ERIE COUNTY WATER AUTHORITY

December 31, 2022 Audit

MARCH 23, 2023

Erie County Water Authority

- Basic Financial Statements
- Schedule of Overhead Percentage
- Schedule of Cash and Investments and Schedule of Income from Cash and Investments
- Management Letter
- Auditor Communications
- Annual Comprehensive Financial Report

Auditor Communications

- Our responsibility under GAAS
- Significant accounting policies
- Significant accounting estimates
- Independence
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Condensed Financial Information

Condensed Statements of Net Position

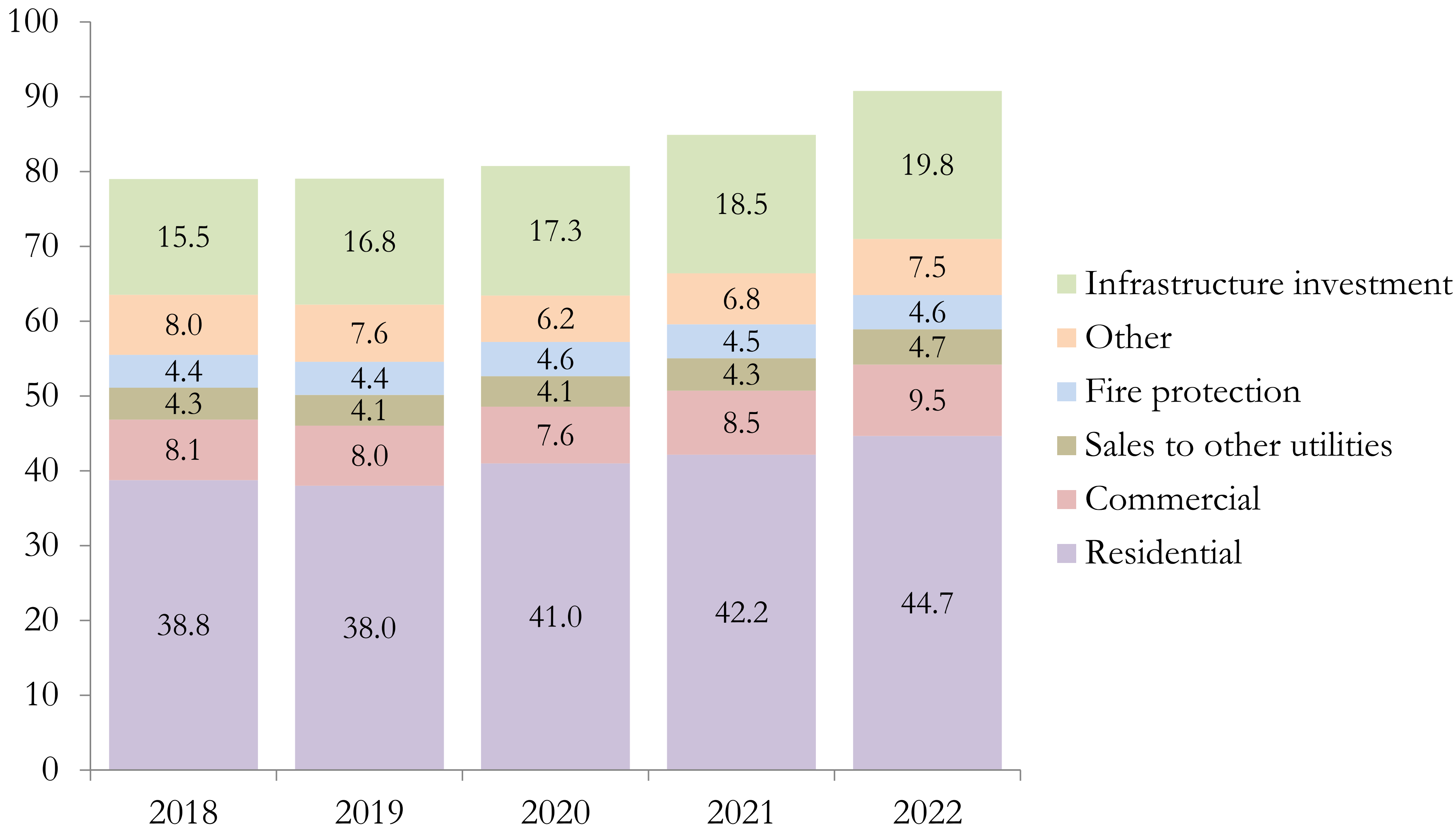
	December 31, 2022	December 31, 2021
Assets:		
Current assets	$ 75,563,027	$ 82,000,338
Noncurrent assets	511,052,003	476,043,643
Total assets	586,615,030	558,043,981
Deferred ouflows of resources	23,060,405	29,618,903
Liabilities:		
Current liabilities	23,732,968	23,153,819
Noncurrent liabilities	105,783,673	143,346,440
Total liabilities	129,516,641	166,500,259
Deferred inflows of resources	70,408,769	44,249,226
Net Position:		
Net investment in capital assets	430,761,169	396,359,868
Restricted	2,270,167	1,787,953
Unrestricted	(23,281,311)	(21,234,422)
Total net position	$ 409,750,025	$ 376,913,399

