

FINANCIAL REPORT
Audited
DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
(A Component Unit of Dutchess County, New York)
POUGHKEEPSIE, NEW YORK
December 31, 2022

Audited for:

Board of Directors
Dutchess County Water & Wastewater Authority



Audited by:

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DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 13
Financial Statements:	
Statements of Net Position	14 - 15
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17 - 18
Notes to the Financial Statements	19 - 38
Required Supplementary Information:	
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios	39
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios	40
Schedule of Employer Contributions	41
Other Reporting Required by <i>Government Auditing Standards</i>:	
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42 - 43
Schedule of Findings	44



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

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess County Water & Wastewater Authority, a component unit of Dutchess County, New York, as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 4-13 and 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 April 19, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RBT CPAs, LLP

Newburgh, New York
April 19, 2023

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

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, 2022. 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.

The Authority provides service in the aggregate to 4,300 separate water accounts and 2,108 separate sewer accounts and provides service to 21 water and 10 sewer systems for a total of 31 systems. The Tivoli Water and Sewer Systems are owned by the Village of Tivoli and operated by the Authority under an Intermunicipal Agreement with the Village. The Authority manages and operates the Traditions Water and Sewer Systems under an Operating and Lease Agreement with the private Owner/Developer. 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), the Zone D and Zone L service areas and, as of December 2021, the Pinebrook Water System (Zone of Assessment R.) 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 three systems, regardless of the actual volume of water taken. The Traditions Water System is supplied with water purchased from the Village of Red Hook. Ten water systems, including Tivoli, Birch Hill, Dalton Farms, Fairways, Greenfields, Quaker Hills, Rokeby, Schreiber, Shore Haven, and 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 orthophosphates to sequester 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 of the Town of East Fishkill. The water is received at a connection point in the Town of Poughkeepsie. The Authority currently serves three customers at the southernmost end of the line, Global Foundries, the Hopewell Glen Water District in the Town of East Fishkill, and Amazon. In aggregate, the three customers have purchase contracts with the Authority for a total of two million, seventy-seven thousand, four hundred and fifty gallons per day. The DCWWA's Airport Water Line also receives water from the CDWTL, and services seven customers in the Town of Wappinger, including the Hudson Valley Regional Airport. There was also an agreement in place which provided water temporarily to the Town of East Fishkill's Revere Park and Hopewell West Water Districts (Fishkill Plains); water usage commenced on September 1, 2021 and continued through the end of March 2022.

Five sewer systems, Chelsea Cove, Dalton Farms, Greenfields, 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 Pinebrook Sewer Plant utilizes septic tanks and six Orenco AX-Max Modules arranged in a two-stage packed bed sewage treatment process including disinfection located on property before surface discharge. The Traditions Sewer Plant consists of a septic tank followed by subsurface disposal fields. The Vanderburgh Cove Sewer Plant utilizes two Bioclere trickling filters to treat the incoming waste stream. The Obercreek Sewer System consists of individually owned septic tanks on each lot and a central absorption bed.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

Throughout 2022, DCWWA has continued to deal with the impacts of the worldwide COVID-19 Pandemic. Although the New York State Covid-19 State of Emergency expired on June 23, 2021, significant impacts resulting from the pandemic have continued throughout the year. As an Essential Service, it has been imperative that the Authority maintain full operations, services, and functions. Authority Board meetings through April were held virtually on the Microsoft Teams platform with public access provided, all by NYS Emergency Legislation temporarily amending the State Open Meetings Law. The administrative staff has followed hybrid in-person and remote work schedules.

In 2022 the direct and indirect expenses related to our response to the pandemic have been nominal, and to date, there have been no relief or reimbursement programs for which DCWWA is eligible.

In June of 2021, the State enacted amendments to the Public Service Law that, among other provisions, required public water systems to offer Deferred Payment Agreements to residential customers claiming a financial impact due to Covid, and prohibiting the collection of late payment fees for customers that entered into such agreements. Subsequent amendments extended the obligation to offer Deferred Payment Agreements through June 30, 2022, and expanded the eligibility for Agreements to small commercial customers. In addition, the new amendments prohibited the relieving of unpaid water charges against residential and small commercial customers until the end of 2022. A total of ten DCWWA water customers were provided with deferred payment agreements, and were not relieved in 2021. An additional five water customers entered into deferred payment agreements during 2022 and were not levied in 2022.

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 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 2022 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, Obercreek, Pinebrook, Valley Dale, and Vanderburgh Cove Sewer Systems, along with the Quaker Hills Water Systems, are all billed with Flat Rate Fixed charges. The Authority manages and operates the Traditions Water and Sewer Systems under an Operating and Lease Agreement with the private Owner/Developer. Residences connected to the Sewer System are charged a flat rate, while residences connected to the Water System are billed with a monthly service charge and rate/1000 gallons. During the initial build-out of this residential subdivision, the Developer pays every quarter the difference between the Authority's actual operation and maintenance costs and the aggregate amount collected from the customers.

Customer rates were increased from 2021 to 2022 in most systems, with the exception of the Obercreek Sewer System and the Airport Water Line and Traditions Water System which had no changes, and Pinebrook Sewer which had a 3.8% decrease. Beginning in 2022, the budgets for the Greenbush and Violet Avenue Water Systems were consolidated into a single budget. The systems are supplied by a single connection to the Poughkeepsie Water System and purchase water under a single Water Supply Agreement. The customers of the Greenbush Water System moved from a Flat Rate Fixed charge to a monthly service charge plus charges for actual water used.

Although the CPI for September 2021 was 3.84%, many systems had increases beyond this percentage. Changes to subcontracted system contract operations increased an average of 24%. Budgeted chemical costs for 2022 increased by between 15% and 75%, with a 40% increase for the purchase of sodium hypochlorite, based on bid results. Chemical prices continued to rise during the fiscal year. Although increases were planned for changes to electric charges, invoices received surpassed what was budgeted.

Water and sewer revenues experienced varying changes by system in 2022, with an aggregate 7.92% increase from 2021 to 2022. Also, in 2022, the Airport Water Line System, Obercreek Sewer System and Traditions Sewer and Water Systems added new customers.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

FINANCIAL OPERATIONS HIGHLIGHTS (CONTINUED)

A majority of the water and sewer systems were able to meet or exceed their 2022 budgeted revenue expectations. However, there were systems that faced some challenges in meeting their revenue goals. Three of the sewer system (Greenfields, Tivoli and Valley Dale) fell slightly short (within 1.10%) of their budgeted revenue. Six of the water systems exhibited reduced water use ranging from 5.5% to 17.33%, resulting in varying decreases in water sales revenue (Birch Hill, Greenfields, Rokeby, Schreiber, Shore Haven and Valley Dale). Six systems closed out the year with expenses exceeding revenues: Dalton Farms Sewer, Greenfields Water, Shore Haven Water, Tivoli Sewer and Water, and Valley Dale Sewer. All systems, with the exception of Shore Haven Water, had sufficient fund balance available to cover the deficit. In addition, the Schreiber Water System carried forward a deficit from the 2021 Fiscal Year. For these two systems, the deficit will be made up by Board-approved loans from the Authority General fund.

