to re-levy unpaid debt upon the County tax rolls, thereby assuring payment to the Authority.

E. Subsequent Event

Because of the COVID 19 outbreak throughout the world, economic uncertainties have arisen which a financial impact could occur though such impact is unknown as this time. However, as a public benefit corporation, the Authority has been deemed in its enabling legislation to be acting in a governmental capacity and in the performance of an essential governmental function and provides essential infrastructure water and sewer services.

(Note 7) Deferred Compensation Plan:

The Authority maintains a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code for which Authority employees have the option to participate.

(Note 8) **Capital Assets:**

A. Net investment in capital assets - is summarized as follows:

<u>INVESTMENT IN CAPITAL ASSETS:</u>	<u>2019</u>	<u>2018</u>
Water	\$ 5,774,043	\$ 5,765,986
Sewer	7,548,924	7,096,408
TOTAL INVESTMENT IN CAPITAL ASSETS	<u>\$ 13,322,967</u>	<u>\$ 12,862,394</u>

<u>WATER:</u>	<u>2019</u>	<u>2018</u>
Capital Assets, Net	<u>\$ 5,774,043</u>	<u>\$ 5,765,986</u>
<u>Add:</u>		
Discount on bonds payable	\$ 1,630	\$ 2,445
Total Additions	<u>\$ 1,630</u>	<u>\$ 2,445</u>
<u>Deduct:</u>		
Bonds payable	\$ 1,171,250	\$ 1,375,000
Unamortized bond premium	23,333	26,251
Total Deducts	<u>\$ 1,194,583</u>	<u>\$ 1,401,251</u>
Net Investment in Capital Assets	<u>\$ 4,581,090</u>	<u>\$ 4,367,180</u>

<u>SEWER:</u>	<u>2019</u>	<u>2018</u>
Capital Assets, Net	<u>\$ 7,548,924</u>	<u>\$ 7,096,408</u>
<u>Deduct:</u>		
EFC loan	\$ 120,000	\$ 140,000
Bonds payable	323,750	360,000
Unamortized bond premium	7,778	8,750
Total Deducts	<u>\$ 451,528</u>	<u>\$ 508,750</u>
Net investment in Capital Assets	<u>\$ 7,097,396</u>	<u>\$ 6,587,658</u>

B. **Capital Reserve** – In 2004, the Authority authorized the establishment of a capital reserve for repair and/or replacement of facilities. During the year \$19,890 in interest was earned. The balance in the reserve at December 31, 2019 and 2018 is \$2,112,678 and \$2,092,788, respectively.

(Note 9) **Lease Revenues:**

The Authority entered into an agreement with Bell Atlantic Mobile of Rochester d/b/a Verizon Wireless to lease space on the existing water tower and certain ground space at 6296 Shaker Tract Road, North Rose, New York 14516. The initial agreement requires a base rent of \$14,400 and the annual rental for each lease year during the initial term or any extension shall be equal to 103% of the annual rental payable with respect to the immediately preceding lease year. The initial term of the lease ended December 31, 2009 which has been extended based on the term of the lease which provides four automatic extensions of five year terms. Total rental income received for the years ended December 31, 2019 and 2018 was \$21,836 and \$21,147, respectively.

Required Supplemental Information
WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK

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

For Year Ended December 31, 2019

TOTAL OPEB LIABILITY		
	<u>2019</u>	<u>2018</u>
Changes of assumptions or other inputs	\$ (8,146)	\$ 107,510
Net Change in Total OPEB Liability	\$ (8,146)	\$ 107,510
Total OPEB Liability - Beginning	\$ 936,060	\$ 828,550
Total OPEB Liability - Ending	\$ 927,914	\$ 936,060
Covered Employee Payroll	\$ 2,152,022	\$ 2,049,530
Total OPEB Liability as a Percentage of Covered Employee Payroll	43.12%	45.67%

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

(See Independent Auditors' Report)

Required Supplemental Information
WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK

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

For Year Ended December 31, 2019

NYSERS Pension Plan					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0077543%	0.0071873%	0.0057791%	0.0048942%	0.0046373%
Proportionate share of the net pension liability (assets)	\$ 549,417	\$ 231,965	\$ 453,014	\$ 785,535	\$ 156,660
Covered-employee payroll	\$ 2,116,328	\$ 1,947,961	\$ 1,683,652	\$ 1,360,781	\$ 1,328,219
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	25.961%	11.908%	26.907%	57.727%	11.795%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%