Condensed Financial Information

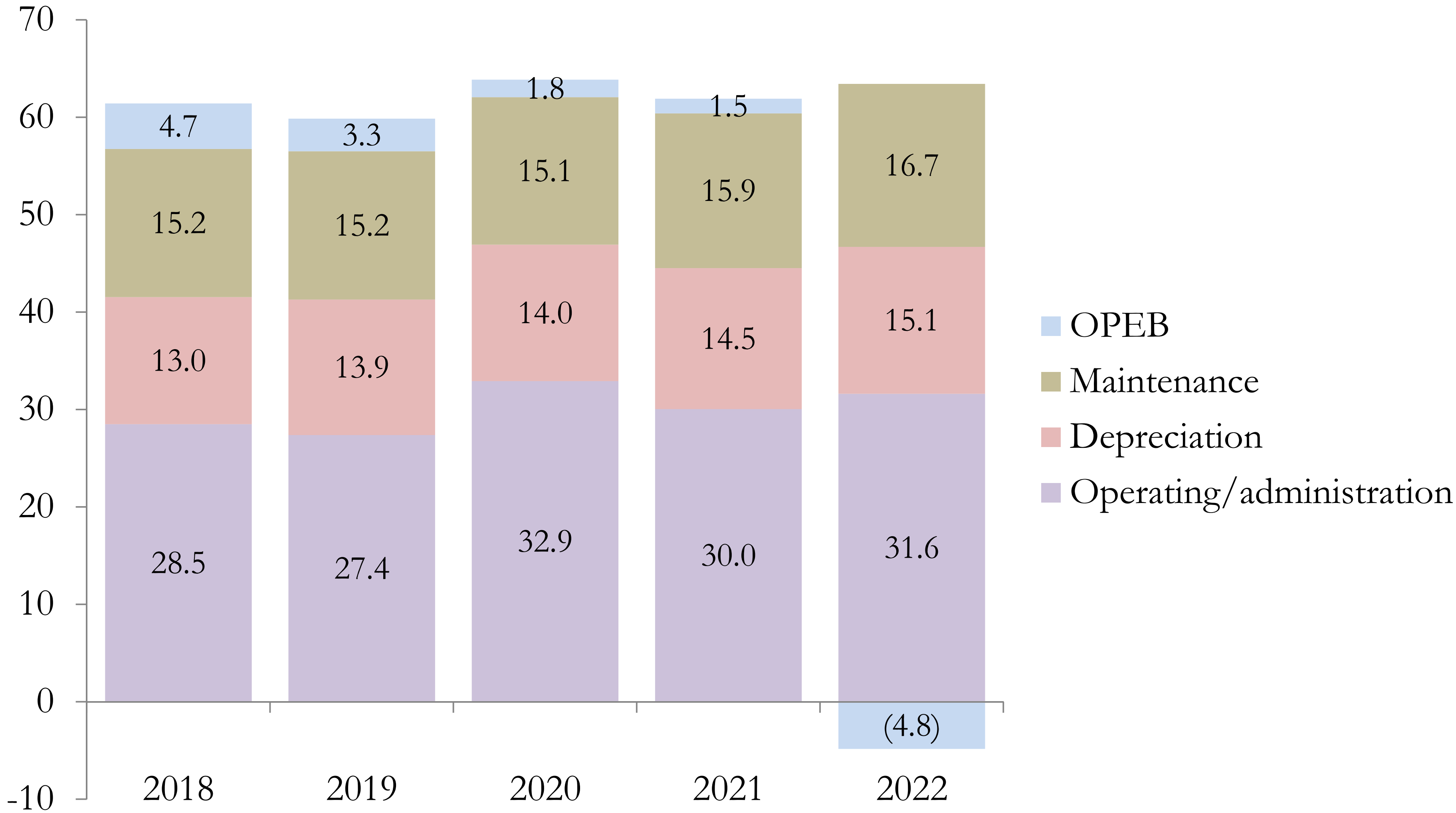
Condensed Statements of Revenues, Expenses and Changes in Net Position

	December 31,	
	2022	2021
Operating revenues	$ 90,787,720	$ 84,913,199
Operating expenses	(58,582,202)	(61,899,999)
Nonoperating revenues and expenses	(1,030,295)	(1,743,837)
Contribution in aid of contruction	1,661,403	3,272,013
Change in net position	$ 32,836,626	$ 24,541,376

Operating Revenues ($ millions)



Operating Expenses ($ millions)



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Erie County
Water Authority

Basic Financial Statements and Required Supplementary Information for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Reports

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ERIE COUNTY WATER AUTHORITY
Members of the Board of Commissioners

Members of the Board of the Erie County Water Authority are appointed by the Chairman of the Erie County Legislature upon receiving nominations from the majority of the Majority Caucus or the Minority Caucus, subject to confirmation by a majority of the Legislature. Each Member is appointed to a three year term; and, not more than two members of the Authority's Board of Commissioners, at any time, shall belong to the same political party.

Board Members on 12/31/2022	**Most Recent Appointment Date**
Jerome D. Schad, Chair	2022
Peggy A. LaGree, Vice Chair	2020
Michele M. Iannello, Treasurer	2021

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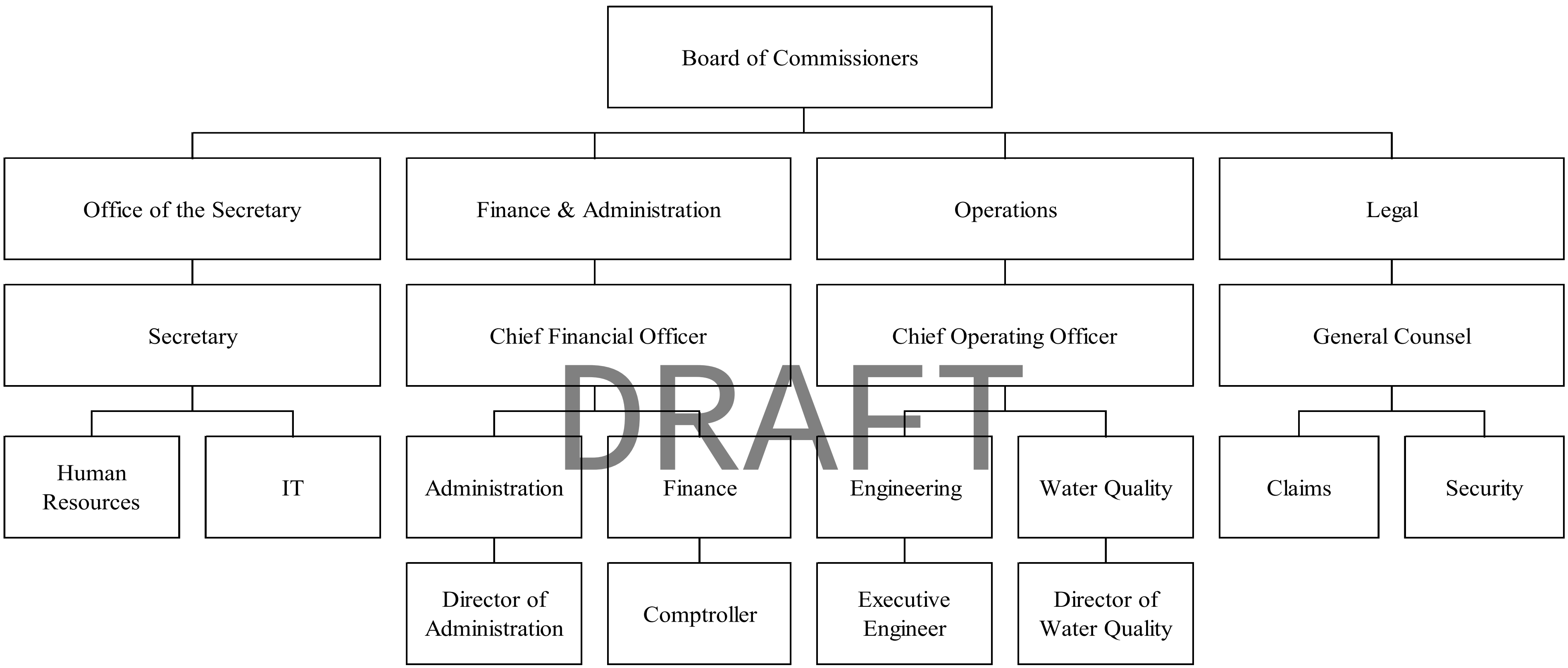
ERIE COUNTY WATER AUTHORITY
Organizational Chart