System highlights include the below:

Airport Water Line (AWL) closed the year with a positive fund balance of \$13,979 compared to an immaterial deficit of (\$4,833) at the end of 2021. Closing the gap are expenditures that were approximately 10% under budget and addition of new water customers.

Birch Hill Water (BHW) closed with a positive fund balance of \$3,870, compared to a deficit balance of \$2,167 at the end of Fiscal Year 2021. Although water sales did not meet budgeted expectations, expenditures were also below budget.

Dalton Farms Sewer (DFS) replaced an RBC Bearing (\$11,992) and a Hydromatic 10 HP Submersible Pump (\$8,292).

Dalton Farms Water (DFW) continued with its Meter Replacement Project, with the bulk of the work being conducted in 2022. The project involves the replacement of 605 customer meters and incurred capital expenses of \$231,021 during this fiscal year.

Schreiber Sewer (DSW) closed the year with a deficit balance of (\$25,757), a positive improvement of \$7,204 over their 2021 year-end balance, in spite of significantly reduced water use. This is primarily due to savings in operation and maintenance expenses.

Greenfields Water (GFW) closed the year with a decline in fund balance of \$50,547 from the prior year. This was due to both a 5.62% decrease in water use sales, and expenses beyond budgeted expectations. The primary exceedance was due to engineering expenses for evaluation of alternative solutions to PFOS and PFAS contamination of groundwater wells, totaling \$32,435 compared to a budgeted amount of \$2,000.

Hyde Park Regional (HPR) closed the year with a significant positive change to their revenue over the prior fiscal year in part due to a meter correction for a large commercial customer. Having declines in 2021 and 2020 due to commercial customer effects of COVID, the revenue numbers appear to be turning around and nearing their pre-covid use.

Shorehaven Water (SHW) had significant engineering expenses in 2022 to address violations for Iron and Manganese levels and deficiencies with the corrosion control system. In addition, this system saw increased electric and equipment, repair and maintenance costs during the fiscal year.

Valley Dale Sewer (VDS) experienced significantly higher electric costs than budgeted. We will be reviewing all system electric expenses in the 2023 fiscal year to determine how best to budget for these changes in the future.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

For those systems for which the billing periods did not coincide with the Authority's 2022 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 2023 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, Traditions Water and Sewer, and the Tivoli Water and Sewer Systems.

The fund balances in all Authority systems were evaluated for use to either offset rate increases for 2023 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 (UNAUDITED)
DECEMBER 31, 2022**

WATER AND SEWER SYSTEM REVENUES

Sewer Revenues	2022	2021	% Change
Chelsea Cove	387,783	371,765	4%
Dalton Farms	360,808	333,576	8%
Fairways	19,993	17,876	12%
Greenfields	188,118	151,384	24%
Obercreek	6,199	3,222	100%
Pinebrook	85,380	87,595	-3%
Tivoli Sewer	173,132	164,912	5%
Traditions	15,047	13,739	10%
Valley Dale	137,892	127,220	8%
Vanderburgh Cove	78,131	74,322	5%
Subtotal	1,452,483	1,345,611	8%
Water Revenues			
Arbors	54,507	67,894	-20%
Airport Water Line	62,674	43,317	45%
Birch Hill	91,685	96,441	-5%
CDWTL	2,593,321	2,471,702	5%
Dalton Farms	201,550	189,649	6%
Fairways	42,906	41,458	3%
Greenbush/Violet Avenue	158,694	148,811	7%
Greenfields	120,318	113,970	6%
Hyde Park	1,559,734	1,307,782	19%
Pinebrook	55,852	58,785	-5%
Quaker Hills	75,729	59,262	28%
Rokeby	35,015	35,791	-2%
Schreiber	30,872	28,672	8%
Staatsburg	330,977	332,589	0%
Shore Haven	137,392	134,793	2%
Tivoli Water	234,598	220,661	6%
Traditions	36,236	28,865	26%
Valley Dale	91,360	76,497	19%
Zone D	236,244	250,573	-6%
Zone L	123,394	105,209	17%
Subtotal	6,273,058	5,812,721	8%
TOTAL	7,725,541	7,158,332	8%

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.

	<u>2022</u>	<u>2021</u>
Rental Fees and Other Operating Revenue	163,271	167,307
Total Operating Revenue	7,888,812	7,325,634

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

Authority System Operations

As of December 2022, the DCWWA manages and operates thirty-one water/wastewater systems, providing services to over 6,400 customers. DCWWA achieved the following system operational high lights in 2022:

- Continued to implement procedures and practices in order to meet all federal and state laws, regulations and Executive Orders related to the COVID-19 Pandemic State of Emergency, and to protect the health and safety of DCWWA officers, employees, customers, and contractors, while continuing to meet all obligations related to the provision of essential water and sewer services.
- Continued to develop tagging structure for a Pilot Computerized Maintenance Management System.
- Completed replacement of all residential water meters in Dalton Farms Water system.
- Completed engineering report to transition Birch Hill Water system from polymer-based corrosion control to phosphoric acid.
- Completed engineering report for the Dalton Farms Sewer system for the replacement of the tertiary and disinfection unit processes.
- Completed engineering report for the Chelsea Cove Sewer System that provides conceptual design alternatives to improve the performance of the facility's headworks.
- Completed assignment of Global Foundries water supply agreement to Hudson Valley Research Park Waterworks Corporation/Onsemi.
- Commenced design for the improvement of Dalton Farms-Plum Court pump station.

Major Capital Projects

In 2022 the DCWWA continued the process of annually reviewing and updating a Five-Year Capital Plan covering all Water and Sewer Systems. Below are capital project highlights for 2022:

- Commenced design for replacement of Tivoli Sewer WWTP.
- Completed connection of Pinebrook Water System to Hyde Park distribution system.
- Completed rehabilitation of Greenfields Sewer System.
- Received notice of a \$4,500,000 New York State EFC WIIA grant for construction of a water main connection from Hyde Park distribution system to Greenfields water system to address PFAS contamination of the Greenfields wells.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

New System Acquisitions and System Expansions

- Jeffrey Grove Estate developer continued construction of water and sewer systems.
- Developer has reinitiated development of the Crofton Mews project which will connect to the Hyde Park distribution system.

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, 2019, and 2021 Bonds issued by the Authority.

There is currently one Service Agreement with Dutchess County that covers all County Water District Zones of Assessment, and eleven Service Agreements with the County, on behalf of Part-County Sewer Districts #1, 2, 3, 4, 6, 7, 8, 9, 10, 11 and 13 and (Chelsea Cove, Valley Dale, Dalton Farms, Jeffrey Groves, Fairways, Pinebrook, Greenfields, Obercreek, Vanderburgh Cove, Traditions 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, except as noted above regarding water system customers that were provided with Deferred Payment Agreements in response to the Covid-19 Pandemic.

