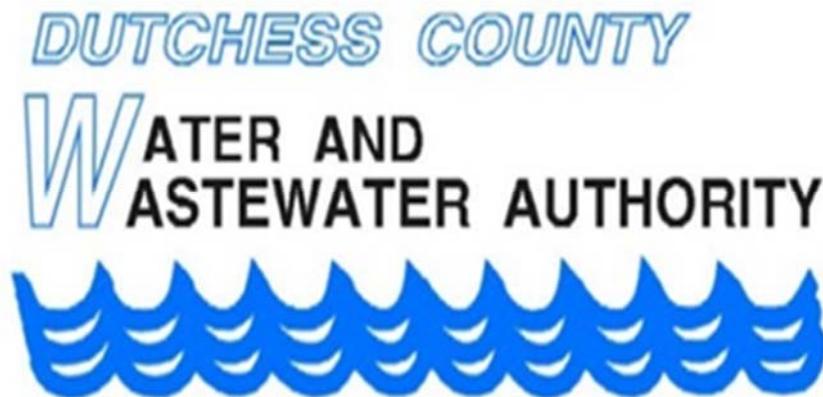


FINANCIAL REPORT
Audited
DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
(A Component Unit of Dutchess County, New York)
POUGHKEEPSIE, NEW YORK
December 31, 2019

Audited for:

Board of Directors
Dutchess County Water & Wastewater Authority



Audited by:

RBT CPAs, LLP
11 Racquet Road
Newburgh, NY 12550
(845) 567-9000

DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dutchess County Water & Wastewater Authority
1 Lagrange Avenue
Poughkeepsie, New York 12603

Report on the Financial Statements

We have audited the accompanying financial statements of the Dutchess County Water & Wastewater Authority (the "Authority"), a component unit of Dutchess County, 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 an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Water & Wastewater Authority, a component unit of Dutchess County, New York, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows 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, and schedules of changes in the Authority's total OPEB liability and related ratios, proportionate share of the net pension liability and related ratios, and employer contributions, on pages 3-12, 39-41 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, on our consideration of the Dutchess County Water & Wastewater Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Dutchess County Water & Wastewater Authority's internal control over financial reporting and compliance.

RBT CPAs, LLP

Newburgh, NY
March 20, 2020

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The following Management Discussion and Analysis of the Dutchess County Water and Wastewater Authority's activities and financial performance provides an introduction and overview to the financial statements of the Dutchess County Water and Wastewater Authority (Authority) for the fiscal year ended December 31, 2019. This information should be considered in conjunction with the information contained in the Authority's Audited Financial Statements included with this report.

The mission of the Dutchess County Water and Wastewater Authority is to protect and enhance the health, environmental sustainability and economic stability of Dutchess County and its residents through the provision of clean drinking water and proper treatment of wastewater, acting at all times with a commitment to accountability and transparency.

The Authority was established in 1991 under the Dutchess County Water and Wastewater Authority Act. This act authorizes the Authority, among other things, to provide for the supply and sale of water for domestic, commercial and public purposes at retail to individual customers within the County or wholesale to municipalities, water districts or district corporations within the County and for the collection, treatment and disposal of sewage within the County. In July of 2019 DCWWA took over operations and management of the Tivoli Water and Sewer Systems from the Village of Tivoli. As of December 31, 2019, the Authority owned and/or operated a total of twenty water systems, which include operation of a 13-mile water transmission line, and eight sewer systems.

The Authority provides service in the aggregate to 4,249 separate water accounts and 2,065 separate sewer accounts. The Hyde Park Regional Water System provides water from the Authority's Hyde Park Water Treatment Plant on South Drive in the Town of Hyde Park to the Hyde Park service area (Zones A and B), the Staatsburg service area (Zone C) and the Zone D and Zone L service areas. The source of water for this conventional filtration treatment facility is the Hudson River. The Arbors and Greenbush/Violet Avenue water distribution systems are supplied with water purchased from the Poughkeepsie Joint Water Board. Said water is produced at the Joint Water Board's conventional treatment plant drawing from the Hudson River. The Authority purchases wholesale water for a total of one hundred twelve thousand gallons per day for the two systems, regardless of the actual volume of water taken. Eleven water systems, including Tivoli, Birch Hill, Dalton Farms, Fairways, Greenfields, Pinebrook, Quaker Hills, Rokeby, Schreiber, Shore Haven, Valley Dale, each utilize groundwater wells and pumping and chlorination facilities, which are located within their respective service areas, with the Dalton Farms and Valley Dale Water plants also having cartridge filtration systems. A green sand filtration system is used at the Birch Hill Water System to reduce levels of iron and manganese. The Shore Haven Water System utilizes a chloramination disinfection system to control for disinfection by-product levels and a water softener system to control for iron and manganese. Greenfields Water utilizes ortho-polyphosphates to sequester iron and manganese. Pinebrook Water employs water softeners to aid in the reduction of iron and manganese.

The Central Dutchess Water Transmission Line (CDWTL) is a 13-mile water pipeline for which the Authority purchases water from the Poughkeepsie Joint Water Board to serve areas south to the Town of East Fishkill. The water is received at a connection point in the Town of Poughkeepsie. The Authority currently serves two customers at the southernmost end of the line, Global Foundries and the Hopewell Glen Water District in the Town of East Fishkill. In aggregate, the two customers have purchase contracts with the Authority for a total of two million and fifty thousand gallons per day. The DCWWA's Airport Water Line also receives water from the CDWTL, and services four customers in the Town of Wappinger, including the Hudson Valley Regional Airport.

Six sewer systems, Chelsea Cove, Dalton Farms, Greenfields, Pinebrook, Valley Dale, and Tivoli each have rotating biological contact (RBC) treatment plants with tertiary treatment located on property within their service areas. The Fairways Sewer Plant consists of three separate treatment trains each including septic tanks followed by subsurface disposal fields. The Vanderburgh Cove Sewer Plant utilizes two bioclere trickling filters to treat the incoming waste stream.

FINANCIAL OPERATIONS HIGHLIGHTS

Although most of the systems are billed based on customer usage, a large portion of the budgets (ranging from 50-70%) is comprised of expenses that would realize their budgeted expectations regardless of customer water (or sewer) usage levels and are considered to be "State of Readiness" costs. As a result, budgets are prepared based on history

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

and conservative projections for the coming fiscal year, determining a fiscally sound blend of Monthly Service Charges or Minimum Use Charges, in conjunction with water or sewer use charges. The 2019 budgets were based on customer usage levels derived from an evaluation of the prior three years' billing history, taking into consideration other field knowledge concerning changes to the customer base. Although most of the systems have single-tiered rate structures, the Arbors and Rokeby Water System have two and three-tiered rate structures, respectively. The Tivoli Water System has a five-tiered rate structure, keeping in place the structure previously adopted by the Village of Tivoli. The Chelsea Cove, Fairways, Greenfields, Pinebrook, Valley Dale and Vanderburgh Cove Sewer Systems, along with the Greenbush and Quaker Hills Water Systems, are all billed with Flat Rate Fixed charges.

Customer rates were increased from 2018 to 2019 in most systems, with the exception of the Vanderburgh Cove Sewer System. The rate changes resulted in increases ranging from 0.7% to 21.6% to the average user's total annual cost. Those increases that were above CPI for September 2018 (2%) were the result of decreased water use, rising costs of contract operations and/or budget increases to fund planned improvements to the system. The Vanderburgh Cove Sewer System experienced a rate decrease, as a result of debt service charges being removed from the O&M budget and instead levied as part of the annual property tax bill.

Water and sewer revenues experienced varying changes by system in 2019, with an aggregate 7% increase from 2018 to 2019. The primary reason for the increase was the full year of operations for the Airport Water Line System, and the take-over of operations of the Tivoli Water and Sewer Systems during 2019.

For those systems for which the billing periods did not coincide with the Authority's 2019 fiscal year, revenue estimates were used for the remaining months in the fiscal year, with charges to be billed as a portion of their first 2020 billing cycle. This applies to the following systems; Arbors Water, Birch Hill Water, Chelsea Cove Sewer, Dalton Farms Water and Sewer, Fairways Water and Sewer, Greenfields Water and Sewer, Pinebrook Water and Sewer, Quaker Hills Water, Rokeby Water, Schreiber Water, Violet Avenue Water, portions of the Hyde Park Regional Water System, and the Tivoli Water and Sewer Systems.

The Vanderburgh Cove Sewer System experienced a decrease in sewer rent revenues; as noted earlier, beginning in 2019 the annual debt service expense was removed from the O&M Budget, and was instead collected through an annual assessment levy on all properties within the sewer district. The Authority took over the operation of the Tivoli Sewer System as of July 1, 2019. Transfer of ownership will occur upon completion of capital improvements.

The Airport Water Line showed a significant increase in revenues, as 2019 was the first full year of operations of this newly constructed system. The Greenfields Water System had a significant increase in revenues due to a rate increase to cover increased contract operations expenses, while water usage remained constant. The Shore Haven Water System revenue increase was due to a rate increase, driven by the need to cover increased expenses to operate a newly constructed water treatment system. The Zone L Water System revenue increase was due to a rate increase combined with a significant increase in billed water usage. The Authority took over the operation of the Tivoli Water System as of July 1, 2019.

Most water and sewer systems were able to meet or exceed their 2019 budgeted revenue expectations. Four of those that did not (Fairways Water and Sewer, Greenfields Sewer, and Valley Dale Sewer) realized revenues within 3% of budget and closed the year out in a net positive position due to reduced expenses. The Airport Water Line realized revenues 59% below budget, as a result of limited connections during the year to this newly constructed system. But because the largest expense is the purchase of water, which was similarly not realized, the budget closed out in a net positive position. The Shore Haven Water System was the only system closing out in a negative position, due to both reduced water usage and higher than budgeted expenses for distribution system repair and water filter brine waste hauling costs. The deficit was made up with system fund balance.