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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Erie County Water Authority:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Erie County Water Authority (the "Authority"), 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 accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditors' 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 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, 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 other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 *Governmental Auditing Standards,* we have also issued our report dated March 23, 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 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 23, 2023 on our consideration of the Authority's compliance with Section 2925(3)(f) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

March 23, 2023

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Management provides the following discussion and analysis ("MD&A") of the Erie County Water Authority's (the "Authority") financial activities and statements for the years ended December 31, 2022 and 2021. We encourage the reader to consider the information contained in this analysis in conjunction with the information contained in the audited financial statements and the notes to those financial statements, all of which follow this narrative on the subsequent pages. The Authority is not required to legally adopt a budget; therefore, comparative budgetary information is not included in this report.

Financial Highlights

- The Authority's net position increased $32,836,626 as a result of activity for the year ended December 31, 2022. Net income before contribution in aid of construction represents $31,175,223 of the 2022 increase. The remaining increase of $1,661,403 resulted from capital contributions (contributions in aid of construction). The Authority's net position increased $24,541,376 as a result of activity for the year ended December 31, 2021. Net income before contribution in aid of construction represents $21,269,363 of the 2021 increase. The remaining increase of $3,272,013 resulted from capital contributions (contributions in aid of construction).

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by $409,750,025 and $376,913,399, representing net position, at December 31, 2022 and 2021, respectively.

- The Authority's bonded indebtedness decreased $3,767,627 and $3,617,627 in 2022 and 2021, respectively. The decrease in 2022 resulted entirely from principal payments of $3,455,000 and $312,627 of premium and discount amortization. The 2021 decrease resulted from principal payments of $3,305,000 and $312,627 of premium and discount amortization.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The financial statements are organized as follows:

- The ***Statements of Net Position*** present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- The ***Statements of Revenue, Expenses, and Changes in Net Position*** present information showing how the Authority's net position changed during the most recent reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., earned but unbilled revenue and earned but unused vacation leave).

- The ***Statements of Cash Flows*** present information depicting the Authority's cash flow activities for the most recent reporting period and the effect that these activities had on the Authority's cash and cash equivalent balances.

- The ***Notes to the Financial Statements*** present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements section of this report.

Financial Analysis

As noted earlier, net position may over time serve as a useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $409,750,025 at December 31, 2022 compared to $376,913,399 at December 31, 2021, as presented below in Table 1:

Table 1—Condensed Statements of Net Position

	December 31,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Current assets	$ 75,563,027	$ 82,000,338	$ (6,437,311)	(7.9)
Noncurrent assets:				
Other noncurrent assets	29,847,994	26,985,794	2,862,200	10.6
Capital assets	481,204,009	449,057,849	32,146,160	7.2
Total assets	586,615,030	558,043,981	35,008,360	6.3
Deferred outflows of resources	23,060,405	29,618,903	(6,558,498)	(22.1)
Current liabilities	23,732,968	23,153,819	579,149	2.5
Noncurrent liabilities	105,783,673	143,346,440	(37,562,767)	(26.2)
Total liabilities	129,516,641	166,500,259	(36,983,618)	(22.2)
Deferred inflows of resources	70,408,769	44,249,226	26,159,543	59.1
Net position:				
Net investment in capital assets	430,761,169	396,359,868	34,401,301	8.7
Restricted	2,270,167	1,787,953	482,214	27.0
Unrestricted	(23,281,311)	(21,234,422)	(2,046,889)	9.6
Total net position	$ 409,750,025	$ 376,913,399	$ 32,836,626	8.7

(continued)

Table 1—Condensed Statements of Net Position (concluded)

	December 31,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Current assets	$ 82,000,338	$ 84,538,520	$ (2,538,182)	(3.0)
Noncurrent assets:				
Other noncurrent assets	26,985,794	26,663,756	322,038	1.2
Capital assets	449,057,849	424,937,316	24,120,533	5.7
Total assets	558,043,981	536,139,592	21,904,389	4.1
Deferred outflows of resources	29,618,903	26,960,233	2,658,670	9.9
Current liabilities	23,153,819	20,351,066	2,802,753	13.8
Noncurrent liabilities	143,346,440	160,457,384	(17,110,944)	(10.7)
Total liabilities	166,500,259	180,808,450	(14,308,191)	(7.9)
Deferred inflows of resources	44,249,226	29,919,352	14,329,874	47.9
Net position:				
Net investment in capital assets	396,359,868	368,687,811	27,672,057	7.5
Restricted	1,787,953	1,856,453	(68,500)	(3.7)
Unrestricted	(21,234,422)	(18,172,241)	(3,062,181)	16.9
Total net position	$ 376,913,399	$ 352,372,023	$ 24,541,376	7.0

The largest portion of the Authority's net position consists of the Authority's investment in capital assets. The investment in capital assets totaled $430,761,169, $396,359,868, and $368,687,811 at December 31, 2022, 2021 and 2020, respectively. This amount is presented net of any outstanding debt which was used to acquire such capital assets.

The Authority's liabilities totaled $129,516,641, $166,500,259, and $180,808,450, at December 31, 2022, 2021 and 2020 respectively. The largest component of liabilities in 2022, 2021 and 2020 is other postemployment benefits ("OPEB").