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

Summary of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Water Sales	\$ 6,273,058	\$ 5,812,717
Sewer Charges	1,452,483	1,345,610
Rental Fees, Other Operating Revenue	<u>163,271</u>	<u>167,307</u>
Total Operating Revenues	7,888,812	7,325,634
Operating Expenses:		
Operation and Maintenance	5,568,835	5,004,729
Administration and General	328,466	1,910,616
Depreciation	<u>2,040,491</u>	<u>1,824,290</u>
Total Operating Expenses	7,937,792	8,739,635
Operating (Loss)	<u>(48,980)</u>	<u>(1,414,001)</u>
Non-Operating Revenues (Expenses)		
Interest and Investment Income	147,005	123,767
Project Grants and Capital-Related Funding:		
Dutchess County	3,796,243	3,657,282
State and Local Grants	376,506	3,194,756
Other Revenues	0	698,704
Project and Administration Expenses	(813,536)	(2,563,907)
Interest Expense	(1,454,938)	(1,315,056)
Bond Financing Costs	<u>(57,862)</u>	<u>(49,380)</u>
Net Non-Operating Revenues	1,993,418	3,746,166
CHANGES IN NET POSITION	<u>\$ 1,944,438</u>	<u>\$ 2,332,165</u>
Total Revenues	\$12,208,566	\$15,000,143
Total Expenses	\$10,264,128	\$12,667,978

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

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 2031 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

SUMMARY OF NET POSITION

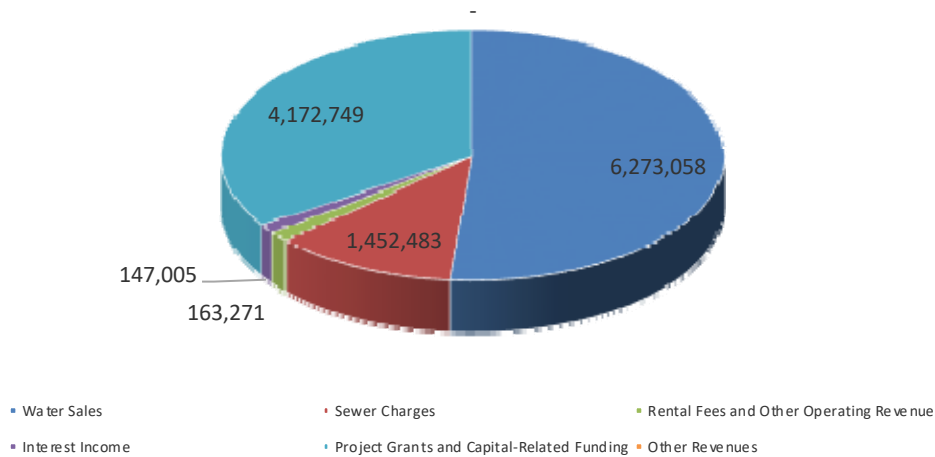
	2022	2021
ASSETS		
Current and other assets	\$ 9,607,766	\$ 9,878,746
Net Pension Asset (Note IV)	461,483	-
Capital assets	<u>66,216,785</u>	<u>67,223,527</u>
TOTAL ASSETS	<u>76,286,034</u>	<u>77,102,273</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding	478,868	533,490
Employee Retirement System	<u>1,008,502</u>	<u>1,280,710</u>
TOTAL DEFERRED OUTFLOWS	<u>1,487,370</u>	<u>1,814,200</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>77,773,404</u>	<u>78,916,473</u>
LIABILITIES		
Long-term debt outstanding	37,009,242	39,961,760
Other liabilities	<u>3,719,021</u>	<u>3,380,042</u>
TOTAL LIABILITIES	<u>40,728,263</u>	<u>43,341,802</u>
DEFERRED INFLOWS OF RESOURCES		
NYS Employee Retirement System	1,578,133	1,527,166
Deferred Revenues	<u>21,148,698</u>	<u>21,673,633</u>
TOTAL DEFERRED INFLOWS	<u>22,726,831</u>	<u>23,200,799</u>
NET POSITION		
Net investment in Capital Assets	18,068,703	17,718,138
Restricted	3,262,855	3,249,736
Unrestricted	<u>(7,013,248)</u>	<u>(8,594,002)</u>
TOTAL NET POSITION	<u>\$14,318,310</u>	<u>\$ 12,373,872</u>

**DUTCHESS COUNTY WATER & WASTEWATER AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
 DECEMBER 31, 2022**

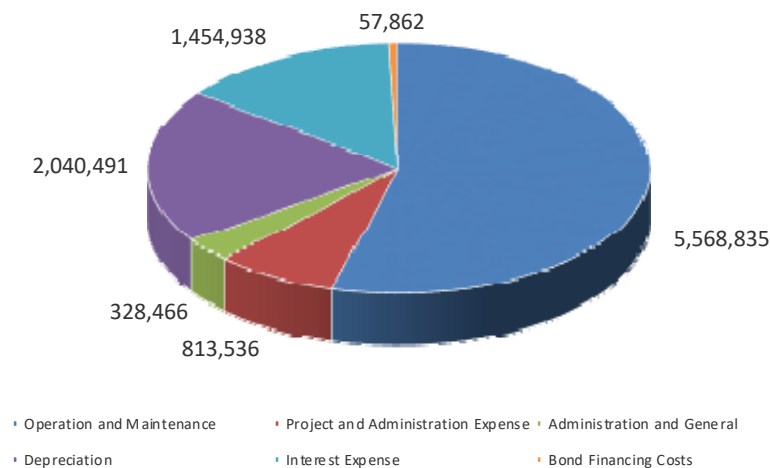
FINANCIAL STATEMENTS

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.

DCWWA - Actual - 2022 Revenues \$12,208,566



DCWWA - Actual - 2022 Expenses \$10,264,128



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

As of December 31	2022	2021
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash and Cash Equivalents (Note II)	\$ 2,852,714	\$ 3,310,613
Cash, Cash Equivalents, and Investments-Restricted (Note II)	1,132,699	1,006,266
Cash and Cash Equivalents-Held by EFC (Note II)	2,043	2,043
Accounts Receivable	3,140,625	2,946,200
Due From Other Governments	281,237	282,134
Prepaid Expense	68,292	88,020
Total Current Assets	7,477,610	7,635,276
Cash, Cash Equivalents, and Investments-Restricted Non-current (Note II)	2,130,156	2,243,470
Capital Assets		
Net of Accumulated Depreciation (Note III)	66,216,785	67,223,527
Net Pension Asset (Note IV)	461,483	-
Total Assets	76,286,034	77,102,273
Deferred Outflows of Resources:		
Loss on Refunding (Note VII)	478,868	533,490
NYS Employee Retirement System (Note IV)	1,008,502	1,280,710
Total Deferred Outflows of Resources	1,487,370	1,814,200
TOTAL ASSETS AND DEFERRED OUTFLOWS	77,773,404	78,916,473