The fund balances in all Authority systems were evaluated for use to either offset rate increases for 2020 or to be held as contingency and to offset anticipated improvement expenses.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

**TABLE 1
WATER AND SEWER SYSTEM REVENUES**

		<u>2019</u>	<u>2018</u>	<u>% Change</u>
	Sewer Revenues			
1	Chelsea Cove	363,577	354,866	2%
2	Dalton Farms	309,201	311,175	-1%
3	Fairways	16,595	16,379	1%
4	Greenfields	142,193	138,407	3%
5	Pinebrook	86,956	83,054	5%
6	Tivoli	98,158		
7	Valley Dale	121,543	116,707	4%
8	Vanderburgh Cove	71,974	86,499	-17%
	Subtotal	1,210,197	1,107,087	9%
	Water Revenues			
1	Arbors	46,835	48,140	-3%
2	Airport Water Line	16,280	908	1693%
3	Birch Hill	83,233	73,106	14%
4	CDWTL	2,227,369	2,221,050	0.3%
5	Dalton Farms	177,418	175,128	1%
6	Fairways	39,151	40,130	-2%
7	Greenbush	120,784	118,427	2%
8	Greenfields	118,088	90,096	31%
9	Hyde Park	1,416,803	1,381,543	3%
10	Pinebrook	57,968	54,393	7%
11	Quaker Hills	54,825	53,819	2%
12	Rokeby	28,119	26,782	5%
13	Schreiber	20,214	19,236	5%
14	Staatsburg	316,964	288,974	10%
15	Shore Haven	107,592	91,417	18%
16	Tivoli	148,116		
17	Violet Avenue	14,450	14,311	1%
18	Valley Dale	71,483	66,928	7%
19	Zone D	212,051	214,112	-1%
20	Zone L	126,560	92,313	37%
	Subtotal	5,404,303	5,070,813	7%
	TOTAL	6,614,500	6,177,900	7%

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2019**

In addition, the Authority derives income from Rental Fees for fire hydrants in the Hyde Park Regional System, and a lease agreement for a cell tower located on its South water tank.

Rental Fees and Other Operating Revenue	\$129,560	\$120,376
Total Operating Revenues	\$6,744,060	\$6,298,276

Authority System Operations

In 2019 the DCWWA continued its successful management and operation of twenty-eight water and wastewater systems, adding two new systems since 2018, and providing services to over 6,300 customers. All systems closed out 2019 within adopted system budget parameters with the exception of the Shore Haven Water System. DCWWA achieved the following system operational high lights in 2019:

- Relocated the administrative offices from a County-owned building to a building it purchased and renovated in 2018.
- Took over operation of the Tivoli Water and Sewer Systems from the Village of Tivoli.
- Pursuant to the emergency powers of the Dutchess County Department of Behavioral and Community Health Services, took over the operation and management of the water and wastewater systems serving the Cooper Road Mobile Home Park in the Town of Wappinger, after their abandonment by the private owner.
- Completed the Phase 1 upgrade of the instrumentation and control systems at the 2.1 MGD Hyde Park Water Treatment Facility.
- Replaced one of three 1.5 MGD Raw Water Turbine Pumps at the Hyde Park Water Treatment Facility.
- Engaged a consulting engineer to update the capacity analysis for the Hyde Park Water Treatment Facility and Distribution System in light of projected future demand increases.
- Completed an Engineering Evaluation of the performance of the Vanderburgh Cove Sewer System North and South Treatment Facilities.
- Entered into a Power Purchase Agreement to purchase energy credits from a community solar facility in the Town of Red Hook, with projected savings of 10% on electrical costs for the four participating water and sewer systems.

Major Capital Projects

In 2019 the DCWWA continued the process of annually reviewing and updating a Five-Year Capital Plan covering all Water and Sewer Systems. The 2019 - 2023 Capital Plan includes \$7.8 million in funded capital project work. Below are capital project highlights for 2019:

- The \$2.5 million Pinebrook Sewer Wastewater Treatment Plant project was completed, and the new treatment plant was put on-line.
- Design and permitting were completed for the \$5.7 million Greenfields Sewer Wastewater Treatment Plant Rehabilitation Project, and the project was put out to bid.
- Design work advanced to the 90% stage for repairs to the Greenfield Sewer Collection System to address high inflow and infiltration levels.
- A project was completed to replace 621 meters in five DCWWA water systems with new automatic radio-read (AMR) meters. The project was funded by a NYS Department of State Local Government Efficiency Grant.
- A contract was awarded to replace approximately 1,550 meters within the Hyde Park Regional Water System with new automatic radio-read (AMR) meters.
- Design and permitting were completed for the \$3.3 million Tivoli Water Storage Tank Replacement Project, with bidding in January of 2020.
- A contract was awarded for engineering design of the Tivoli Water Distribution System Improvement Project.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

- Engineering design was advanced to the 75% level for the Tivoli Water Well and Wellhouse Improvement Project.

New System Acquisitions and System Expansions

- With the Legislature, established a new County Water District Zone of Assessment to provide water to enable the rebuilding of a commercial property in the Town of Hyde Park previously destroyed by fire.
- With the Legislature, established a new Part County Sewer District to enable the subdivision and redevelopment of a commercial property in the Town of Hyde Park.

Community Projects

- Began a cooperative effort with the Towns of Poughkeepsie and Pleasant Valley, using Municipal Innovation Grant funds awarded to Poughkeepsie, to evaluate the feasibility of constructing a shared water storage facility to benefit the three entities.
- Provided technical assistance to the Village of Rhinebeck to engage an engineering consultant firm, funded by a County Municipal Innovation Grant, to evaluate the transfer of the Village's water and sewer systems to the DCWWA.

Long-Term Debt Administration

The Authority has no taxing power, and its bonds are payable solely from the revenues, funds and assets pledged as security for the payment thereof, including payments from Dutchess County under the Service Agreements between the County and the Authority. These Service Fees include amounts sufficient to pay when due, all installments of principal, premium, if any, and interest on all 1998, 2000, 2001, 2004, 2009, 2010, 2011, 2014, 2016, 2018 and 2019 Bonds issued by the Authority.

There is currently one Service Agreement with Dutchess County that covers all County Water District Zones of Assessment, and eight Service Agreements with the County, on behalf of Part-County Sewer Districts #1, 2, 3, 6, 7, 8, 10 and 13 (Chelsea Cove, Valley Dale, Dalton Farms, Fairways, Pinebrook, Greenfields, Vanderburgh Cove and Tivoli), respectively. These Service Agreements require the Authority to provide service to properties within the established Zones of Assessment and/or Sewer Districts. The County has covenanted and agreed during the Service Agreement Term to annually levy benefit assessments to raise monies which, together with County monies to be appropriated, are sufficient to pay all Service Fees due under the Service Agreements. The Authority, under the Service Agreements, has agreed to raise monies sufficient to pay Operating Expenses through the fixing, charging and collection of Water and Sewer Rates.

Through the establishment of the County Water District Zones of Assessment and the Part-County Sewer Districts, the County has the ability to relevy any unpaid water or sewer bills. The Authority annually provides the County with a list and dollar amount for those properties in arrears. The County then places these amounts on the property tax bills for the following fiscal year and these amounts are then paid to the Authority. This places the Authority in the position of being at 100% collection of its water and sewer sales revenues.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	December 31 2019	Restated December 31 2018
Operating Revenues:		
Water Sales	5,404,303	5,070,813
Sewer Charges	1,210,197	1,107,087
Rental Fees, Other Operating Revenue	129,560	120,376
Total Operating Revenues	\$ 6,744,060	\$ 6,298,276
Operating Expenses:		
Operation and Maintenance	4,319,692	4,256,713
Administration and General	2,099,039	1,269,901
Depreciation	1,501,334	1,510,884
Total Operating Expenses	\$ 7,920,065	\$ 7,037,498
Operating (Loss)	\$ (1,176,005)	\$ (739,222)
Non-Operating Revenues (Expenses)		
Interest and Investment Income	220,827	222,292
Project Grants and Capital-Related Funding:		
Dutchess County	3,352,540	3,316,997
State and Local Grants	842,359	380,442
Contributed Assets	255,511	-
Other Revenues	32,950	12,599
Project and Administration Expenses	(395,774)	(190,008)
Interest Expense	(1,469,894)	(1,460,603)
Bond Financing Costs	(88,035)	(56,200)
Net Non-Operating Revenues	\$ 2,750,484	\$ 2,225,519
CHANGES IN NET POSITION	\$ 1,574,479	\$ 1,486,297
revenues	\$ 11,448,247	\$ 10,230,606
expenses	\$ 9,873,768	\$ 8,744,309

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

FINANCIAL POSITION SUMMARY

Net assets can serve over time as a useful indicator of the Authority's financial position. In addition, debt is currently being paid down at a faster rate than assets are being depreciated. Accreted interest (accrued interest pertaining to zero coupon bonds) is being accrued but will not be due until 2021 and beyond when principal payments in similar amounts will no longer be due. As a result, we show the expense, but we are not scheduled at this time to collect the offsetting revenue.