The Authority had current ratios of 3.18, 3.54, and 4.15, at December 31, 2022, 2021 and 2020, respectively. Such a ratio implies that the Authority has sufficient assets on hand to cover its liabilities that will come due in the ensuing year.

A comparison of current assets as compared to current liabilities of the Authority at December 31, 2022, 2021, and 2020 is presented on the following page.

Table 2—Comparison of Current Assets and Current Liabilities

	December 31,		
	2022	2021	2020
Current assets	$ 75,563,027	$ 82,000,338	$ 84,538,520
Current liabilities	23,732,968	23,153,819	20,351,066
Ratio of current assets to current liabilities	3.18	3.54	4.15

Table 3 shows the changes in net position for the years ended December 31, 2022, 2021, and 2020:

Table 3—Changes in Net Position

	Year Ended December 31,	
	2022	2021
Operating revenues	$ 90,787,720	$ 84,913,199
Operating expenses:		
Operation and administration	31,620,112	30,040,037
Maintenance	16,736,282	15,875,558
Depreciation	15,071,933	14,472,846
Other postemployment benefit expense	(4,846,125)	1,511,558
Total operating expenses	58,582,202	61,899,999
Operating income	32,205,518	23,013,200
Nonoperating revenues (expenses):		
Interest income on investments	648,578	75,743
Interest on loans receivable	70,520	74,715
Interest on leases receivable	35,020	-
Interest expense	(1,784,413)	(1,894,295)
Total nonoperating revenues (expenses)	(1,030,295)	(1,743,837)
Net income before contributions in aid of construction	31,175,223	21,269,363
Contributions in aid of construction	1,661,403	3,272,013
Change in net position	32,836,626	24,541,376
Net position—beginning of year	376,913,399	352,372,023
Net position—end of year	$ 409,750,025	$ 376,913,399

(continued)

Table 3—Changes in Net Position

(concluded)

	Year Ended December 31, 2021	2020
Operating revenues	$ 84,913,199	$ 80,750,594
Operating expenses:		
Operation and administration	30,040,037	32,913,689
Maintenance	15,875,558	15,140,606
Depreciation	14,472,846	14,001,096
Other postemployment benefit expense	1,511,558	1,807,715
Total operating expenses	61,899,999	63,863,106
Operating income	23,013,200	16,887,488
Nonoperating revenues (expenses):		
Interest income on investments	75,743	319,620
Interest on loans receivable	74,715	78,764
Interest expense	(1,894,295)	(2,031,634)
Total nonoperating revenues (expenses)	(1,743,837)	(1,633,250)
Net income before contributions in aid of construction	21,269,363	15,254,238
Contributions in aid of construction	3,272,013	1,167,976
Change in net position	24,541,376	16,422,214
Net position—beginning of year	352,372,023	335,949,809
Net position—end of year	$ 376,913,399	$ 352,372,023

The Authority’s operating revenue increased 6.9% from $84,913,199 in 2021 to $90,787,720 in 2022, compared to a 5.2% increase from $80,750,594 in 2020 to $84,913,199 in 2021. Operating expenses decreased 5.4% from $61,899,999 in 2021 to $58,582,202 in 2022, compared to a 3.1% decrease from $63,863,106 in 2020 to $61,899,999 in 2021.

A summary of operating revenues for the years ended December 31, 2022, 2021 and 2020 is presented below in Table 4:

Table 4—Summary of Operating Revenues

	Year Ended December 31,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Water sales:				
Residential	$ 44,655,219	$ 42,161,040	$ 2,494,179	5.9
Commercial	9,534,901	8,545,511	989,390	11.6
Industrial	2,513,979	2,258,331	255,648	11.3
Public authorities	2,809,012	2,549,373	259,639	10.2
Fire protection	4,578,422	4,532,365	46,057	1.0
Sales to other utilities	4,724,744	4,337,686	387,058	8.9
Infrastructure investment charge	19,798,219	18,507,611	1,290,608	7.0
Other water sales	1,465,391	1,441,908	23,483	1.6
Total water sales	90,079,887	84,333,825	5,746,062	6.8
Other operating revenues:				
Rents from water towers	491,448	524,585	(33,137)	(6.3)
Miscellaneous	216,385	54,789	161,596	294.9
Operating revenues	$ 90,787,720	$ 84,913,199	$ 5,874,521	6.9

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	Year Ended December 31,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Water sales:				
Residential	$ 42,161,040	$ 40,992,521	$ 1,168,519	2.9
Commercial	8,545,511	7,573,037	972,474	12.8
Industrial	2,258,331	2,304,405	(46,074)	(2.0)
Public authorities	2,549,373	2,277,491	271,882	11.9
Fire protection	4,532,365	4,575,284	(42,919)	(0.9)
Sales to other utilities	4,337,686	4,094,815	242,871	5.9
Infrastructure investment charge	18,507,611	17,324,191	1,183,420	6.8
Other water sales	1,441,908	976,832	465,076	47.6
Total water sales	84,333,825	80,118,576	4,215,249	5.3
Other operating revenues:				
Rents from water towers	524,585	549,270	(24,685)	(4.5)
Miscellaneous	54,789	82,748	(27,959)	(33.8)
Operating revenues	$ 84,913,199	$ 80,750,594	$ 4,162,605	5.2

Water sales represent most of the revenue for the Authority, 99.2%, 99.3%, and 99.2% for the years ended December 31, 2022, 2021, and 2020, respectively.

Following are some of the issues and events affecting operating revenues in 2022:

- Total water sales increased 6.8%, due to the following:

    - ✓ A volumetric rate increase of 6.5% across all customer classes effective January 1, 2022, contributed to an increase in total metered water sales of 7.3%, or $4,385,914.

    - ✓ Residential water sales increased 5.9%, or $2,494,179 as a result of a 6.5% increase in volumetric rates offset by a slight decrease in consumption compared to 2021.

    - ✓ Commercial sales increased 11.6%, or $989,390, due to rate increases combined with a 5.7% increase in consumption.

    - ✓ Industrial sales increased 11.3%, $255,648 because consumption was 7% higher than the prior year coupled with the rate increase.

    - ✓ Revenue from infrastructure investment charges increased 7.0% or $1,290,608 due to the 6.5% rate increase in charges for all meter sizes.

Comparatively, the following issues and events impacted revenues in 2021:

- Total water sales increased 3.1%, due to the following:

    - ✓ A volumetric rate increase of 6.5% across all customer classes effective January 1, 2021, contributed to an increase in total metered water sales of 4.6%, or $2,609,672.