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

As of December 31	2022	2021
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
Current Liabilities:		
Accounts Payable	1,188,418	825,754
Accrued Expenses Payable	244,489	228,418
Accrued Interest Payable	147,317	106,714
Accrued Capital Expenses Payable	185,503	236,168
Escrow Deposits	14,468	45,524
Current Portion of Bonds Payable (Note VII)	1,938,826	1,937,464
Total Current Liabilities	3,719,021	3,380,042
Non-Current Liabilities:		
Bond Anticipation Notes Payable (Note VI)	4,154,085	3,265,582
Bonds Payable (Note VII)	30,375,653	32,733,951
Net Pension Liability (Note IV)	-	5,225
Postemployment Benefit Obligations (Note V)	2,479,504	3,957,002
Total Non-Current Liabilities	37,009,242	39,961,760
Total Liabilities	40,728,263	43,341,802
Deferred Inflows of Resources:		
NYS Employee Retirement System (Note IV)	1,578,133	1,527,166
Deferred Revenues (Note VIII)	21,148,698	21,673,633
Total Deferred Inflows of Resources	22,726,831	23,200,799
Net Position:		
Net Investment in Capital Assets	18,068,703	17,718,138
Restricted	3,262,855	3,249,736
Unrestricted	(7,013,248)	(8,594,002)
Total Net Position	\$14,318,310	\$ 12,373,872

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

For the Years Ended December 31	2022	2021
Operating Revenues:		
Water Sales	\$ 6,273,058	\$ 5,812,717
Sewer Charges	1,452,483	1,345,610
Rental Fees and Other Operating Revenues	163,271	167,307
Total Operating Revenues	7,888,812	7,325,634
Operating Expenses:		
Operation and Maintenance	5,568,835	5,004,729
Administration and General	328,466	1,910,616
Depreciation	2,040,491	1,824,290
Total Operating Expenses	7,937,792	8,739,635
Operating (Loss)	(48,980)	(1,414,001)
Non-Operating Revenues (Expenses):		
Interest and Investment Income	147,005	123,767
Project Grants and Capital-Related Funding:		
Dutchess County	3,796,243	3,657,282
State Grants	2,561	920,922
Local Grants	373,945	2,273,834
Other Revenues	-	698,704
Local Capital Project Expenses	(579,252)	(2,423,311)
Project Administration Expenses	(234,284)	(140,596)
Interest Expense	(1,454,938)	(1,315,056)
Bond Financing Costs	(57,862)	(49,380)
Net Non-Operating Revenues	1,993,418	3,746,166
Change in Net Position	1,944,438	2,332,165
Net Position - Beginning	12,373,872	10,041,707
Net Position - Ending	\$ 14,318,310	\$ 12,373,872

See Notes to the Financial Statements

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

For the Years Ended December 31	2022	2021
Cash Flows from Operating Activities:		
Receipts From Customers	\$ 7,589,755	\$ 7,014,368
Payments To Suppliers	(4,481,861)	(5,805,881)
Payments To Employees and Benefits	(2,625,729)	(2,570,915)
Rental Fees and Other Operating Revenues Received	163,271	167,307
Net Cash (Used) Provided By Operating Activities	645,436	(1,195,121)
Cash Flows from Non-Capital Financing Activities:		
Project Grants and Non-Capital-Related Funding	4,140,029	8,058,385
Local Capital Project Payments	(579,252)	(2,423,311)
Project Administration Payments	(234,284)	(140,596)
Net Cash Provided By Non-Capital Financing Activities	3,326,493	5,494,478
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(1,680,267)	(3,848,638)
Capital Grants	2,561	920,922
Proceeds of Capital Debt	926,003	1,899,234
Principal Paid on Capital Debt	(2,575,725)	(2,576,079)
Interest Paid on Capital Debt	(1,070,045)	(992,877)
Bond Financing Costs Paid	(57,862)	(49,380)
Net Cash (Used) By Capital and Related Financing Activities	(4,455,335)	(4,646,818)
Cash Flows from Investing Activities:		
Interest and Investment Income Received	38,626	14,111
Net Cash Provided By Investing Activities	38,626	14,111
Net (Decrease) in Cash and Cash Equivalents	(444,780)	(333,350)
Cash and Cash Equivalents at the Beginning of the Year	6,562,392	6,895,742
Cash and Cash Equivalents at the End of the Year	\$ 6,117,612	\$ 6,562,392
Presented as:		
Cash and Cash Equivalents	\$ 2,852,714	\$ 3,310,613
Cash, Cash Equivalents and Investments - Restricted - Current	1,132,699	1,006,266
Cash and Cash Equivalents - Held by EFC	2,043	2,043
Cash, Cash Equivalents and Investments - Restricted - Non Current	2,130,156	2,243,470
Total	\$ 6,117,612	\$ 6,562,392

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

For the Years Ended December 31	2022	2021
Reconciliation of Operating (Loss) to Net Cash (Used) Provided by Operating Activities:		
Operating (Loss)	\$ (48,980)	\$ (1,414,001)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided By Operating Activities:		
Depreciation	2,040,491	1,824,290
Changes in Assets and Liabilities:		
Receivables	(194,425)	(174,599)
Prepaid Expenses	19,728	(8,673)
Deferred Outflows - Retirement System	272,208	(180,198)
Accounts Payable	362,664	(1,425,583)
Accrued Expenses Payable	16,071	(8,334)
Net Employee Retirement System Liability	(466,708)	(1,408,164)
Post Employment Benefit Obligations	(1,477,498)	64,365
Deferred Inflows - Retirement System	50,967	1,502,592
Deferred Water Sale Revenues and Grants	70,918	33,184
Net Cash Provided by/(Used in) Operating Activities	\$ 645,436	\$ (1,195,121)

**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, New York (“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 presented as 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 of transactions and other events on an enterprise 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 first 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

Restricted assets represent proceeds from acquisition and construction financing which 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. Capital 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 Systems	50
Water Transmission Systems	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 of Resources

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. Deferred inflows related to the NYS Employee Retirement System are explained in Note IV.

H. Deferred Outflows of Resources

The Authority reported deferred outflows of resources of \$478,868 and \$533,490 for deferred losses on issuing refunding bonds as of December 31, 2022 and 2021, 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. Deferred outflows related to the NYS Employee Retirement System are explained in Note IV.

**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, 2022 through April 19, 2023, the date on which the financial statements were approved for issuance.

