

DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY
ASSESSMENT OF INTERNAL CONTROLS
REPORT FOR FISCAL YEAR 2023

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. In addition to assisting municipalities with their water and sewer needs, the Authority owns and operates twenty-one water systems (each a zone of assessment in the Dutchess County Water District and 3 of which now comprise the Hyde Park Regional Water System), ten wastewater systems, (each its own part-county sewer district) and a 13-mile water transmission line. Operations to fulfill the Authority's purpose include planning and administering annual budgets, management of capital project funds, billing and bookkeeping on site by Authority staff.

The DCWWA and Dutchess County, as the governing body of the Water District, have entered into a Service Agreement, which has now been amended fifteen times (authorized by resolutions of the Legislature) in order to incorporate each new zone of assessment. Parallel Service Agreements have been executed by the DCWWA and Dutchess County for each of the part-county sewer districts.

The key provisions of these Service Agreements are as follows:

- The DCWWA agrees to provide service to properties within the County districts through water and sewer infrastructure that it owns and operates.
- The County agrees to “accept and pay for” water or sewer service provided to such properties, in the form of a Service Fee. The amount of the Service Fee is equal to the aggregate amount of all debt service expenses for all DCWWA bonds, the debt service on which Dutchess County has agreed, by resolution of the County Legislature, to include in the Service Fee. The Service Fee also includes the aggregate amount of Operating Expenses incurred by DCWWA water or sewer systems providing service to the districts, minus the amount collected by the DCWWA through water or sewer rates.
- The DCWWA agrees to establish water and sewer rates sufficient to cover system Operating Expenses.
- Dutchess County agrees to generate revenues sufficient to pay the Service Fee by levying benefit assessments against properties within the various sewer districts and water district zones of assessment.

“Operation Expense” charges paid by Dutchess County to the DCWWA as part of the Service Fee have been comprised solely of the collection of unpaid charges through a Relevy process, whereby any unpaid water rents or sewer charges as of November of the fiscal year are placed on the following year's property taxes for collection.

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In preparation for each fiscal year, the staff prepares budgets and presents these to the Authority Board for review over the course of three separate board meetings prior to adoption, providing opportunity for both Board and public comment. Budgets are prepared taking into consideration the age and condition of the system, customer count, prior years' financial performance and individual system fund balance. Board members review capital improvements that are being considered for the next fiscal year in addition to reviewing a 5 Year Capital Plan. These budgets include an operational contingency, and where appropriate, a capital contingency. Based on information provided through this process, water and sewer system user charges are established by the DCWWA Board of Directors.

During the fiscal year, revenues and expenses are monitored, on a monthly basis, identifying any need to reevaluate budgeted expenses against actual revenues. DCWWA operators follow all regulatory testing protocol and meet all regulatory requirements for continued operation. All DCWWA systems are covered by an insurance policy which includes coverage for Property, General Liability, Machinery and Equipment, Auto and Directors and Officers Liability.

Annually the Board of Directors reviews and accepts an Accounting Policies and Procedures document which establishes the protocol for handling of Authority funds received and expended during the fiscal year. This document is evaluated for assessment of the effectiveness of the protocol to provide reasonable assurance of the reliability of safeguarding financial resources, ensuring accuracy, serving our customers and vendors, and making the best use of staff resources. This evaluation is based on review of the prior year's operation as the fiscal year's statements are prepared for audit. In reviewing the Accounting Policies and Procedures for 2022, it was determined that the controls established in 2021 were adequate and effective, with minor adjustments made concerning check signers. No changes were required for the fiscal year 2023.

A Procurement Policy, governing the manner in which purchase of goods and services is handled, is reviewed and adopted annually by the Authority Board. At the January board meeting, the Authority Board reviewed and accepted the Procurement Policy.

The Authority Board also annually adopts a Property Disposal Guidelines Policy defining parameters for disposition of Authority assets. This policy was reviewed and accepted at the January board meeting.

Also attached is the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" submitted to the Authority Board with the 2023 audited Financial Statements by RBT CPAs, LLP and dated March 28, 2024.