    - ✓ Residential water sales increased 2.9%, or $1,168,519 as a result of a 6.5% increase in volumetric rates. Consumption decreased 3.5% due to an exceptionally hot summer in 2020 and increases in precipitation in 2021.

    - ✓ In contrast, commercial sales increased 12.8%, or $972,474, due to rate increases and an 8.8% increase in consumption after a 5.7% decline in 2020 due to restrictions and closures caused by the COVID-19 pandemic.

    - ✓ Other water sales increased 47.6%, $465,076, due to the temporary suspension of late charges from March 24, 2020 to June 30, 2020 as part of the Authorities Emergency Declaration. No suspension occurred in 2021.

    - ✓ Revenue from infrastructure investment charges increased 6.8%, $1,183,420 due to 6.5% increase in charges for all meter sizes.

Residential water sales represent the largest portion of water sales for the Authority, which was 49.6%, 50.0%, and 51.2%, of total water sales for the years ended December 31, 2022, 2021 and 2020, respectively. Infrastructure investment charges were the next largest revenue component at 22.0%, 22.0%, and 21.7% for years ended December 31, 2022, 2021 and 2020, respectively.

Table 5—Summary of Expenses

	Year Ended December 31,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Operation and administration	$ 31,620,112	$ 30,040,037	$ 1,580,075	5.3
Maintenance	16,736,282	15,875,558	860,724	5.4
Depreciation	15,071,933	14,472,846	599,087	4.1
Interest expense	1,784,413	1,894,295	(109,882)	(5.8)
Other postemployment benefits	(4,846,125)	1,511,558	(6,357,683)	(420.6)
Total	$ 60,366,615	$ 63,794,294	$ (3,427,679)	(5.4)

	Year Ended December 31,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Operation and administration	$ 30,040,037	$ 32,913,689	$ (2,873,652)	(8.7)
Maintenance	15,875,558	15,140,606	734,952	4.9
Depreciation	14,472,846	14,001,096	471,750	3.4
Interest expense	1,894,295	2,031,634	(137,339)	(6.8)
Other postemployment benefits	1,511,558	1,807,715	(296,157)	(16.4)
Total	$ 63,794,294	$ 65,894,740	$ (2,100,446)	(3.2)

Operation and administration expenses are the largest expense and account for 52.4%, 47.0%, and 49.9% of the Authority's expenses for the years ended December 31, 2022, 2021 and 2020, respectively. The second largest expense for the Authority for the years ended December 31, 2022, 2021 and 2020 was maintenance, which was 27.7%, 24.9%, and 23.0% respectively.

Following are some of the issues and events affecting expenses in 2022:

- Operation and administration and maintenance expenses increased a combined total of 5.3%, $2,440,799 due to the following significant fluctuations:

  - ✓ Salaries and labor costs increased 7.4%, $886,734 due to 3% contractual increases for both the CSEA and Brotherhood of Western New York Water Workers' unions, along with a 3% cost-of-living increase for non-represented employees. Several key positions that were added during 2021 recognized a full year of salary during 2022 which contributed to the increase, along with step and longevity increments.

  - ✓ Overall fringe benefit costs were 14.6%, or $1,378,150, higher due to increases in health insurance claims and workers compensation insurance.

  - ✓ The Authority's proportionate share of the New York State and Local Retirement System Plan pension expense decreased from $1,431,300 on March 31, 2021 to $487,733 on March 31, 2022.

  - ✓ The cost of electrical power purchased increased 34%, or $1,357,033, in 2022 as compared to 2021. January 2022 started the year off with extreme cold temperatures driving up the cost per kilowatt-hour (kWh) to $.11 (compared to $.03 in January 2021) and continued at this rate many months throughout the remainder of the year. The average cost per kWh of $.05 in 2021 rose to $.07 by the end of 2022. Consumption remained relatively flat so the increase in cost was due to the increase in monthly cost per kWh.

- ✓ Chemical costs experienced an overall 56.1% increase over the prior year by $640,591. Record increases in many of the daily chemicals used in the water treatment process occurred upon renewal of expired contracts. In addition, new contracts could not be secured for more than a one-year period:

    - Hydrofluosilicic Acid (fluoride) supplier contract that expired in November 2021 paying a rate of $400 per ton was renewed under a one-year contract and the cost rose 29% to $514.45 per ton. That contract expired in November 2022 and a new contract could only be executed for less than one year at a new rate of $990 per ton – a 92% increase from the one-year contract.

    - Liquid chlorine's original two-year contract expired at the end of April 2022 paying a rate of $.2895 per pound. The new one-year contract that extends through April 2023 is at a rate of $1.325 per pound, or a 358% increase.

    - Stern Pac (coagulant) two-year contract expired in June 2022 at a rate of $.132 per pound. The new one-year contract is at a 62% increase in the rate at $.214 per pound.

- ✓ Corporate and fiscal expenses decreased $300,965 from $333,712 in 2021 to $32,747 in 2022. These were fees paid in December 2021 for the loan agreement entered into with the Environmental Protection Agency under their Water Infrastructure Finance and Innovation Act (WIFIA), closing costs of $317,123 were paid from Corporate and Fiscal expense in conjunction with the closing were not repeated.

- ✓ Software maintenance and support costs increased $246,130 due to increased costs in renewals of subscriptions in addition to purchases of additional subscriptions during 2022.

- ✓ Payments to contractors for repairs increased $339,876, 22.9%, in 2022. This is due to the new on-call main repair contract awarded in September of 2021 with a 21.4% increase in cost for repair crews.

➢ There was a significant reduction in our Net OPEB Liability in which other postemployment benefit expenses decreased $6,357,683 due to a reduction in the discount rate from 1.84% to 4.05%.

➢ Nonoperating expenses net of related revenues decreased 40.9%, $713,542, in 2022 due primarily to the following:

- ✓ Interest income on investments increased $607,855, as a result of continued increases in the Fed Fund rate. Since March 2020, the Fed Fund rate had held at zero or .25% until the first increase in March 2022 with increases continuing throughout the remainder of the year with the Fed Fund rate closing at 4.25%.

- ✓ Interest expense decreased 5.8%, $109,882 due to the payment of bond principal related to scheduled bond maturities.