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, 2022				
	Category 1	Category 2	Category 3	Total
Cash Balances:				
Cash In Banks	\$ 569,483	\$ 2,283,231	\$ -	\$ 2,852,714
Money Market Funds	-	1,187,323	-	1,187,323
Cash Total	569,483	3,470,554	-	4,040,037
Investments:				
U.S. Treasury Bills & Notes	2,075,532	-	-	2,075,532
Investments Total	2,075,532	-	-	2,075,532
Total Cash, Cash Equivalents, and Investments	\$ 2,645,015	\$ 3,470,554	\$ -	\$ 6,115,569
Balances as of December 31, 2021				
	Category 1	Category 2	Category 3	Total
Cash Balances:				
Cash In Banks	\$ 565,728	\$ 2,744,885	\$ -	\$ 3,310,613
Money Market Funds	-	1,166,553	-	1,166,553
Cash Total	565,728	3,911,438	-	4,477,166
Investments:				
U.S. Treasury Bills & Notes	2,083,183	-	-	2,083,183
Investments Total	2,083,183	-	-	2,083,183
Total Cash, Cash Equivalents, and Investments	\$ 2,648,911	\$ 3,911,438	\$ -	\$ 6,560,349

At December 31, 2022 and 2021, the Authority had \$2,043 in unspent bond proceeds held by the New York State Environmental Facilities Corporation ("EFC"). These amounts are not included in the above table because the cash is held by EFC, not the Authority. The entire December 31, 2022 and 2021 balance held by EFC related to the 2020 Pinebrook Sewer 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>2022</u>	<u>2021</u>
Construction Reserve Funds	\$ 37	\$ 37
Debt Service Sinking Funds	84	6
Debt Service Reserve Funds	1,132,578	1,006,223
Held by EFC	<u>2,043</u>	<u>2,043</u>
Current Restricted Funds	1,134,742	1,008,309
Non-Current Debt Service Reserve Funds	<u>2,130,156</u>	<u>2,243,470</u>
Total	<u>\$ 3,264,898</u>	<u>\$3,251,779</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 consisted 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	6,302,639	1,354,338	(1,673)	(5,269,144)	2,386,160
Total Capital Assets, not being depreciated	<u>7,258,247</u>	<u>1,354,338</u>	<u>(1,673)</u>	<u>(5,269,144)</u>	<u>3,341,768</u>
Capital Assets, being depreciated:					
Improvements	588,138	-	-	8,600	596,738
Buildings	24,610,117	-	-	4,672,687	29,282,804
Water Systems	58,042,993	5,742	-	-	58,048,735
Machinery and Equipment	12,980,544	265,553	-	26,893	13,272,990
Sewage Collection Systems	1,899,343	5,642	-	560,964	2,465,949
Total Capital Assets, being depreciated	<u>98,121,135</u>	<u>276,937</u>	<u>-</u>	<u>5,269,144</u>	<u>103,667,216</u>
Accumulated Depreciation for:					
Improvements	(113,971)	(15,635)	-	-	(129,606)
Buildings	(13,717,939)	(957,410)	-	-	(14,675,349)
Water Systems	(17,179,099)	(1,219,365)	-	-	(18,398,464)
Machinery and Equipment	(6,595,515)	(401,031)	-	-	(6,996,546)
Sewage Collection System	(549,331)	(42,903)	-	-	(592,234)
Total Accumulated Depreciation	<u>(38,155,855)</u>	<u>(2,636,344)</u>	<u>-</u>	<u>-</u>	<u>(40,792,199)</u>
Net Capital Assets, being depreciated	<u>59,965,280</u>	<u>(2,359,407)</u>	<u>-</u>	<u>5,269,144</u>	<u>62,875,017</u>
Capital Assets, net	<u>\$ 67,223,527</u>	<u>\$(1,005,069)</u>	<u>\$ (1,673)</u>	<u>\$ -</u>	<u>\$ 66,216,785</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 \$2,636,344 and \$2,451,460, respectively, less amortization of deferred revenues associated with the Central Dutchess Water Transmission Line of \$595,853 and \$595,853, respectively, (which was put into service in 2007; see Note VIII) for the years ended December 31, 2022 and 2021. The effect of combining these amounts resulted in \$2,040,491 and \$1,824,290 in depreciation expense for the years ended December 31, 2022 and 2021, 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:	
2022	\$ 252,450
2021	\$ 231,654
2020	\$ 233,896

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, 2022 and 2021, the Authority reported an asset/(liability) of \$461,483 and \$(5,225), respectively, for its proportionate share of the net pension asset/(liability). The net pension asset/(liability) was measured as of March 31, 2022 and 2021, respectively, and the total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension asset/(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, 2022 and 2021, respectively, the Authority's proportion was 0.00564530 and 0.00524730 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, 2022 and 2021, the Authority recognized pension expense of \$57,892 and \$161,476, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2022</u>	<u>2021</u>
Deferred Outflows of Resources:		
Differences between expected and actual experience	\$ 34,949	\$ 63,811
Changes of assumptions	770,164	960,699
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,084	66,862
Employer contributions subsequent to the measurement date	<u>138,305</u>	<u>189,338</u>
Total Deferred Outflows of Resources	<u>\$ 1,008,502</u>	<u>\$ 1,280,710</u>
Deferred Inflows of Resources:		
Differences between expected and actual experience	\$ 45,331	\$ -
Change of assumptions	12,996	18,119
Net difference between projected and actual investment earnings on pension plan investments	1,511,164	1,500,912
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>8,642</u>	<u>8,135</u>
Total Deferred Inflows of Resources	<u>\$ 1,578,133</u>	<u>\$ 1,527,166</u>

\$138,305 and \$189,338 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, 2022 and 2021, 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 Ending December 31:	
2023	\$ (93,571)
2024	(153,879)
2025	(385,229)
2026	<u>(75,257)</u>
	<u>\$ (707,936)</u>

Actuarial Assumptions

The total pension asset/(liability) at March 31, 2022 and 2021, was determined by using actuarial valuations as of April 1, 2021 and 2020, respectively, with update procedures used to roll forward the total pension asset/(liability) to March 31, 2022 and 2021. The actuarial valuations used the following actuarial assumptions.

Significant actuarial assumptions used in the March 31, 2022 and 2021, valuations were as follows:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Inflation	2.7%	2.7%
Salary increases - ERS	4.4%	4.4%
Investment rate of return (net of investment expense, including inflation)	5.9%	5.9%
Cost of living adjustments	1.4%	1.4%

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

IV. PENSION PLANS (CONTINUED)

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on MP-2020.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the periods April 1, 2015 – March 31, 2020.

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, 2022 and 2021 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Domestic equity	32%	32%	3.30%	4.05%
International equity	15%	15%	5.85	6.30
Private equity	10%	10%	6.50	6.75
Real estate	9%	9%	5.00	4.95
Opportunistic/Absolute Return Strategy funds	3%	3%	4.10	4.50
Credit	4%	4%	3.78	3.63
Real assets	3%	3%	5.58	5.95
Fixed Income	23%	23%	0.00	0.00
Cash	1%	1%	(1.00)	0.50
Total	<u>100%</u>	<u>100%</u>		

Discount Rate

The discount rate used to calculate the total pension liability as of March 31, 2022 and 2021, was 5.9% and 5.9%, respectively. 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 Systems' 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, 2022 and 2021 of 5.9 and 5.9 percent, respectively, 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, 2022	4.9%	5.9%	6.9%
Authority's proportionate share of the net ERS pension (liability) / asset	\$ (1,187,853)	\$ 461,483	\$ 1,841,073
Measurement Date	1% Decrease	Current Assumption	1% Increase
March 31, 2021	4.9%	5.9%	6.9%
Authority's proportionate share of the net ERS pension (liability) / asset	\$ (1,450,243)	\$ (5,225)	\$ 1,327,420

Pension plan fiduciary net position

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

	Dollars in Thousands	
	Employees' Retirement System	
	March 31, 2021	March 31, 2021
Employers' total pension liability	\$ (223,874,888)	\$ (220,680,157)
Plan net position	232,049,473	220,580,583
Employers' net pension liability	\$ 8,174,585	\$ (99,574)
Ratio of plan net position to the employers' total pension liability	103.65%	99.95%

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

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.