SUMMARY OF NET POSITION

	2019	Restated 2018
ASSETS		
Current and other assets	9,294,923.00	8,818,166.00
Capital assets	<u>65,659,908.00</u>	<u>66,037,128.00</u>
TOTAL ASSETS	74,954,831.00	74,855,294.00
DEFERRED OUTFLOWS OF RESOURCES:		
Loss on refunding	642,734.00	697,357.00
Employee Retirement System	<u>436,195.00</u>	<u>678,505.00</u>
TOTAL DEFERRED OUTFLOWS	1,078,929.00	1,375,862.00
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES:	76,033,760.00	76,231,156.00
LIABILITIES		
Long-debt outstanding	40,887,391.00	39,170,670.00
Other liabilities	<u>3,049,974.00</u>	<u>5,561,986.00</u>
TOTAL LIABILITIES	43,937,365.00	44,732,656.00
DEFERRED INFLOWS OF RESOURCES:		
NYS Employee Retirement System	115,909.00	502,393.00
Deferred Revenues	<u>22,854,991.00</u>	<u>23,445,091.00</u>
TOTAL DEFERRED INFLOWS	22,970,900.00	23,947,484.00
NET POSITION:		
Net investment in Capital Assets	18,212,290.00	16,561,413.00
Unrestricted	<u>-9,086,795.00</u>	<u>-9,010,397.00</u>
TOTAL NET POSITION	9,125,495.00	7,551,016.00
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>76,033,760.00</u>	<u>76,231,156.00</u>

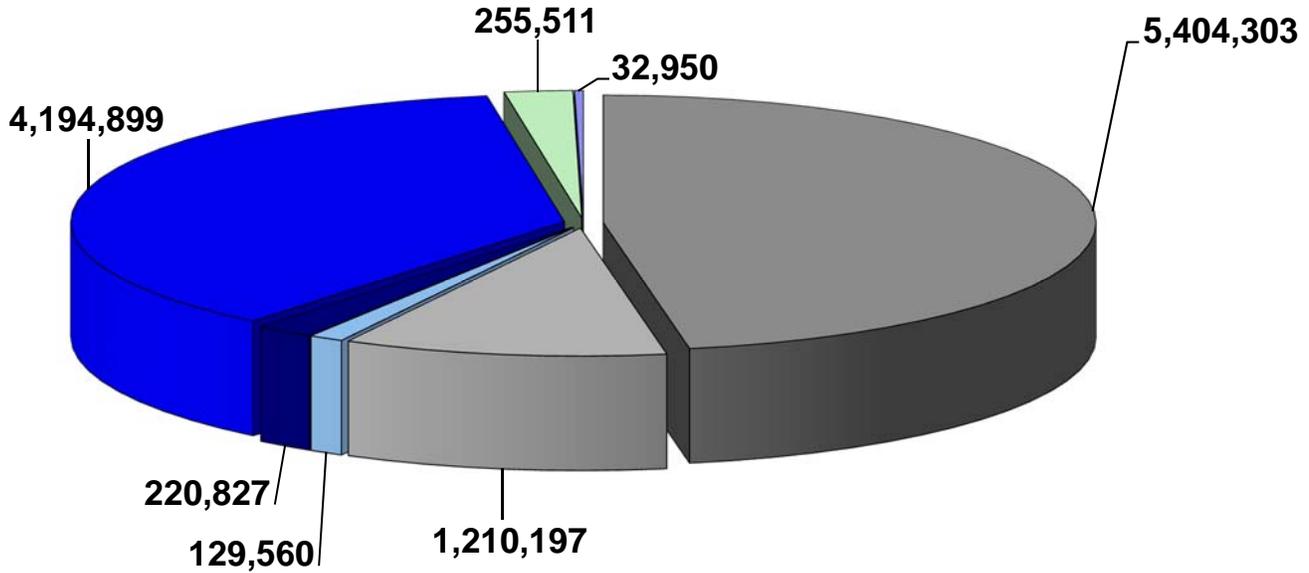
**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2019**

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America and promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as an Enterprise Fund. It is considered a component unit of the financial reporting entity, Dutchess County. The Authority recognizes revenues when earned, not when received and expenses when incurred, not when paid. Capital assets are recorded at cost, or if donated, at the estimated fair market value at the date of donation. The assets are then depreciated over their useful lives. See the notes to the financial statements for a summary of the significant accounting policies, descriptions of capitalized assets and outstanding debt.

DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2019

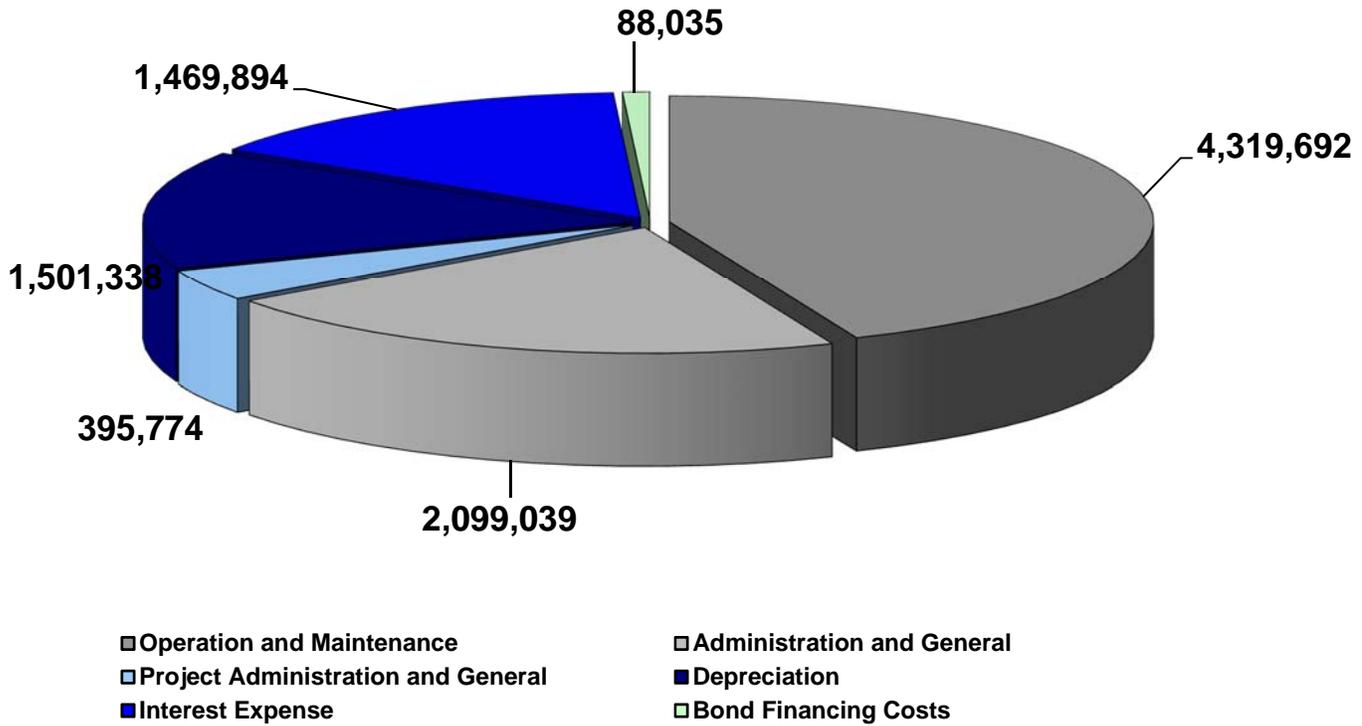
DCWWA - Actual - 2019 Revenues \$11,448,247



■ Water Sales	■ Sewer Charges
■ Rental Fees and Other Operating Revenue	■ Interest Income
■ Project Grants and Capital-Related Funding	■ Contributed Assets
■ Other Revenues	

DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

DCWWA - Actual - 2019 Expenses \$9,873,768



**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF NET POSITION**

As of December 31	2019	Restated 2018
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash and Cash Equivalents (Note II)	\$ 2,393,122	\$ 2,715,079
Cash, Cash Equivalents, and Investments-Restricted (Note II)	1,053,764	875,421
Cash and Cash Equivalents-Held by EFC (Note II)	431,075	431,075
Accounts Receivable	2,931,670	2,329,916
Due From Other Governments	95,332	-
Prepaid Expense	83,195	77,504
Total Current Assets	6,988,158	6,428,995
Cash, Cash Equivalents, and Investments-Restricted Non-current (Note II)	2,306,765	2,389,171
Capital Assets		
Net of Accumulated Depreciation (Note III)	65,659,908	66,037,128
Total Assets	74,954,831	74,855,294
Deferred Outflows of Resources:		
Loss on Refunding (Note VII)	642,734	697,357
NYS Employee Retirement System (Note IV)	436,195	678,505
Total Deferred Outflows of Resources	1,078,929	1,375,862
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$76,033,760	\$ 76,231,156

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF NET POSITION**

As of December 31	2019	Restated 2018
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 611,080	\$ 952,902
Accrued Expenses Payable	182,770	222,716
Accrued Interest Payable	125,438	128,564
Accrued Capital Expenses Payable	19,235	87,062
Escrow Deposits	63,700	186,382
Bond Anticipation Notes Payable (Note VI)	-	1,250,000
Current Portion of Bonds Payable (Note VII)	2,047,751	2,734,360
Total Current Liabilities	3,049,974	5,561,986
Non-Current Liabilities:		
Bond Anticipation Notes Payable (Note VI)	2,000,957	1,103,584
Bonds Payable (Note VII)	35,489,208	35,381,277
Net Employee Retirement System Liability (Note IV)	357,983	158,901
Postemployment Benefit Obligations (Note V)	3,039,243	2,526,908
Total Non-Current Liabilities	40,887,391	39,170,670
Total Liabilities	43,937,365	44,732,656
Deferred Inflows of Resources:		
NYS Employee Retirement System (Note IV)	115,909	502,393
Deferred Revenues (Note VIII)	22,854,991	23,445,091
Total Deferred Inflows of Resources	22,970,900	23,947,484
Net Position:		
Net Investment in Capital Assets	18,212,290	16,561,413
Unrestricted	(9,086,795)	(9,010,397)
Total Net Position	9,125,495	7,551,016
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$76,033,760	\$ 76,231,156

DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31	2019	Restated 2018
Operating Revenues:		
Water Sales	\$ 5,404,303	\$ 5,070,813
Sewer Charges	1,210,197	1,107,087
Rental Fees and Other Operating Revenues	129,560	120,376
Total Operating Revenues	6,744,060	6,298,276
Operating Expenses:		
Operation and Maintenance	4,319,692	4,255,241
Administration and General	2,099,039	1,271,373
Depreciation	1,501,334	1,510,884
Total Operating Expenses	7,920,065	7,037,498
Operating (Loss)	(1,176,005)	(739,222)
Non-Operating Revenues (Expenses):		
Interest and Investment Income	220,827	222,292
Project Grants and Capital-Related Funding :		
Dutchess County	3,352,540	3,316,997
State Grants	642,209	380,442
Local Grants	200,150	-
Contributed Assets	255,511	-
Other Revenues	32,950	12,599
Local Capital Project Expenses	(200,150)	-
Project Administration Expenses	(195,624)	(190,008)
Interest Expense	(1,469,894)	(1,460,603)
Bond Financing Costs	(88,035)	(56,200)
Net Non-Operating Revenues	2,750,484	2,225,519
Change in Net Position	1,574,479	1,486,297
Net Position - Beginning	7,551,016	6,064,719
Net Position - Ending	\$ 9,125,495	\$ 7,551,016

DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2019	Restated 2018
Cash Flows from Operating Activities:		
Receipts From Customers	\$ 6,024,187	\$ 6,483,851
Payments To Suppliers	(3,843,075)	(3,733,491)
Payments To Employees and Benefits	(2,401,560)	(2,176,229)
Rental Fees and Other Operating Revenues Received	129,560	120,376
Net Cash (Used) Provided By Operating Activities	(90,888)	694,507
Cash Flows from Non-Capital Financing Activities:		
Project Grants and Non-Capital-Related Funding	3,718,469	3,085,091
Local Capital Project Payments	(200,150)	-
Project Administration Payments	(195,624)	(190,008)
Net Cash Provided By Non-Capital Financing Activities	3,322,695	2,895,083
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,787,794)	(4,402,322)
Capital Grants	546,877	380,442
Proceeds of Capital Debt	2,212,373	4,089,349
Bond Premium Received	72,415	-
Principal Paid on Capital Debt	(3,984,360)	(3,615,638)
Interest Paid on Capital Debt	(525,606)	(549,264)
Bond Financing Costs Paid	(88,035)	(56,200)
Net Cash (Used) By Capital and Related Financing Activities	(3,554,130)	(4,153,633)
Cash Flows from Investing Activities:		
Interest and Investment Income Received	96,303	80,374
Net Cash Provided By Investing Activities	96,303	80,374
Net Decrease in Cash and Cash Equivalents	(226,020)	(483,669)
Cash and Cash Equivalents at the Beginning of the Year	6,410,746	6,894,415
Cash and Cash Equivalents at the End of the Year	\$ 6,184,726	\$ 6,410,746
Presented as:		
Cash and Cash Equivalents	\$ 2,393,122	\$ 2,715,079
Cash and Cash Equivalents - Current - Restricted	1,053,764	875,421
Cash and Cash Equivalents - Held by EFC	431,075	431,075
Cash and Cash Equivalents - Non Current - Restricted	2,306,765	2,389,171
Total	\$ 6,184,726	\$ 6,410,746

DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2019	2018
Reconciliation of Operating (Loss) to Net Cash (Used) Provided by Operating Activities:		
Operating (Loss)	\$ (1,176,005)	\$ (739,222)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided By Operating Activities:		
Depreciation	1,501,334	1,510,884
Changes in Assets and Liabilities:		
Receivables	(601,754)	81,507
Prepaid Expenses	(5,691)	(55,065)
Deferred Outflows - Retirement System	242,310	(95,202)
Accounts Payable	(341,822)	31,586
Accrued Expenses Payable	(39,946)	33,080
Net Employee Retirement System Liability	199,082	(271,990)
Post Employment Benefit Obligations	512,335	(263,834)
Deferred Inflows - Retirement System	(386,484)	436,960
Deferred Water Sale Revenues and Grants	5,753	25,803
Net Cash (Used) Provided By Operating Activities	\$ (90,888)	\$ 694,507

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

Dutchess County Water & Wastewater Authority (the "Authority") is a public benefit corporation established under Section 1123 of the New York Local Water and Sewer Act, duly enacted into law as Chapter 592 of the Laws of the State of New York. The act was requested by the Dutchess County Legislature to assist the County and its municipalities with managing water supplies and wastewater disposal. The legislation empowers the Authority to make plans and studies; develop, construct or maintain projects; acquire or lease real and personal property; issue bonds and notes for financing; fix rates and collect charges for the purpose of supplying and selling water; and to collect, treat and discharge sewage in Dutchess County, New York.

The governing body of the Authority consists of eight members, five voting and three non-voting. Voting members serve five year terms with two members appointed by the County Executive, two appointed by the Chairman of the County Legislature and the fifth being a joint appointment confirmed by the entire Legislature. The non-voting members include the Director of the Dutchess County Environmental Management Council, the Director of the Dutchess County Soil and Water Conservation District, and the Commissioner of the Dutchess County Department of Planning and Economic Development.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting policy body for establishing governmental accounting and financial reporting principles.

The Authority is considered a component unit of the financial reporting entity known as Dutchess County. Inclusion in the financial reporting entity, Dutchess County, is determined based on financial accountability as defined by GASB Statement No. 14, "The Financial Reporting Entity". All of the Authority's board members are appointed by the Dutchess County Executive, and/or Members of the County Legislature, as described above. This level of control meets the criteria for financial accountability as defined by GASB Statement No. 14.

B. Proprietary Fund Accounting

As described above, the Authority performs the function of supplying water and sewer services to areas within the County of Dutchess. Its operations are financed primarily through user charges. Under standards set by the GASB, the Authority is considered an enterprise fund, a type of proprietary fund. Proprietary fund financial statements are prepared on the accrual basis of accounting, which records the financial effects on an enterprise of transactions and other events when these transactions and events occur. The measurement focus is the flow of economic resources.

The Authority considers all revenues pertaining to the operations of the water and sewer systems as operating revenues. Other revenues and grants which finance either capital or non-system related projects are reported as non-operating revenues.

The Authority generally applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

C. Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of inception.

State statutes govern the investment policies of the Authority. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, obligations of New York State and repurchase agreements secured by U.S. Treasury obligations. See also Note II, Cash, Cash Equivalents, and Investments.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Restricted Assets

Proceeds from acquisition and construction financing are set aside for completion of capital improvements and reduction of debt service. The disbursements from the restricted accounts are under the control of third party trustees.

E. Fixed Assets

Property, plant and equipment are recorded at cost. Donated property, plant and equipment are recorded at the estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is computed using the straight-line methods over the following estimated useful lives, beginning in the year the asset is placed in service:

<u>Assets</u>	<u>Years</u>
Buildings	20
Improvements Other Than Buildings	30
Machinery & Equipment	3-20
Sewage Collection System	50
Water Transmission System	50

F. Revenues and Receivables

Revenues are generally derived from regular billing of user fees to customers and are considered to be operating revenues. Non-operating revenues include Dutchess County-funded revenues based on a contract with the Dutchess County Division of Water Resources to provide county-wide water and wastewater planning and management. The Authority also derives revenues from service fee payments from the County pursuant to several service agreements, which are used to pay debt service and related expenses pertaining to debt obligations incurred for specific districts and/or systems.

Receivables represent outstanding user fees. The Authority has an agreement with Dutchess County that provides for collection of outstanding user fees through the real property tax levy. Therefore, the Authority has not established an allowance for uncollectible accounts.

G. Deferred Inflows - Deferred Revenue

Revenues received in advance of the period to which they relate are deferred and recorded as revenue when earned. Grants and aid received for construction costs are deferred until construction is complete and the assets are placed in service.

H. Deferred Outflows

The Authority reported deferred outflows of resources of \$642,734 and \$697,357 for deferred losses on issuing refunding bonds as of December 31, 2019 and 2018, respectively. These amounts result from the differences in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Equity Classifications

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds attributable to acquisition, construction, or improvement of those assets, increased by deferred outflows of resources – loss on refunding, decreased by deferred inflows of resources – deferred revenues pertaining to acquisition of those assets.

Restricted net position – Consists of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation and reduced by liabilities related to those assets.

Unrestricted net position – Consists of the net amount of the assets that do not meet the definition of “restricted” or “net investment in capital assets”.

The Authority is required to segregate and reserve the net income generated under the service agreements between the Authority and the County and local municipalities by each service agreement area.

J. Income Taxes

The Authority is exempt from federal income taxes under Internal Revenue Service Code Section 115.

K. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

L. Subsequent Events

The Authority evaluated subsequent events for disclosure and/or recognition in the financial statements from December 31, 2019 through March 20, 2020, the date on which the financial statements were approved for issuance. A detailed description of subsequent events that were noted for disclosure is included in Note XII.

II. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As described in Note I above, state statutes authorize the Authority to maintain deposits with financial institutions and to invest in certificates of deposits, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

In addition, the Authority, through the General Bond Resolution adopted June 1, 1998, is authorized to invest funds held under the Resolution in “Qualified Investments”. Qualified investments include the above-described investments as well as certain types of commercial paper, money market accounts and investment agreements.

Cash deposits are secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance. The Authority’s deposits are categorized below to give an indication of the level of risk assumed by the Authority.

- 1) Insured or collateralized with securities held by the Authority or by its agent in the Authority’s name;
- 2) Collateralized with securities held by the pledging institution’s trust department or agent in the Authority’s name;
- 3) Uncollateralized.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

II. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments are categorized into these three categories of credit risk:

- 1) Insured or registered, or securities held by the Authority or its agent in the Authority's name; included in Category 1 are funds invested in securities of the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations;
- 2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Authority's name;
- 3) Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent, but not in the Authority's name.