Comparatively, these issues and events impacted expenses in 2021:

- Operating and administrative expenses decreased 8.7%, $2,873,652 due to the following significant fluctuations:

  - ✓ As a result of the inspection of the residual lagoons at the Sturgeon Point Plant in 2020, removal costs of $2,114,279 were accrued. The contract to clear the lagoons was awarded in 2021, and that work has begun. Although monthly accruals reflecting ongoing residual production from operations continues, a large accrual at the end of 2021 was not required.

  - ✓ The Authority's proportionate share of the New York State and Local Retirement System Plan pension expense decreased from $5,002,679 on March 31, 2020 to $1,431,300 on March 31, 2021. Operating and administrative expenses decreased by $2,556,776, as a result.

  - ✓ Salaries and labor costs increased 3.3%, $379,497 due to a 2.5% contractual increase in CSEA salaries and a 2.5% cost of living increase for non-represented employees. Several key positions were also added in the Legal and Information Technology departments.

  - ✓ Fringe benefit costs were 8.2%, or $507,609, higher due to increases in health insurance claims and workers compensation insurance.

  - ✓ The cost of electrical power purchased increased 28.9%, or $894,181, in 2021 as compared to 2020. The cost per kWh increased from $.03 in 2020 to $.05 at the end of 2021. Consumption also increased 10% in 2021, contributing to the higher cost.

  - ✓ Corporate and fiscal expenses increased $316,463 from $17,250 in 2020 to $333,712 in 2021. On December 9, 2021 the Authority entered into a loan agreement with the Environmental Protection Agency under their Water Infrastructure Finance and Innovation Act (WIFIA), closing costs of $317,123 were paid from Corporate and Fiscal expense in conjunction with the closing.

  - ✓ Payments to Contractors – Other decreased 22%, or $497,967 in 2022 due to the following:

    - The America's Water Infrastructure Act of 2018 required the Authority to conduct a Risk and Resilience Assessment in 2020. The Assessment was completed by a consultant for a cost of $291,848. The project concluded in 2021, with final payments totaling $29,152.

    - Payments to our Information Technology provider decreased $224,700 as a result of the expiration of their contract in July of 2021. Positions were filled in the Information Technology Department and there was no need to renew the contract.

- Maintenance expenses increased $734,952 in 2021 due to the following:

  - ✓ The Authority's proportionate share of the New York State and Local Retirement System Plan pension expense decreased from $5,002,679 on March 31, 2020 to $1,431,300 on March 31, 2021. Maintenance expenses decreased by $1,103,696, as a result.

- ✓ Salaries and labor costs increased 2.6%, $119,225 due to a 2.5% contractual increase in Brotherhood of Western New York Water Workers' salaries.

- ✓ Fringe benefit costs were 8.0%, or $203,660, higher due to increases in health insurance claims and workers compensation insurance.

- ✓ Payments to contractors for repairs increased $623,052, 72.5%, in 2021. Service repairs decreased $82,450. A new on-call main repair contract was awarded in September of 2021 with a 21.4% increase in cost for repair crews. Contract increases, coupled with a 4% increase in the number of repairs made by contractors resulted in $707,668 increase in spending.

- ✓ Restoration expense increased 25%, or $604,388, due to an increase in the number of excavations required in 2021 or 2020. The Authority repaired 1,064 main breaks in 2021as compared to 980 in 2020. In addition, new contracts were awarded in April of 2020 which reflected significant price increases for paving and concrete.

- ➢ Other postemployment benefit expense decreased 16.4%, $296,157 due to a reduction in the discount rate to 1.84%.

- ➢ Nonoperating expenses net of related revenues increased 6.8%, $110,587, in 2021 due primarily to the following:

  - ✓ Interest income on investments decreased 76.6%, $243,877, as a result of continuing Federal Reserve policy to keep federal funds rates low in response to the COVID-19 pandemic.

  - ✓ Interest expense decreased 6.8%, $137,339 due to the payment of bond principal related to scheduled bond maturities.

Table 6—Summary of Cash Flow Activities

	Year Ended December 31,		Increase/(Decrease)
	2022	2021	Dollars
Cash flows provided by (used for):			
Operating activities	$ 37,650,559	$ 35,702,762	$ 1,947,797
Capital and related financing activities	(50,587,945)	(40,650,581)	(9,937,364)
Investing activities	10,504,978	(13,582,837)	24,087,815
Net (decrease) in cash and cash equivalents	(2,432,408)	(18,530,656)	16,098,248
Cash and cash equivalents, beginning of year	41,634,884	60,165,540	(18,530,656)
Cash and cash equivalents, end of year	$ 39,202,476	$ 41,634,884	$ (2,432,408)

(continued)

Table 6—Summary of Cash Flow Activities

(concluded)

	Year Ended December 31,		Increase/(Decrease)
	2021	2020	Dollars
Cash flows provided by (used for):			
Operating activities	$ 35,702,762	$ 37,027,585	$ (1,324,823)
Capital and related financing activities	(40,650,581)	(43,315,551)	2,664,970
Investing activities	(13,582,837)	2,801,381	(16,384,218)
Net (decrease) in cash and cash equivalents	(18,530,656)	(3,486,585)	(15,044,071)
Cash and cash equivalents, beginning of year	60,165,540	63,652,125	(3,486,585)
Cash and cash equivalents, end of year	$ 41,634,884	$ 60,165,540	$ (18,530,656)

At December 31, 2022, 2021, and 2020, the Authority maintained cash and cash equivalents as presented below:

Table 7—Summary of Cash and Cash Equivalents

	Year Ended December 31,		
	2022	2021	2020
Unrestricted	$ 36,002,495	$ 33,515,282	$ 51,910,215
Restricted	3,199,981	8,119,602	8,255,325
Total	$ 39,202,476	$ 41,634,884	$ 60,165,540

Cash and cash equivalents decreased $2,432,408 from December 31, 2021 to December 31, 2022 and $18,530,656 from December 31, 2020 to December 31, 2021 due to increases in invested funds and continued infrastructure investment.

Capital Assets

The Authority's investment in capital assets as of December 31, 2022 amounted to $481,204,009 (net of accumulated depreciation) as compared to $449,057,849 and $424,937,316 as of December 31, 2021 and of December 31, 2020. This investment includes land, buildings and structures, mains and hydrants, equipment, construction in progress and other (service installations, leasehold improvements, etc.). The Authority's greatest investment in capital assets is in buildings and structures and mains and hydrants.