The Authority recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability, 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 Employee Handbook. 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, 2022, for new retirees were as follows:

Group	Provider Options	Years of Service	Age	Authority Contributions (Fixed)				Reimbursement Part B Premium		
				Individual	Spouse	Children and Family	Individual	Spouse	Surviving Spouse	
Retirees Over 55	MVP	10 - 14	Under 65	\$ 616.13	\$ 1,047.41	\$ 918.03	\$ 1,414.01	Y	Y	N
		10 - 14	Over 65	70.00	119.00	-	-	Y	Y	N
		15 - 19	Under 65	739.35	1,293.86	1,127.51	1,765.20	Y	Y	N
		15 - 19	Over 65	84.00	147.00	-	-	Y	Y	N
		20 - 24	Under 65	862.58	1,540.31	1,336.99	2,116.39	Y	Y	N
		20 - 24	Over 65	98.00	175.00	-	-	Y	Y	N
		25+	Under 65	985.80	1,786.76	1,546.48	2,467.58	Y	Y	N
		25+	Over 65	112.00	203.00	-	-	Y	Y	N
Retirees Over 55	NYSHIP	10 - 14	Under 65	598.06	N/A	N/A	1,146.73	Y	Y	N
		10 - 14	Over 65	196.26	N/A	N/A	447.36	Y	Y	N
		15 - 19	Under 65	717.67	N/A	N/A	1,423.10	Y	Y	N
		15 - 19	Over 65	235.51	N/A	N/A	558.35	Y	Y	N
		20 - 24	Under 65	837.28	N/A	N/A	1,699.48	Y	Y	N
		20 - 24	Over 65	274.76	N/A	N/A	669.35	Y	Y	N
		25+	Under 65	956.90	N/A	N/A	1,975.85	Y	Y	N
		25+	Over 65	314.02	N/A	N/A	780.34	Y	Y	N

Contribution rates, as of December 31, 2021, for new retirees were as follows:

Group	Provider Options	Years of Service	Age	Authority Contributions (Fixed)				Reimbursement Part B Premium		
				Individual	Spouse	Children and Family	Individual	Spouse	Surviving Spouse	
Retirees Over 55	MVP	10 - 14	Under 65	\$ 575.24	\$ 977.91	\$ 857.11	\$ 1,320.18	Y	Y	N
		10 - 14	Over 65	69.50	118.15	-	-	Y	Y	N
		15 - 19	Under 65	690.29	1,208.00	1,052.69	1,648.06	Y	Y	N
		15 - 19	Over 65	83.40	145.95	-	-	Y	Y	N
		20 - 24	Under 65	805.34	1,438.10	1,248.27	1,975.95	Y	Y	N
		20 - 24	Over 65	97.30	173.75	-	-	Y	Y	N
		25+	Under 65	920.38	1,668.20	1,443.86	2,303.84	Y	Y	N
		25+	Over 65	111.20	201.55	-	-	Y	Y	N
Retirees Over 55	NYSHIP	10 - 14	Under 65	515.91	N/A	N/A	990.43	Y	Y	N
		10 - 14	Over 65	194.30	N/A	N/A	443.68	Y	Y	N
		15 - 19	Under 65	619.09	N/A	N/A	1,229.18	Y	Y	N
		15 - 19	Over 65	233.16	N/A	N/A	553.79	Y	Y	N
		20 - 24	Under 65	722.27	N/A	N/A	1,467.94	Y	Y	N
		20 - 24	Over 65	272.02	N/A	N/A	663.90	Y	Y	N
		25+	Under 65	825.46	N/A	N/A	1,706.70	Y	Y	N
		25+	Over 65	310.88	N/A	N/A	774.01	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 \$75,636 and \$61,266 during the years ended December 31, 2022 and December 31, 2021, 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:

	<u>2022</u>	<u>2021</u>
Active Employees	26	26
Retired	9	8
Terminated	0	1
Total employees covered by benefit terms	<u>35</u>	<u>35</u>

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, 2022 and December 31, 2021.

Total OPEB Liability

The Authority obtained an actuarial valuation report as of December 31, 2022 and 2021. The liability for other postemployment benefits was measured as of December 31, 2022 and 2021. The total liability for other postemployment benefits was \$2,479,504 and \$3,957,002, respectively, and is reflected in the Statement of Net Position.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 and December 31, 2021 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2022</u>	<u>2021</u>
Projected Salary Increases, Including Wage Inflation	3.00%	2.50%
Discount Rate	3.97%	2.06%
Healthcare Cost Trend Rates	Pre-65: Ranging from 4.7% to 3.0% for pharmacy, medical, dental and vision for 2022, reduced incrementally to an ultimate rate of 4.2% to 3.0% after 10 years Post-65: Same	Pre-65: Ranging from 4.9% to 3.0% for pharmacy, medical, dental and vision for 2022, reduced incrementally to an ultimate rate of 4.3% 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 the 20-year tax exempt municipal bond yield.

Mortality Rates were based on Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

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

V. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 years ended:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Balance - Beginning	\$ 3,957,002	\$ 3,892,637
Changes for the Year:		
Service Cost	198,423	139,938
Interest	84,827	84,845
Economic/Demographic Gains/Losses	(879,551)	(134,563)
Changes in Assumptions or Other Inputs	(805,561)	35,411
Benefit Payments	<u>(75,636)</u>	<u>(61,266)</u>
Net Changes	<u>(1,477,498)</u>	<u>64,365</u>
Balance - Ending	<u>\$ 2,479,504</u>	<u>\$ 3,957,002</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, 2022:

	1% Decrease 2.97%	Discount Rate 3.97%	1% Increase 4.97%
Total OPEB Liability	\$ 2,857,442	\$ 2,479,504	\$ 2,174,864

As of December 31, 2021:

	1% Decrease 1.06%	Discount Rate 2.06%	1% Increase 3.06%
Total OPEB Liability	\$ 4,626,992	\$ 3,957,002	\$ 3,424,895

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

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 5.2% to 3.0%, depending on the type of healthcare (medical, pharmacy, dental and vision).

As of December 31, 2022:

	1% Decrease	Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$ 2,145,697	\$ 2,479,504	\$ 2,895,089

As of December 31, 2021:

	1% Decrease	Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$ 3,329,063	\$ 3,957,002	\$ 4,761,650

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 and are paid under the following authorizations:

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 was revised during 2020 to include \$478,765 in grant funding and \$4,511,363 in loan funding. During the year ended December 31, 2022 and 2021, there were drawdowns of \$147,258 and \$1,858,988, respectively, on the loan funding.