Balances as of December 31, 2019				
	Category 1	Category 2	Category 3	Total
Cash Balances:				
Cash In Banks	\$ 751,218	\$ 1,641,904	\$ -	\$ 2,393,122
Money Market Funds	-	1,774,732	-	1,774,732
Cash Total	751,218	3,416,636	-	4,167,854
Investments:				
U.S. Treasury Bills & Notes	2,016,872	-	-	2,016,872
Investments Total	2,016,872	-	-	2,016,872
Total Cash, Cash Equivalents, and Investments	\$ 2,768,090	\$ 3,416,636	\$ -	\$ 6,184,726
Balances as of December 31, 2018				
	Category 1	Category 2	Category 3	Total
Cash Balances:				
Cash In Banks	\$ 503,033	\$ 2,212,046	\$ -	\$ 2,715,079
Money Market Funds	-	1,821,437	-	1,821,437
Cash Total	503,033	4,033,483	-	4,536,516
Investments:				
U.S. Treasury Bills & Notes	1,874,230	-	-	1,874,230
Investments Total	1,874,230	-	-	1,874,230
Total Cash, Cash Equivalents, and Investments	\$ 2,377,263	\$ 4,033,483	\$ -	\$ 6,410,746

At December 31, 2019, the Authority has \$431,075 in unspent bond proceeds held by the New York State Environmental Facilities Corporation ("EFC"). The Authority has \$374,961 in eligible project expenses which are under EFC review and expects to use the balance, \$56,115 for future debt service payments related to the 2018 Shore Haven statutory installment bond.

Disclosures relating to risk and type of investments as presented above are indicative of activity and positions held during the year.

DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS

II. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Restricted Assets

The restricted assets of the Authority consist of unexpended bond and note proceeds, which are invested in cash funds and investments under the control of bank trustees. These assets are restricted in use by bond covenants as described below:

	<u>2019</u>	<u>2018</u>
Construction Reserve Funds	\$ 294,352	\$ 244,042
Debt Service Sinking Funds	572	562
Debt Service Reserve Funds	758,840	630,817
Held by EFC	431,075	431,075
Current Restricted Funds	<u>1,484,839</u>	<u>1,306,496</u>
Non-Current Debt Service Reserve Funds	2,306,765	2,389,171
Total	<u>\$3,791,604</u>	<u>\$3,695,667</u>

The Debt Service Reserve Funds are funded in an amount equal to an amount which is the lesser of, 1) the maximum annual debt service required under the bond resolutions, 2) 125% of the average annual debt service required by certain bond resolutions, or 3) the maximum amount that may be held in the Debt Service Reserve Fund without adversely affecting the tax-exempt status of bond series intended to be tax-exempt, currently 10% of the original issue amount. Since these reserves are not anticipated to be used in the subsequent year, they have been classified as restricted non-current assets on the balance sheet. Interest earnings on these reserves have been classified as current as they are available to pay current debt.

III. CAPITAL ASSETS

Capital assets consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:					
Land	\$ 955,608	\$ -	\$ -	\$ -	\$ 955,608
Construction in Progress	6,976,930	1,696,838	-	(3,313,166)	5,360,602
Total Capital Assets, not being depreciated	<u>7,932,538</u>	<u>1,696,838</u>	<u>-</u>	<u>(3,313,166)</u>	<u>6,316,210</u>
Capital Assets, being depreciated:					
Improvements	300,602	-	-	-	300,602
Buildings	22,372,935	-	-	1,914,503	24,287,438
Water Systems	57,095,734	-	-	-	57,095,734
Machinery and Equipment	8,065,160	23,137	-	1,398,663	9,486,960
Sewage Collection System	1,644,932	-	-	-	1,644,932
Total Capital Assets, being depreciated	<u>89,479,363</u>	<u>23,137</u>	<u>-</u>	<u>3,313,166</u>	<u>92,815,666</u>
Accumulated Depreciation for:					
Improvements	(73,892)	(11,136)	-	-	(85,028)
Buildings	(11,470,946)	(681,753)	-	-	(12,152,699)
Water Systems	(13,649,430)	(1,170,996)	-	-	(14,820,426)
Machinery and Equipment	(5,748,003)	(196,677)	-	-	(5,944,680)
Sewage Collection System	(432,502)	(36,633)	-	-	(469,135)
Less: Accumulated Depreciation	<u>(31,374,773)</u>	<u>(2,097,195)</u>	<u>-</u>	<u>-</u>	<u>(33,471,968)</u>
Total Capital Assets, being depreciated	<u>58,104,590</u>	<u>(2,074,058)</u>	<u>-</u>	<u>3,313,166</u>	<u>59,343,698</u>
Capital Assets, net	<u>\$ 66,037,128</u>	<u>\$ (377,220)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,659,908</u>

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

III. CAPITAL ASSETS (CONTINUED)

Depreciation was recorded in the amount of \$2,097,195 and \$2,106,737, respectively, less amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of \$595,853 (which was put into service in 2007; see Note VIII) for the years ended December 31, 2019 and 2018. The effect of combining these amounts resulted in \$1,501,342 and \$1,510,884 in depreciation expense for the years ended December 31, 2019 and 2018, respectively.

IV. PENSION PLANS

Plan Description

The Dutchess County Water and Wastewater Authority is required to participate in the New York State Local Employees' Retirement System and the Public Employees' Group Life Insurance Plan System (Systems). These are cost sharing multiple employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of funds. The Systems issue publicly available financial reports that include an annual report and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy

The Systems are generally noncontributory. Tiers 1-4 are noncontributory after ten years of participation. Tier 5 is required to contribute 3% of their salary, and Tier 6 is required to contribute a minimum of 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

The Dutchess County Water & Wastewater Authority is required to contribute to the System at an actuarially determined rate. The required contributions for the current and prior two calendar years were:

Plan Year Ending March 31:	
2020	\$ 233,896
2019	223,011
2018	242,033

The Authority's contributions made to the System were equal to 100% of the contributions required for those years.

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

At December 31, 2019 and 2018, the Authority reported a liability of \$357,983 and \$158,901, respectively, for its proportionate share of the net pension liability. This amount is recorded as a liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2019 and 2018, respectively, 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 March 31, 2019 and 2018, respectively, the Authority's proportion was 0.0050525 and 0.0049234 percent of the Employees' Retirement System liability.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

IV. PENSION PLANS (CONTINUED)

For the years ended December 31, 2019 and 2018, the Authority recognized pension expense of \$286,083 and \$237,025, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	\$ 70,494	\$ 56,675
Changes of assumptions	89,982	105,365
Net difference between projected and actual investment earnings on pension plan investments	-	230,791
Changes in proportion and differences between employer contributions and proportionate share of contributions	100,297	118,417
Employer contributions subsequent to the measurement date	<u>175,422</u>	<u>167,257</u>
Total Deferred Outflows of Resources	<u>\$ 436,195</u>	<u>\$ 678,505</u>
Deferred Inflows of Resources:		
Differences between expected and actual experience	\$ 24,031	\$ 46,834
Net difference between projected and actual investment earnings on pension plan investments	<u>91,878</u>	<u>455,559</u>
Total Deferred Inflows of Resources	<u>\$ 115,909</u>	<u>\$ 502,393</u>

\$175,422 and \$167,257 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2019 and 2018, respectively.

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

Year ended March 31:	
2020	\$ 117,782
2021	(40,632)
2022	13,037
2023	<u>54,677</u>
	<u>\$ 144,864</u>

Actuarial Assumptions

The total pension liability at March 31, 2019 and 2018, was determined by using actuarial valuations as of April 1, 2018 and 2017, respectively, with update procedures used to roll forward the total pension liability to March 31, 2019 and 2018. The actuarial valuations used the following actuarial assumptions.

Significant actuarial assumptions used in the March 31, 2019 and 2018, valuations were as follows:

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Inflation	2.5%	2.5%
Salary increases - ERS	4.2%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on MP-2014.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

IV. PENSION PLANS (CONTINUED)

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the periods April 1, 2010 – March 31, 2015.

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Domestic equity	36%	36%	4.55%	4.55%
International equity	14%	14%	6.35	6.35
Private equity	10%	10%	7.50	7.50
Real estate	10%	10%	5.55	5.55
Absolute return strategies	2%	2%	3.75	3.75
Opportunistic portfolio	3%	3%	5.68	5.68
Real assets	3%	3%	5.29	5.29
Bonds and mortgages	17%	17%	1.31	1.31
Cash	1%	1%	(0.25)	(0.25)
Inflation-indexed bonds	4%	4%	1.25	1.25
Total	<u>100%</u>	<u>100%</u>		

Discount Rate

The discount rate used to calculate the total pension liability as of March 31, 2019 and 2018, 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 these 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.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

IV. PENSION PLANS (CONTINUED)

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 as of March 31, 2019 and 2018 of 7.0 percent, 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-percentage-point lower or 1-percentage-point higher than the current rate:

Measurement Date	1% Decrease	Current Assumption	1% Increase
March 31, 2019	6.0%	7.0%	8.0%
Authority's proportionate share of the net ERS pension (liability) / asset	<u>\$(1,565,157)</u>	<u>\$ (357,983)</u>	<u>\$ 656,130</u>
Measurement Date	1% Decrease	Current Assumption	1% Increase
March 31, 2018	6.0%	7.0%	8.0%
Authority's proportionate share of the net ERS pension (liability) / asset	<u>\$(1,202,290)</u>	<u>\$ (158,901)</u>	<u>\$ 723,764</u>

Pension plan fiduciary net position

The components of the net pension liability of all employers were as follows:

	Dollars in Thousands	
	Employees' Retirement System	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Employers' total pension liability	\$ (189,803,429)	\$ (183,400,590)
Plan net position	<u>182,718,124</u>	<u>180,173,145</u>
Employers' net pension liability	<u>\$ (7,085,305)</u>	<u>\$ (3,227,445)</u>
Ratio of plan net position to the employers' total pension liability	96.27%	98.24%

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V. OTHER POSTEMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid.

Through implementation of the requirements of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Authority recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior year, and provides information useful in assessing potential demands on the Authority's future cash flows.

Plan Description

The Authority provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the Authority. The benefit levels, employee contributions and employer contributions are governed by the Authority's contractual agreements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

Based on the current employment policy, the retiree and his or her beneficiaries receive coverage for the life of the retiree based on the retiree's years of service at retirement. A copy of the report on these benefits can be requested at the Authority.