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

(See Independent Auditors' Report)

Required Supplemental Information
WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK

SCHEDULE OF AUTHORITY CONTRIBUTIONS
(Unaudited)

For Year Ended December 31, 2019

NYSERS Pension Plan					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 299,803	\$ 281,909	\$ 253,439	\$ 208,035	\$ 215,887
Contributions in relation to the contractually required contribution	<u>(299,803)</u>	<u>(281,909)</u>	<u>(253,439)</u>	<u>(208,035)</u>	<u>(215,887)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 2,116,328	\$ 1,947,961	\$ 1,683,652	\$ 1,360,781	\$ 1,328,219
Contributions as a percentage of covered-employee payroll	14.17%	14.47%	15.05%	15.29%	16.25%

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

(See Independent Auditors' Report)

Supplemental Schedule
WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK

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

For Year Ended December 31, 2019

	<u>Water</u> <u>Activity</u>	<u>Sewer</u> <u>Activity</u>	<u>2019</u> <u>Total</u>
<u>OPERATING REVENUES:</u>			
Water sales	\$ 5,274,959	\$ -	\$ 5,274,959
Sewer sales	-	1,493,646	1,493,646
Penalty on water and sewer sales	78,318	15,828	94,146
Service and connection fees	385,945	130,466	516,411
Construction revenue	1,922,052	-	1,922,052
Other operating income	76,111	140,665	216,776
TOTAL OPERATING REVENUES	<u>\$ 7,737,385</u>	<u>\$ 1,780,605</u>	<u>\$ 9,517,990</u>
<u>OPERATING EXPENSES:</u>			
Water supply	\$ 2,539,719	\$ -	\$ 2,539,719
Sewer disposal	-	6,733	6,733
Personnel services and benefits	2,389,654	712,100	3,101,754
Insurance	91,622	26,500	118,122
Professional services	64,446	17,792	82,238
Building/vehicle repair and maintenance	112,714	117,129	229,843
Electricity	51,951	154,882	206,833
Water and sewer tests and chemicals	31,642	7,772	39,414
Water line and sewer parts and supplies	1,531,649	232,317	1,763,966
Administration and office expense	189,706	40,162	229,868
Depreciation	624,598	362,525	987,123
TOTAL OPERATING EXPENSES	<u>\$ 7,627,701</u>	<u>\$ 1,677,912</u>	<u>\$ 9,305,613</u>
OPERATING (LOSS) INCOME	<u>\$ 109,684</u>	<u>\$ 102,693</u>	<u>\$ 212,377</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Interest earnings	\$ 19,891	\$ -	\$ 19,891
Interest expense	(30,649)	(9,554)	(40,203)
Rental income	21,836	-	21,836
Bond discount	(5,365)	-	(5,365)
Gain on sale of equipment (net)	14,274	-	14,274
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 19,987</u>	<u>\$ (9,554)</u>	<u>\$ 10,433</u>
(LOSS) INCOME BEFORE OTHER ITEMS	<u>\$ 129,671</u>	<u>\$ 93,139</u>	<u>\$ 222,810</u>
<u>OTHER ITEM:</u>			
Contributed capital - state grant	\$ 175,339	\$ -	\$ 175,339
Contributed capital - local	-	600,000	600,000
TOTAL OTHER ITEMS	<u>\$ 175,339</u>	<u>\$ 600,000</u>	<u>\$ 775,339</u>
(DECREASE) INCREASE IN NET POSITION	<u>\$ 305,010</u>	<u>\$ 693,139</u>	<u>\$ 998,149</u>
NET POSITION - BEGINNING OF YEAR	<u>8,692,785</u>	<u>7,019,498</u>	<u>15,712,283</u>
NET POSITION - END OF YEAR	<u>\$ 8,997,795</u>	<u>\$ 7,712,637</u>	<u>\$ 16,710,432</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
Wayne County Water and Sewer Authority
Wayne County, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wayne County Water and Sewer Authority, New York, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Wayne County Water and Sewer Authority, New York's basic financial statements, and have issued our report thereon dated March 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wayne County Water and Sewer Authority, New York's internal control over financial reporting to determine the 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 Wayne County Water and Sewer Authority, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wayne 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wayne 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 determination of financial statement amounts. 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
March 23, 2020

**WAYNE COUNTY WATER AND SEWER AUTHORITY
NEW YORK**

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2019

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.