In November 2018, the Authority received authorization for financing of improvements to the Pinebrook Water System, in the amount of \$3,609,770 through the New York State Environmental Facilities Corporation. Such financing included \$2,033,705 in grant funding and \$1,576,065 in loan funding. During the years ended December 31, 2022 and 2021, there were drawdowns of \$778,745 and \$40,246 respectively on the loan funding.

The bond anticipation notes outstanding as of December 31, 2022, 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 12/31/22</u>
Pinebrook Water District Upgrades	5/28/2020	5/28/2025	1.090%	\$ 1,576,065	\$ 818,991
Greenfields Sewer District Upgrades	12/10/2020	5/10/2023	0.000%	4,511,363	<u>3,335,094</u>
Total Bond Anticipation Notes				<u>\$ 6,087,428</u>	<u>\$ 4,154,085</u>

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

VI. BOND ANTICIPATION NOTES (CONTINUED)

Changes in bond anticipation notes for the year ended December 31, 2022, are as follows:

<u>Purpose</u>	<u>Balance Outstanding 12/31/2021</u>	<u>New Issues/ Drawdowns</u>	<u>Redeemed/Paid</u>	<u>Balance Outstanding 12/31/2022</u>
Long Term BANs:				
Pinebrook Water District Upgrades	\$ 40,246	\$ 778,745	\$ -	\$ 818,991
Greenfields Sewer District Upgrades	3,225,336	147,258	37,500	3,335,094
Total Bond Anticipation Notes	\$ 3,265,582	\$ 926,003	\$ 37,500	\$ 4,154,085

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>2022</u>	<u>2021</u>
1998 Revenue Bonds (Zero Coupon) Series One, due in various installments from 2021 through 2029, interest 3.90%-5.40%	\$ 2,446,231	\$ 2,878,940
2001 Service Agreement Revenue (Refunding) Bond Series 2001, due in various installments through 2041, interest 3.00%-5.36%	978,702	1,063,410
2004 Water Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	295,000	435,000
2004 Sewer Service Agreement Revenue Bond Series 2004, due in various installments through 2024, interest 2.00%-4.25%	305,000	450,000
2009 Water Service Agreement Revenue Bond Series 2009, partially refunded in 2016, due in various installments from 2030 through 2039, interest 5.62%-5.96%	1,347,524	1,347,524
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%	35,000	65,000
2011 Service Agreement Revenue Bond Series 2011, due in various installments through 2041, interest 3.50%-4.25%	1,515,000	1,565,000
New York State Environmental Facilities Corporation Revenue Refunding Bonds Series 2014B, due in various installments through 2026, interest .1515%-2.7455%	140,000	165,000
New York State Environmental Facilities Corporation Revenue Refunding Bonds Series 2014B, due in various installments through 2037, interest .1515%-4.2025%	1,410,000	1,485,000
New York State Environmental Facilities Corporation Bond Series 2016, due in various installments through 2024, interest 4.361%-4.964%	340,000	500,000
New York State Environmental Facilities Corporation Bond Series 2016 B, due in various installments through 2044, interest 0.548%-3.351%	3,282,761	3,412,761

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

VII. LONG TERM OBLIGATIONS (CONTINUED)

Description of Bonds Payable (Continued)

	<u>2022</u>	<u>2021</u>
Service Agreement Revenue Bonds, Series 2016, due in various installments through 2046, interest 1.5%-3.25%	1,345,000	1,385,000
Service Agreement Revenue Refunding Bonds, Series 2016, due in various installments through 2029, interest 1.75%-4.00%	2,780,000	3,130,000
New York State Environmental Facilities Corporation Bond Series 2018, due in various installments through 2047, interest 0.00%	3,342,500	3,520,200
New York State Environmental Facilities Corporation Bond Series 2018A, due in various installments through 2043, interest 0.00%	349,860	366,520
2019 Revenue Bond Series due in various installments through 2049, interest 1.80%-5.00%	1,245,000	1,270,000
New York State Environmental Facilities Corporation Bond Series 2020B, due in various installments through 2050, interest 0.23%-2.671%	1,765,000	1,820,687
Total Bonds Payable	22,922,578	24,860,042
Accreted Interest Recorded on Zero Coupon Bonds	9,140,383	9,528,614
Unamortized Bond Premium	251,518	282,759
Total Bonded Debt Payable	32,314,479	34,671,415
Portion Due Within One Year	(1,938,826)	(1,937,464)
Net Long Term Debt Payable	\$ 30,375,653	\$ 32,733,951

Changes in Long-Term Obligations

	<u>Balance at December 31, 2021</u>	<u>New Issues/ Additions</u>	<u>Maturities and/or Payments</u>	<u>Balance at December 31, 2022</u>	<u>Due within One Year</u>
Bonds Payable	\$ 34,671,415	\$ 212,530	* \$ (2,569,466)	\$ 32,314,479	\$ 1,938,826
Long Term Bond					
Anticipation Notes	3,265,582	926,003	(37,500)	4,154,085	-
Net ERS Liability	5,225	-	(5,225)	-	-
OPEB Liability	3,957,002	-	(1,477,498)	2,479,504	-
	<u>\$ 41,899,224</u>	<u>\$ 1,138,533</u>	<u>\$ (4,089,689)</u>	<u>\$ 38,948,068</u>	<u>\$ 1,938,826</u>

*Bonds payable increased by \$212,530 in accrued accreted interest and decreased by zero coupon bond payment of \$600,760, serial bond payments of \$1,937,464 and amortization of bond premium of \$31,241.

**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, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,938,826	\$ 1,764,017	\$ 3,702,843
2024	1,912,453	1,749,497	3,661,950
2025	1,422,412	1,729,542	3,151,954
2026	1,469,753	1,731,604	3,201,357
2027	1,398,265	1,730,209	3,128,474
2028-2032	5,042,475	6,038,980	11,081,455
2033-2037	3,866,659	4,270,465	8,137,124
2038-2042	3,183,813	2,336,871	5,520,684
2043-2047	2,252,922	177,693	2,430,615
2048-2050	435,000	26,829	461,829
Totals	<u>\$ 22,922,578</u>	<u>\$ 21,555,707</u>	<u>\$ 44,478,285</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 financing 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.

Bond Refundings

The Authority has refunded several of its earlier bond issuances. The proceeds from the new bonds were used to refund a portion of the Authority's earlier bonds and pay the costs of issuance of the refunding bonds. The net proceeds of the refundings, 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 escrowed funds have been used to make the required debt service payments such that no refunded debt is outstanding as of December 31, 2022.