Presented in Table 8 is a comparative summary of capital assets. Additional information on the Authority's capital assets can be found in Note 4 of the financial statements.

Table 8—Summary of Capital Assets (Net of Accumulated Depreciation)

	December 31,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Capital assets not being depreciated:				
Land	$ 2,231,137	$ 2,231,137	$ -	-
Construction work in progress	34,299,326	17,694,944	16,604,382	93.8
Total capital assets, not being depreciated	36,530,463	19,926,081	16,604,382	83.3
Capital assets being depreciated:				
Buildings and structures	320,927,006	309,189,157	11,737,849	3.8
Mains and hydrants	304,611,878	293,856,277	10,755,601	3.7
Equipment	78,535,606	76,145,811	2,389,795	3.1
Other	71,376,796	67,869,774	3,507,022	5.2
Right-to-use assets	1,605,931	-	1,605,931	100.0
Total capital assets, being depreciated	777,057,217	747,061,019	29,996,198	4.0
Less accumulated depreciation	332,383,671	317,929,251	14,454,420	4.5
Total capital assets, being depreciated, net	444,673,546	429,131,768	19,139,071	4.5
Total capital assets	$ 481,204,009	$ 449,057,849	$ 25,943,229	5.8

	December 31,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Capital assets not being depreciated:				
Land	$ 2,231,137	$ 2,231,137	$ -	-
Construction work in progress	17,694,944	9,496,892	8,198,052	86.3
Total capital assets, not being depreciated	19,926,081	11,728,029	8,198,052	69.9
Capital assets being depreciated:				
Buildings and structures	309,189,157	307,583,646	1,605,511	0.5
Mains and hydrants	293,856,277	271,581,832	22,274,445	8.2
Equipment	76,145,811	74,037,582	2,108,229	2.8
Other	67,869,774	63,804,578	4,065,196	6.4
Total capital assets, being depreciated	747,061,019	717,007,638	30,053,381	4.2
Less accumulated depreciation	317,929,251	303,798,351	14,130,900	4.7
Total capital assets, being depreciated, net	429,131,768	413,209,287	15,922,481	3.9
Total capital assets	$ 449,057,849	$ 424,937,316	$ 24,120,533	5.7

Debt Administration

At December 31, 2022 the Authority had $49,916,392 in water revenue bond principal outstanding, net of deferred amounts for bond premiums and discounts, as compared to $53,684,019, and $57,301,646 on December 31, 2021 and 2020, respectively. Water revenue bonds outstanding, net of deferred amounts from bond premiums and discounts, decreased $3,767,627 from 2021 to 2022. The decrease resulted from principal payments and amortization of premiums and discounts as shown in Table 9.

Table 9—Summary of Bond Payments, Premiums and Discounts

	Year Ended December 31, 2022	Year Ended December 31, 2021
2003F Series	$ 855,000	$ 830,000
2016 Series	2,260,000	2,155,000
2018 Series	340,000	320,000
Total water revenue bond payments	3,455,000	3,305,000
Amortization of bond premiums	318,820	318,820
Amortization of bond discount	(6,193)	(6,193)
Total water revenue bond payments, bond premiums, and bond discounts	$ 3,767,627	$ 3,617,627

The Authority’s issuance of 2003F Series Bonds were through the New York State Environmental Facilities Corporation (EFC) and are rated based on the EFC’s rating. The Authority's bond ratings have remained stable receiving an AA+ rating from both Fitch Ratings and Standard & Poor's Rating Services.

For additional information on long-term debt activity, see Note 5 to the basic financial statements.

Economic Factors

Due to individual conservation efforts and changes to Federal and State laws and regulations requiring appliances to use less water, significant increases in consumption, other than those caused by extreme weather, are not expected. Nearly 37% of the bills sent to Authority customers are for the monthly or quarterly minimum. In an effort to address rising repair and replacement costs of an aging infrastructure, the Authority established a fixed infrastructure investment charge. The infrastructure investment charge along with minimum volumetric rates provide the Authority a more reliable revenue stream to support operations and to maintain significant investment in system-wide infrastructure. A complete summary of the Authority's rate structure can be found in Table 10.

In September of 2019, the Authority adopted a Comprehensive Strategic Plan with the goal of supporting expansion, redundancy, automation and cyber security, and investment in aging infrastructure. The Authority retained Raftelis Financial Consultants to conduct a study and recommend rate levels to support the plan. The Authority adopted the recommended rate increases in 2021 and 2022. The Board approved a rate increase of 12% for 2023 and extended the contract with Raftelis to have the rate study updated during 2023.

In addition to ensuring adequate funding through rates, in December of 2021, the Authority entered into a loan agreement with the Environmental Protection Agency under their Water Infrastructure Finance and Innovation Act (“WIFIA”) program. WIFIA provides low-interest financing for drinking and wastewater projects nationwide. The $22,883,000 loan will provide financing for improvements at both water treatment plants and a primary pump station in 2023.

The COVID-19 pandemic and related legislation providing collection protections to customers, continued to impact at-risk accounts receivable. In December of 2021, the New York State Office of Temporary and Disability Assistance rolled out the Low Income Household Water Assistance Program (LIHWAP) which provides payment assistance for past-due water bills to eligible customers. The program was scheduled to end September 30, 2022 however it was extended for another fiscal year through September 30, 2023. This program has been very effective in helping ECWA customers get much-needed relief from past due bills. The Board supports such efforts and passed a resolution in January 2023 recognizing the success of the program and executed a letter of support for the continuation of the program.

Table 10—Tariff Rates

All rates are presented as quarterly. Some accounts are billed monthly at one-third of the quarterly fees. A complete copy of the Tariff can be found at www.ecwa.org.