Medical and prescription drug benefits are offered to retirees on an Authority-subsidized basis. Upon attaining age 65 or upon disability retirement, Medicare (Parts A and B) becomes the primary provider for hospital insurance and supplementary medical insurance, with the Authority's plan providing an additional layer of coverage. The Authority reimburses retirees and their spouses for Medicare Part B premiums, but not those of surviving spouses.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

V. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contribution rates, as of December 31, 2019 and 2018, for new retirees are as follows:

Group	Provider Options	Years of Service	Age	Authority Contributions (Fixed)				Reimbursement Part B Premium		
				Individual	Spouse	Children	Family	Individual	Spouse	Surviving Spouse
Retirees Over 55	MVP	10 - 14	Under 65	\$ 478.25	\$ 813.02	\$ 724.86	\$ 1,109.85	Y	Y	N
		10 - 14	Over 65	60.00	102.00	-	-	Y	Y	N
		15 - 19	Under 65	573.89	1,004.31	890.97	1,385.96	Y	Y	N
		15 - 19	Over 65	72.00	126.00	-	-	Y	Y	N
		20 - 24	Under 65	669.54	1,195.61	1,057.08	1,662.06	Y	Y	N
		20 - 24	Over 65	84.00	150.00	-	-	Y	Y	N
		25+	Under 65	765.19	1,386.91	1,223.19	1,938.17	Y	Y	N
		25+	Over 65	96.00	174.00	-	-	Y	Y	N
Retirees Over 63	MVP	10 - 14	Under 65	478.25	813.02	724.86	1,109.85	Y	Y	N
		10 - 14	Over 65	60.00	102.00	-	-	Y	Y	N
		15 - 19	Under 65	573.89	1,004.31	890.97	1,385.96	Y	Y	N
		15 - 19	Over 65	72.00	126.00	-	-	Y	Y	N
		20 - 24	Under 65	669.54	1,195.61	1,057.08	1,662.06	Y	Y	N
		20 - 24	Over 65	84.00	150.00	-	-	Y	Y	N
		25+	Under 65	765.19	1,386.91	1,223.19	1,938.17	Y	Y	N
		25+	Over 65	96.00	174.00	-	-	Y	Y	N
Retirees Over 55	NYSHIP	10 - 14	Under 65	507.49	N/A	N/A	974.10	Y	Y	N
		10 - 14	Over 65	222.20	N/A	N/A	489.09	Y	Y	N
		15 - 19	Under 65	608.99	N/A	N/A	1,208.91	Y	Y	N
		15 - 19	Over 65	266.63	N/A	N/A	609.79	Y	Y	N
		20 - 24	Under 65	710.49	N/A	N/A	1,443.73	Y	Y	N
		20 - 24	Over 65	311.07	N/A	N/A	730.48	Y	Y	N
		25+	Under 65	811.98	N/A	N/A	1,678.54	Y	Y	N
		25+	Over 65	355.51	N/A	N/A	851.18	Y	Y	N
Retirees Over 63	NYSHIP	10 - 14	Under 65	507.49	N/A	N/A	974.10	Y	Y	N
		10 - 14	Over 65	222.20	N/A	N/A	489.09	Y	Y	N
		15 - 19	Under 65	608.99	N/A	N/A	1,208.91	Y	Y	N
		15 - 19	Over 65	266.63	N/A	N/A	609.79	Y	Y	N
		20 - 24	Under 65	710.49	N/A	N/A	1,443.73	Y	Y	N
		20 - 24	Over 65	311.07	N/A	N/A	730.48	Y	Y	N
		25+	Under 65	811.98	N/A	N/A	1,678.54	Y	Y	N
		25+	Over 65	355.51	N/A	N/A	851.18	Y	Y	N

The Authority's contribution is equivalent to that portion of health insurance premiums paid that are allocated to retirees, estimated to be \$39,674 and \$32,545 during the years ended December 31, 2019 and December 31, 2018, respectively.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

V. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

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

	2019	2018
Active Employees	25	25
Retired	5	5
Total employees covered by benefit terms	30	30

Since the number of covered employees was less than 100, the Authority was eligible, and elected, to utilize the Alternative Measurement Method for the years ended December 31, 2019 and December 31, 2018.

Total OPEB Liability

The Authority obtained an actuarial valuation report as of December 31, 2019. The liability for other postemployment benefits was measured as of December 31, 2019. The total liability for other postemployment benefits is \$3,039,243, all of which is reflected in the Statement of Net Position.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 and December 31, 2018 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Projected Salary Increases, Including Wage Inflation	2.50%	2.50%
Discount Rate	2.74%	4.19%
Healthcare Cost Trend Rates	Pre-65: Ranging from 7.6% to 3.0% for pharmacy, medical, dental and vision for 2020, reduced incrementally to an ultimate rate of 4.7% to 3.0% after 10 years Post-65: Same	Pre-65: Ranging from 7.6% to 3.0% for pharmacy, medical, dental and vision for 2019, reduced incrementally to an ultimate rate of 4.7% to 3.0% after 10 years Post-65: Same
Current Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement	Retirees pay based on specific cost sharing agreement
Future Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement	Retirees pay based on specific cost sharing agreement

The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments.

Mortality Rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the SOA Scale MP-2014.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
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V. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the December 31, 2019 and December 31, 2018 valuations were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

Funding Policy

The Authority is currently paying postemployment benefits for five individuals. Since New York State does not allow the establishment of trusts that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume the pay-as-you-go funding.

Changes in the Total OPEB Liability during the year ended:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balance - Beginning	\$ 2,526,908	\$ 2,790,742
Changes for the Year:		
Service Cost	100,078	131,287
Interest	109,127	70,031
Economic/Demographic Gains/Losses	(163,705)	217,465
Changes in Assumptions or Other Inputs	512,336	(650,072)
Benefit Payments	<u>(45,501)</u>	<u>(32,545)</u>
Net Changes	<u>512,335</u>	<u>(263,834)</u>
Balance - Ending	<u>\$ 3,039,243</u>	<u>\$ 2,526,908</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current discount rate.

As of December 31, 2019:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	<u>\$3,485,986</u>	<u>\$3,039,243</u>	<u>\$2,671,361</u>

As of December 31, 2018:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	<u>\$2,865,054</u>	<u>\$2,526,908</u>	<u>\$2,244,779</u>

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
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V. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table 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 healthcare cost trend rate that is 1 percentage point lower or higher than the healthcare cost trend rate, which ranges from 7.6% to 3.0%, depending on the type of healthcare (medical, pharmacy, dental and vision).

As of December 31, 2019:

	1% Decrease	Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$2,612,415	\$3,039,243	\$3,570,567

As of December 31, 2018:

	1% Decrease	Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$2,200,917	\$2,526,908	\$2,926,011

VI. BOND ANTICIPATION NOTES

The Authority issues bond anticipation notes ("BANs") to temporarily finance the acquisition of systems and/or the cost of capital renovations to any of the Authority's systems. Such temporary financing is continued until acquisition and/or construction is complete. At that time, permanent financing is obtained. BANs have been issued under the following authorizations:

In February 2017, the Authority received authorization for financing of improvements to the Pinebrook Sewer Wastewater Treatment Plant ("WWTP"), in the amount of \$3,752,144 through the New York State Environmental Facilities Corporation. Such financing included \$703,563 in grant funding and \$2,106,691 in loan funding. During the years ended December 31, 2019 and 2018, there were drawdowns of \$897,373 and \$147,682 on the loan funding, respectively.

In May 2018, the Authority received authorization for financing of improvements to the Greenfields Sewer and Wastewater Treatment Plant, in the amount of \$3,996,167 through the New York State Environmental Facilities Corporation. Such financing included \$957,530 in grant funding and \$3,038,637 in loan funding. During the years ended December 31, 2019 and 2018, there were no drawdowns on the loan funding.

The bond anticipation notes outstanding as of December 31, 2019, are as follows:

<u>Purpose</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Authorization Amount</u>	<u>Amount Outstanding at 12/31/19</u>
Pinebrook Sewer WWTP Upgrades	2/2/2017	2/2/2022	0.00-1.17%	\$ 2,106,691	\$ 2,000,957
Total Bond Anticipation Notes				<u>\$ 2,106,691</u>	<u>\$ 2,000,957</u>

In January 15, 2019, the Authority issued a bond for \$1,315,000, see Note V11, the proceeds of which were used to redeem the BAN issued to provide the Authority with funds to pay for acquisition and renovation of an office building.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS**

VI. BOND ANTICIPATION NOTES (CONTINUED)

Changes in bond anticipation notes as of December 31, 2019, are as follows:

<u>Purpose</u>	<u>Restated Balance Outstanding 12/31/2018</u>	<u>New Issues/ Drawdowns</u>	<u>Redeemed/Paid</u>	<u>Balance Outstanding 12/31/2019</u>
Short Term BANs:				
Building Purchase	\$ 1,250,000	\$ -	\$ (1,250,000)	\$ -
Long Term BANs:				
Pinebrook Sewer WWTP Upgrades	1,103,584	897,373	-	2,000,957
Total Bond Anticipation Notes	<u>\$ 2,353,584</u>	<u>\$ 897,373</u>	<u>\$ (1,250,000)</u>	<u>\$ 2,000,957</u>

VII. LONG TERM OBLIGATIONS

Bonds Payable

The Authority issues revenue bonds to finance the acquisition of systems and the cost of the capital renovations to those systems and to pay costs of issuance. Such debt has been issued under the following authorizations:

Trust Indenture

As of June 1, 1995 the Authority executed a trust indenture authorizing the issuance of debt for the purpose of acquiring a sewage facility. This trust indenture was amended in 2007 to authorize debt issued for Part County Sewer District #1. One supplemental trust indenture was authorized under terms similar to those described in the General Bond Resolution described below for Part County Sewer District #2.