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

VII. LONG TERM OBLIGATIONS (CONTINUED)

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 \$478,686 and \$533,490 as of December 31, 2022 and 2021, respectively. Changes on these losses are as follows:

<u>Systems</u>	<u>Year of Refunding</u>	<u>Balance at December 31, 2021</u>	<u>New Issues</u>	<u>Amortized</u>	<u>Balance at December 31, 2022</u>
Hyde Park Water	2002	\$ 10,931	\$ -	\$ (521)	\$ 10,410
Zone D Water	2002	51,373	-	(2,446)	48,927
Chelsea Cove Sewer	2014	124,281	-	(8,105)	116,176
Valley Dale Sewer	2014	12,295	-	(2,837)	9,458
Birch Hill Water	2016	36,422	-	(4,856)	31,566
Hyde Park Water	2016	257,062	-	(34,275)	222,787
Shore Haven Water	2018	41,126	-	(1,582)	39,544
		<u>\$ 533,490</u>	<u>\$ -</u>	<u>\$ (54,622)</u>	<u>\$ 478,868</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 \$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 and \$627,170, reducing related asset depreciation for each of the years ended December 31, 2022 and 2021. The long term portion of deferred revenue amounted to \$19,990,614 and \$20,586,467 as of December 31, 2022 and 2021, all of which is related to the Utility Corridor.

The Authority expects to recognize the following items into revenues in 2023, considered current, and thereafter, considered non-current, as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current Portion of Deferred Revenues:		
Utility Corridor - Construction	\$ 595,853	\$ 595,853
Utility Corridor - Capital	265,698	240,346
Utility Corridor - Operations	49,127	49,015
Utility Corridor - Other	191,151	-
Vehicle Purchase	56,255	-
Water Usage Billings Received in Advance	-	201,952
	<u>1,158,084</u>	<u>1,087,166</u>
Long-term Portion of Deferred Revenues:		
Utility Corridor - Construction	<u>19,990,614</u>	<u>20,586,467</u>
Total Deferred Revenues	<u>\$ 21,148,698</u>	<u>\$ 21,673,633</u>

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

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: cyber insurance coverage of \$1,000,000 per claim and a \$3,000,000 aggregate, umbrella liability of \$10,000,000 per occurrence and a \$20,000,000 aggregate, business auto coverage of \$1,000,000 per occurrence, general liability coverage of \$1,000,000 per claim and aggregate coverage of \$3,000,000, blanket property coverage of \$48,474,165, 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 2022 and 2021, the Authority recorded net revenues of \$3,796,243 and \$3,657,282, having recorded a return of \$0 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 the Village of Tivoli'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. This construction was still in progress at December 31, 2022.

XII. NEW REPORTING STANDARDS

In June 2017, GASB issued Statement 87, *Leases*. 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 Authority implemented this standard for the year ended December 31, 2022 and determined that implementation had no effect on the Authority's financial statements.

The GASB has issued statements 94 through 101, with varying implementation dates, none of which are expected to have substantive effects on the Authority's net position.

REQUIRED SUPPLEMENTARY INFORMATION

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

<u>Total OPEB Liability</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Service Cost	\$ 198,423	\$ 139,938	\$ 139,938	\$ 100,078	\$ 131,287
Interest	84,827	84,845	86,348	109,127	70,031
Economic/Demographic Gains or Losses	(879,551)	(134,563)	360,863	(163,705)	217,465
Changes in Assumptions or Other Inputs	(805,561)	35,411	322,193	512,336	(650,072)
Benefit Payments	(75,636)	(61,266)	(55,948)	(45,501)	(32,545)
Net Changes	(1,477,498)	64,365	853,394	512,335	(263,834)
Total OPEB Liability - Beginning	3,957,002	3,892,637	3,039,243	2,526,908	2,790,742
Total OPEB Liability - Ending ("a")	<u>\$ 2,479,504</u>	<u>\$ 3,957,002</u>	<u>\$ 3,892,637</u>	<u>\$ 3,039,243</u>	<u>\$ 2,526,908</u>
Plan Fiduciary net position:					
Contributions - Employer	\$ 75,636	\$ 61,266	\$ 55,948	\$ 45,501	\$ 32,545
Net Investment Income	-	-	-	-	-
Benefit Payments	(75,636)	(61,266)	(55,948)	(45,501)	(32,545)
Administrative Expense	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-	-
Plan Fiduciary net position - beginning	-	-	-	-	-
Plan Fiduciary net position - ending ("b")	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's net OPEB liability - ending (a) - (b)	<u>\$ 2,479,504</u>	<u>\$ 3,957,002</u>	<u>\$ 3,892,637</u>	<u>\$ 3,039,243</u>	<u>\$ 2,526,908</u>
Plan Fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered-Employee Payroll	\$ 1,871,380	\$ 1,624,241	\$ 1,605,613	\$ 1,579,990	\$ 1,477,947
Total OPEB Liability as a Percentage of Covered-Employee Payroll	132.50%	243.62%	242.44%	192.36%	170.97%

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.

12/31/2022	3.97%
12/31/2021	2.06%
12/31/2020	2.12%
12/31/2019	2.74%
12/31/2018	4.19%

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

<u>Plan Year Ended</u>	<u>Proportion of the Net Pension (Asset) Liability</u>	<u>Proportionate Share of the Net Pension (Asset) Liability</u>	<u>Covered Payroll</u>	<u>Net Pension (Asset) Liability as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
Employees' Retirement System					
3/31/2022	0.00564530%	\$ (461,483)	\$ 1,789,451	-25.79%	103.65%
3/31/2021	0.00524730%	\$ 5,225	\$ 1,631,928	0.32%	99.95%
3/31/2020	0.00533750%	\$ 1,413,389	\$ 1,621,287	87.18%	86.39%
3/31/2019	0.00505250%	\$ 357,983	\$ 1,524,688	23.48%	96.27%
3/31/2018	0.00492340%	\$ 158,901	\$ 1,571,999	10.11%	98.24%
3/31/2017	0.00458580%	\$ 430,891	\$ 1,457,392	29.57%	94.70%
3/31/2016	0.00445230%	\$ 714,613	\$ 1,353,385	52.80%	90.70%
3/31/2015	0.00443870%	\$ 149,950	\$ 1,310,369	11.44%	97.90%

GASB 68 requires that the last 10 years of information be presented. 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					
3/31/2022	\$ 252,450	\$ 252,450	\$ -	\$ 1,789,451	14.11%
3/31/2021	\$ 231,654	\$ 231,654	\$ -	\$ 1,631,928	14.20%
3/31/2020	\$ 233,896	\$ 233,896	\$ -	\$ 1,621,287	14.43%
3/31/2019	\$ 223,011	\$ 223,011	\$ -	\$ 1,524,688	14.63%
3/31/2018	\$ 242,033	\$ 242,033	\$ -	\$ 1,571,999	15.40%
3/31/2017	\$ 226,072	\$ 226,072	\$ -	\$ 1,457,392	15.51%
3/31/2016	\$ 261,541	\$ 261,541	\$ -	\$ 1,353,385	19.32%
3/31/2015	\$ 256,914	\$ 256,914	\$ -	\$ 1,310,369	19.61%

GASB 68 requires that the last 10 years of information be presented. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.