As of November 1, 2017, the Authority executed a trust indenture authorizing the issuance of debt for the purpose of acquiring a sewage facility. One supplemental trust indenture for the Vanderburgh Cove Sewer System was authorized under terms similar to those described in General Bond Resolutions described below.

Special Bond Resolution

As of September 30, 1997, the Authority adopted a special bond resolution authorizing debt to be sold at private sale for the purpose of acquiring a privately held water system.

General Bond Resolutions

As of June 1, 1998, the Authority adopted a General Water Bond Resolution which enabled the Authority to issue additional debt pursuant to supplemental resolutions without having to modify the form or general terms of the debt, referred to as additional parity debt. The Authority has issued twenty-one supplemental resolutions pursuant to this general bond resolution, authorizing debt issues in the years of 1998, 1999, 2000, 2001, two issues in 2002, 2004, two issues in 2008, two issues in 2009, 2010, 2011, 2013, 2014, two issues in 2015, 2016, two issues in 2018 and one in 2019.

As of August 1, 2004, the Authority adopted a general bond resolution pertaining to the Part County Sewer District # 3, which enabled it to issue bonds to finance the purchase of Dalton Farms Sewer System.

As of December 16, 2015, the Authority adopted a general bond resolution pertaining to the Pinebrook Sewer District #7, which enabled it to issue bonds to finance the upgrades to Pinebrook Sewer District.

As of February 15, 2017, the Authority adopted a general bond resolution pertaining to the Greenfields Sewer District, which enabled it to issue bonds to finance the upgrades to Greenfields Sewer District.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

VII. LONG TERM OBLIGATIONS (CONTINUED)

Description of Bonds Payable

	<u>2019</u>	<u>2018</u>
1998 Revenue Bonds (Zero Coupon) Series One, due in various installments from 2021 through 2029, interest 3.90%-5.40%	\$ 3,817,817	\$ 3,817,817
2000 Service Agreement Revenue Bond Series 2000, due in various installments through 2020, interest 5.65%	65,000	130,000
2001 Service Agreement Revenue (Refunding) Bond Series 2001, due in various installments through 2041, interest 3.00%-5.36%;	1,093,410	1,108,410
2004 Water Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	690,000	810,000
2004 Sewer Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	725,000	855,000
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments through 2029, interest 3.00%-5.00%; partially refunded in 2016 as described below	1,094,143	1,374,144
2009 Water Service Agreement Revenue Bond Series 2009, due in various installments from 2030 through 2039, interest 5.62%-5.96%	253,381	253,381
New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Fund Revenue (Refunding) Bond Series 2010 C, due in various installments through 2019; interest .8450%-3.355%	-	1,235,000
New York State Environmental Facilities Corporation State Drinking Water Revolving Fund Revenue (Refunding) Bonds Series 2011C, due in various installments through 2023, interest .540%-3.165%	540,000	765,000
2011 Service Agreement Revenue Bond Series 2011, due in various installments from 2012 through 2041, interest 3.50%-4.25%	1,650,000	1,690,000
New York State Environmental Facilities Corporation Revenue Refunding Bonds Series 2014B, due in various installments through 2026, interest .1515%-2.7455%	215,000	240,000
New York State Environmental Facilities Corporation Revenue Refunding Bonds Series 2014B, due in various installments through 2037, interest .1515%-4.2025%	1,625,000	1,695,000
New York State Environmental Facilities Corporation Bond Series 2016, due in various installments through 2025, interest 4.361%-4.964%	790,000	925,000

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS**

VII. LONG TERM OBLIGATIONS (CONTINUED)

Description of Bonds Payable (Continued)

	<u>2019</u>	<u>2018</u>
New York State Environmental Facilities Corporation Bond Series 2016 B, due in various installments through 2044, interest 0.548%-3.351%	3,672,761	3,797,761
Service Agreement Revenue Bonds, Series 2016, due in various installments through 2046, interest 1.5%-3.25%	1,465,000	1,505,000
Service Agreement Revenue Refunding Bonds, Series 2016, due in various installments through 2029, interest 1.75%-4.00%	3,795,000	3,830,000
New York State Environmental Facilities Corporation Bond Series 2018, due in various installments through 2047, interest 0.00%	3,878,188	4,055,888
New York State Environmental Facilities Corporation Bond Series 2018A, due in various installments through 2043, interest 0.00%	399,840	416,500
2019 Revenue Bond Series due in various installments through 2049, interest 1.80%-5.00%	<u>1,315,000</u>	<u>-</u>
Total Bonds Payable	27,084,540	28,503,901
Accreted Interest Recorded on Zero Coupon Bonds	10,107,178	9,310,084
Unamortized Bond Premium	<u>345,241</u>	<u>301,652</u>
Total Bonded Debt Payable	37,536,959	38,115,637
Portion Due Within One Year	<u>(2,047,751)</u>	<u>(2,734,360)</u>
Net Long Term Debt Payable	<u><u>\$ 35,489,208</u></u>	<u><u>\$ 35,381,277</u></u>

Changes in Long-Term Obligations

	Restated Balance at December 31, 2018	New Issues/ Additions	Maturities and/or Payments	Balance at December 31, 2019	Due within One Year
Bonds Payable	\$ 38,115,637	\$ 2,184,509	* \$ (2,763,187)	\$ 37,536,959	\$ 2,047,751
Long Term Bond					
Anticipation Notes	1,103,584	897,373	-	2,000,957	-
Net ERS Liability	158,901	199,082	-	357,983	-
OPEB Liability	<u>2,526,908</u>	<u>512,335</u>	-	<u>3,039,243</u>	-
	<u><u>\$ 41,905,030</u></u>	<u><u>\$ 3,793,299</u></u>	<u><u>\$ (2,763,187)</u></u>	<u><u>\$ 42,935,142</u></u>	<u><u>\$ 2,047,751</u></u>

*Bonds payable increased by \$797,094 in adjustments for accreted interest on 1998 Series I debt, 2001 debt, and 2009 debt.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

VII. LONG TERM OBLIGATIONS (CONTINUED)

Debt Service Requirements

Debt service requirements to maturity, less accreted interest, as of December 31, 2019, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,047,750	\$ 1,605,404	\$ 3,653,154
2021	1,997,435	1,596,619	3,594,054
2022	1,881,777	1,739,590	3,621,367
2023	1,883,826	1,728,866	3,612,692
2024	1,857,453	1,714,484	3,571,937
2025-2029	6,815,562	8,466,463	15,282,025
2030-2034	3,442,189	4,157,058	7,599,247
2035-2039	3,370,260	4,057,376	7,427,636
2040-2044	2,755,188	703,523	3,458,711
2045-2049	1,033,100	50,038	1,083,138
Totals	<u>\$ 27,084,540</u>	<u>\$ 25,819,421</u>	<u>\$ 52,903,961</u>

Bond Issue Commitments

The following long-term debt has been authorized by the Authority but remains unissued at December 31, 2019:

<u>Unissued Long-Term Debt</u>	<u>Amount</u>
Pinebrook Water Bonds	<u>\$ 3,400,000</u>
Total Commitments	<u>\$ 3,400,000</u>

Bond Covenants

The Authority has agreed to maintain dedicated sources of revenues with respect to the projects financed in accordance with the State Act and in amounts such that the revenues of the Authority with respect to the financial projects shall be sufficient, together with all other funds available to the Authority for such purposes, to pay all costs of operating and maintaining the projects and to pay principal and interest requirements. The bonds payable are special obligations of the Authority, secured by the assets of the Authority and to be amortized solely from the revenues of the Authority.

The Authority has pledged its revenues, which are subject to the right to pay operating expenses, its interest in its Service Agreement with Dutchess County, its interest in cash and investments held by the Bond Trustee and any other property subsequently pledged, for payment of the bonds.

In addition to pledging its revenues and other rights as described above, the Authority made certain covenants, including that it will fix, charge and collect water and sewer rates together with other Authority revenues in amounts sufficient to provide for operating expenses as included in the Authority's budget. The Authority also pledges to maintain, in full force and effect, the service agreement with Dutchess County, as is further described in Note X - Economic Dependency.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

VII. LONG TERM OBLIGATIONS (CONTINUED)

Bond Refundings

In April 2016, the Authority issued \$3,895,000 in service agreement revenue refunding bonds with interest rates of 1.75-4.00%. The proceeds were used to refund a portion of the Authority’s 2009 bonds for Birch Hill and Hyde Park system improvements, and pay the costs of issuance of the 2016 refunding bonds. The net proceeds of the refunding, \$4,178,704, after payment of underwriting and other issuance costs, were used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. The refunded bonds were called and paid on October 1, 2019.

Deferred Outflows of Resources – Loss on Refunding

The Authority has recognized losses on certain bond refundings. The balances on these bond losses are recorded as deferred outflows and are amortized on a straight line basis over the life of the refunding debt. The unamortized balances were \$642,734 and \$697,357 as of December 31, 2019 and 2018, respectively. Changes on these losses are as follows:

<u>Systems</u>	<u>Year of Refunding</u>	<u>Balance at December 31, 2018</u>	<u>New Issues</u>	<u>Amortized</u>	<u>Balance at December 31, 2019</u>
Hyde Park Water	2002	\$ 12,494	\$ -	\$ (521)	\$ 11,973
Zone D Water	2002	58,712	-	(2,447)	56,265
Chelsea Cove Sewer	2014	148,596	-	(8,105)	140,491
Valley Dale Sewer	2014	20,806	-	(2,837)	17,969
Birch Hill Water	2016	50,990	-	(4,856)	46,134
Hyde Park Water	2016	359,887	-	(34,275)	325,612
Shore Haven Water	2018	45,872	-	(1,582)	44,290
		<u>\$ 697,357</u>	<u>\$ -</u>	<u>\$ (54,623)</u>	<u>\$ 642,734</u>

VIII. DEFERRED INFLOWS OF RESOURCES - DEFERRED REVENUES

In June 2002, the Authority signed an agreement with Dutchess County outlining a project known as the Central Dutchess Utility Corridor (“Corridor”), consisting of a 24” water transmission line and necessary pumping capacity for the purpose of transmission of water to serve the Hudson Valley Research Park in East Fishkill, New York, and other future customers. The project was placed into service in July of 2007. The Authority had estimated the cost to be \$33,269,000, with funding coming in the form of grants from New York State, \$11,250,000, International Business Machines (IBM), \$11,375,000, the Town of East Fishkill, \$269,000 and Dutchess County, \$10,375,000. There were also interest earnings on advances and grants such that the total amount attributed to the project was approximately \$34,034,902, which was accounted for as deferred revenues.

During 2009, the Authority returned \$4,209,736 in unused funds to Dutchess County and IBM. The Authority has recognized \$595,853, reducing related asset depreciation for each of the years ended December 31, 2019 and 2018. The long term portion of deferred revenue amounted to \$21,778,177 and \$22,374,026 as of December 31, 2019 and 2018, all of which is related to the Utility Corridor.

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DUTCHESS COUNTY, NEW YORK
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VIII. DEFERRED INFLOWS OF RESOURCES - DEFERRED REVENUES (CONTINUED)

The Authority expects to recognize the following revenues in 2020, considered current, and thereafter, considered non-current, deferred revenues as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current Portion of Deferred Revenues:		
Utility Corridor - Construction	\$ 595,853	\$ 595,853
Utility Corridor - Capital	221,297	194,905
Utility Corridor - Operations	48,877	48,417
Water Usage Billings Received in Advance	<u>210,787</u>	<u>231,890</u>
	<u>1,076,814</u>	<u>1,071,065</u>
Long-term Portion of Deferred Revenues:		
Utility Corridor - Construction	<u>21,778,177</u>	<u>22,374,026</u>
Total Deferred Revenues	<u>\$ 22,854,991</u>	<u>\$ 23,445,091</u>

IX. CONTINGENCIES AND RISK MANAGEMENT

The Authority is subject to various litigation and claims arising out of the course of its operations. While the results of the lawsuits cannot be predicted with certainty, management does not believe these matters will have an adverse effect on the Authority's overall financial position. The Authority assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Such risks are covered by the purchase of commercial insurance. Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Authority has purchased insurance with limits as follows: umbrella aggregate coverage of \$20,000,000, business auto coverage of \$1,000,000 per occurrence, general liability aggregate coverage of \$3,000,000, property coverage of \$44,321,566, and workers compensation coverage of \$100,000/\$500,000.

X. ECONOMIC DEPENDENCY

As described in Note VII – Long Term Obligations, the Authority has entered into service agreements with Dutchess County for the Water District and Part County Sewer Districts to provide water and/or sewer services and receive a service fee from Dutchess County based on a contractual formula, generally when revenues are insufficient to cover certain operating expenses and debt service requirements. The Authority also receives payments from Dutchess County for the completion of certain consulting projects. Although these payments are subject to budgetary resolutions by the Dutchess County Legislature for approval, no approvals have been withheld by the Legislature. For the years ended 2019 and 2018, the Authority recorded net revenues of \$3,352,540 and \$3,316,997, having recorded a return of \$147,786 and \$114,751 to the County during those years. There was \$0 due to or due from the County at each respective year-end. Since the Authority is a component unit of Dutchess County, these transactions are also considered related party transactions.

XI. SYSTEM ACQUISITIONS

In 2019, the Authority authorized a memorandum of understanding to manage a Village's water and sewer systems with the expectation of acquiring the systems upon completion of certain improvements. The closing date is dependent on the timeline for the construction and completion of the new infrastructure, at which time the Authority will acquire the water and sewer systems and issue debt.

In 2018, the Authority authorized memorandums of understanding for the acquisition of four subdivision water and sewer systems however these acquisitions have not yet closed.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

XII. RESTATEMENT

The Authority has restated its financial statements for the year ended December 31, 2018 for the effects of reclassifying \$380,442 of EFC financing from a long term bond anticipation note to grant revenue. The effect of this restatement was to increase other revenues and the change in net position by \$380,442 and correspondingly decrease long term debt outstanding as of December 31, 2018.

XIII. SUBSEQUENT EVENTS

The Authority approved a bond resolution not to exceed \$2,000,000 on March 18, 2020 to finance improvements to the Pinebrook Sewer System.

XIV. RISKS AND UNCERTAINTIES

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. The Authority exists to provide an essential government service: water and sewer services. Accordingly, while management cannot quantify the financial and any other impacts to the Authority as of March 18, 2020, management believes that a material impact on the Authority's financial position and results of future operations is reasonably possible, due to changes in the local economy.

As the owner and operator of public water and wastewater systems, the Dutchess County Water and Wastewater Authority is considered to be an **Essential Critical Infrastructure Workforce** pursuant to the Guidance on the Essential Critical Infrastructure Workforce issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency on March 19, 2020. As such, we have a special responsibility to maintain our operations. DCWWA's highest priority is to maintain our ability to operate and maintain our water and wastewater systems, inclusive of critical management functions. To that end, we have put in place policies to maximize the separation of, and distancing between, staff by deploying staff to work remotely, extending work shifts over additional hours and days, instituting separation protocols for on-site workers, and instituting cleaning and disinfecting protocols for shared equipment and work spaces. By restricting public access to our facilities and eliminating to the greatest extent possible the need for operations staff to enter private homes and businesses, we are seeking to reduce the potential for exposure to the COVID-19 virus through contact with the public. Staff are regularly provided with information on proper hygiene practices as advised by the Center for Disease Control, and we have instituted liberal benefit time policies to ensure any employee who is unwell, or who has experienced a likely exposure to the COVID-19 virus has the ability to stay home and self-isolate. We are monitoring inventories of supplies and critical spare parts and staying in regular contact with important suppliers.

We recognize there will be unavoidable financial impacts to our agency, as increasing numbers of individuals face unemployment and financial hardship, impacting their ability to pay water and sewer bills, and as non-essential businesses close and reduce their billable water use/wastewater demand. We will carefully monitor water and sewer revenues in all systems and put in place steps to reduce expenditures as needed and to the extent possible.

XV. NEW REPORTING STANDARDS

In March 2018, GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Authority has implemented this statement for the year ended December 31, 2019 as required. There is no effect on the Authority's statement of activities or net position.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
DUTCHESS COUNTY, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS**

XV. NEW REPORTING STANDARDS, (CONTINUED)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The Statement established accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that such interest costs be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Authority is required to implement this standard for the year ending December 31, 2020. The Authority has elected early adoption of this standard and implemented this standard for the year ended December 31, 2019. There is no effect on the Authority's statement of activities or net position.

In June of 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for periods beginning after December 15, 2019. The Authority has not evaluated the effect of GASB 87 on its financial statements.

The GASB has also issued Statements 84, and 90 through 92. None of these statements are expected to have a substantive effect on the Authority's financial reporting.

REQUIRED SUPPLEMENTARY INFORMATION

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS**

Total OPEB Liability	12/31/2019	12/31/2018
Service Cost	\$ 100,078	\$ 131,287
Interest	109,127	70,031
Economic/Demographic Gains or Losses	(163,705)	217,465
Changes in Assumptions or Other Inputs	512,336	(650,072)
Benefit Payments	(45,501)	(32,545)
Net Changes	512,335	(263,834)
Total OPEB Liability - Beginning	2,526,908	2,790,742
Total OPEB Liability - Ending ("a")	\$ 3,039,243	\$ 2,526,908
Plan Fiduciary net position		
Contributions - Employer	\$ 45,501	\$ 32,545
Net Investment Income	-	-
Benefit Payments	(45,501)	(32,545)
Administrative Expense	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary net position - beginning	-	-
Plan Fiduciary net position - ending ("b")	\$ -	\$ -
Authority's net OPEB liability - ending (a) - (b)	\$ 3,039,243	\$ 2,526,908
Plan Fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered-Employee Payroll	\$ 1,400,020	\$ 1,495,377
Total OPEB Liability as a Percentage of Covered-Employee Payroll	217.09%	168.98%

Notes to Schedule:

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

12/31/2017	2.50%
12/31/2018	4.19%
12/31/2019	2.74%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

*GASB 75 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended December 31, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

Plan Year Ended	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Net Pension Asset (Liability) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
Employees' Retirement System					
3/31/2019	0.00505250%	\$ 357,983	\$ 1,643,967	21.78%	96.27%
3/31/2018	0.00492340%	\$ 158,901	\$ 1,524,688	10.42%	98.24%
3/31/2017	0.00458580%	\$ 430,891	\$ 1,623,233	26.55%	94.70%
3/31/2016	0.00445230%	\$ 714,613	\$ 1,582,671	45.15%	90.70%
3/31/2015	0.00443870%	\$ 149,950	\$ 1,513,848	9.91%	97.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year Ended	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency/Excess	Covered Payroll	Required Contributions as a Percentage of Covered Payroll
Employees' Retirement System					
3/31/2019	\$ 223,011	\$ 223,011	\$ -	\$ 1,643,967	13.57%
3/31/2018	\$ 242,033	\$ 242,033	\$ -	\$ 1,524,688	15.87%
3/31/2017	\$ 226,072	\$ 226,072	\$ -	\$ 1,623,233	13.93%
3/31/2016	\$ 261,541	\$ 261,541	\$ -	\$ 1,582,671	16.53%
3/31/2015	\$ 256,914	\$ 256,914	\$ -	\$ 1,513,848	16.97%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Dutchess County Water & Wastewater Authority
1 Lagrange Avenue
Poughkeepsie, New York 12603

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 Dutchess County Water & Wastewater Authority, a component unit of Dutchess County, New York, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Dutchess County Water & Wastewater Authority's basic financial statements, and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dutchess County Water & Wastewater Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dutchess County Water & Wastewater Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Dutchess County Water & Wastewater Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dutchess County Water & Wastewater Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

RBT CPAs, LLP

Newburgh, New York
March 20, 2020