A. SMALL METER CUSTOMERS - Installed Meter Sizes 5/8", 3/4" and 1"

2022 Volumetric Rate — $3.80 per 1000 gallons
2023 Volumetric Rate — $4.26 per 1000 gallons

Size of Meter (inches)	Quarterly Commodity Allowance (gallons)	Quarterly Minimum Commodity Charge		Quarterly Infrastructure Investment Charge		Quarterly Minimum Charge	
		2022	2023	2022	2023	2022	2023
5/8	9,000	$ 34.20	$ 38.34	$ 22.71	$ 25.44	$ 56.91	$ 63.78
3/4	9,000	34.20	38.34	22.71	25.44	56.91	63.78
1	9,000	34.20	38.34	22.71	25.44	56.91	63.78

B. LARGE METER CUSTOMERS - Installed Meter Sizes 1 1/4" and larger

2022 Volumetric Rate — $3.42 per 1000 gallons
2023 Volumetric Rate — $3.83 per 1000 gallons

Size of Meter (inches)	Quarterly Commodity Allowance (gallons)	Quarterly Minimum Commodity Charge		Quarterly Infrastructure Investment Charge		Quarterly Minimum Charge	
		2022	2023	2022	2023	2022	2023
1 1/4	27,000	$ 92.34	$ 103.41	$ 88.95	$ 99.63	$ 181.29	$ 203.04
1 1/2	39,000	133.38	149.37	88.95	99.63	222.33	249.00
2	63,000	215.46	241.29	142.32	159.39	357.78	400.68
3	120,000	410.40	459.60	266.85	298.86	677.25	758.46
4	198,000	677.16	758.34	444.69	498.06	1,121.85	1,256.40
6	390,000	1,333.80	1,493.70	889.38	996.12	2,223.18	2,489.82
8	630,000	2,154.60	2,412.90	1,422.99	1,593.75	3,577.59	4,006.65
10	900,000	3,078.00	3,447.00	2,045.61	2,291.07	5,123.61	5,738.07
12	1,230,000	4,206.60	4,710.90	3,824.31	4,283.22	8,030.91	8,994.12
20	2,820,000	9,644.40	10,800.60	16,458.75	18,433.80	26,103.15	29,234.40
24	3,840,000	13,132.80	14,707.20	33,237.78	37,226.31	46,370.58	51,933.51

C. PUBLIC CORPORATIONS AND SPECIAL IMPROVEMENT DISTRICTS - Customers who buy water for resale

2022 Volumetric Rate — $2.98 per 1000 gallons
2023 Volumetric Rate — $3.34 per 1000 gallons

Size of Meter (inches	Quarterly Commodity Allowance (gallons)	Quarterly Minimum Commodity Charge		Quarterly Infrastructure Investment Charge		Quarterly Minimum Charge	
		2022	2023	2022	2023	2022	2023
1 1/4	27,000	$ 80.46	$ 90.18	$ 88.95	$ 99.63	$ 169.41	$ 189.81
1 1/2	39,000	116.22	130.26	88.95	99.63	205.17	229.89
2	63,000	187.74	210.42	142.32	159.39	330.06	369.81
3	120,000	357.60	400.80	266.85	298.86	624.45	699.66
4	198,000	590.04	661.32	444.69	498.06	1,034.73	1,159.38
6	390,000	1,162.20	1,302.60	889.38	996.12	2,051.58	2,298.72
8	630,000	1,877.40	2,104.20	1,422.99	1,593.75	3,300.39	3,697.95
10	900,000	2,682.00	3,006.00	2,045.61	2,291.07	4,727.61	5,297.07
12	1,230,000	3,665.40	4,108.20	3,824.31	4,283.22	7,489.71	8,391.42
20	2,820,000	8,043.60	9,418.80	16,458.75	18,433.80	24,502.35	27,852.60
24	3,840,000	11,443.20	12,825.60	33,237.78	37,226.31	44,680.98	50,051.91

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Joyce Tomaka, Chief Financial Officer, Erie County Water Authority, 295 Main Street, Rm. 350, Buffalo, New York 14203-2494.

Basic Financial Statements

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ERIE COUNTY WATER AUTHORITY
Statements of Net Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,002,495	$ 33,515,282
Restricted cash and cash equivalents	3,168,207	2,151,966
Unrestricted investments	9,199,704	22,185,067
Restricted investments	337,877	383,858
Customer accounts receivable, (net of allowance for doubtful accounts)	6,650,156	5,125,244
Lease receivable - current portion	124,542	-
Materials and supplies	4,538,679	3,681,539
Accrued revenue	10,854,945	10,078,812
Prepaid expenses and other assets	4,686,422	4,878,570
Total current assets	75,563,027	82,000,338
Noncurrent assets:		
Restricted cash and cash equivalents	31,774	5,967,636
Restricted investments	22,083,143	18,927,701
Long term accounts receivable	1,927,155	2,090,457
Lease receivable - long term	1,040,009	-
Net pension asset	4,765,913	-
Capital assets, not being depreciated	36,530,463	19,926,081
Capital assets, net of accumulated depreciation/amortization	444,673,546	429,131,768
Total noncurrent assets	511,052,003	476,043,643
Total assets	586,615,030	558,043,981
DEFERRED OUTFLOWS OF RESOURCES		
Post-measurement date retirement contributions	1,617,797	2,198,740
Changes in retirement system assumptions	9,132,973	11,065,688
Actual versus projected other postemployment benefit factors	11,389,701	15,368,437
Advanced refunding of 2007 Series Bonds	919,934	986,038
Total deferred outflows of resources	23,060,405	29,618,903
LIABILITIES		
Current liabilities:		
Accounts payable	12,036,425	12,289,127
Advances for construction	1,365,255	936,895
Construction retention	2,459,694	2,408,900
Accrued interest on water revenue bonds	175,406	199,879
Accrued liabilities	1,948,468	1,871,621
Compensated absences - current portion	1,647,247	1,679,770
Lease liability - current portion	239,462	-
Water revenue bonds, net - current portion	3,861,011	3,767,627
Total current liabilities	23,732,968	23,153,819
Noncurrent liabilities:		
Compensated absences - long term	3,896,876	3,401,843
Lease liability - long term	1,206,920	-
Net pension liability	-	54,107
Other postemployment benefit liability	54,624,496	89,974,098
Water revenue bonds, net - long term	46,055,381	49,916,392
Total noncurrent liabilities	105,783,673	143,346,440
Total liabilities	129,516,641	166,500,259
DEFERRED INFLOWS OF RESOURCES		
Changes in retirement system assumptions	16,246,559	15,803,179
Changes in other postemployment benefit assumptions	53,031,392	28,446,047
Lease related	1,130,818	-
Total deferred inflows of resources	70,408,769	44,249,226
NET POSITION		
Net investment in capital assets	430,761,169	396,359,868
Restricted:		
Debt service reserve account	864,311	862,893
Debt service account	1,405,856	925,060
Unrestricted	(23,281,311)	(21,234,422)
Total net position	$ 409,750,025	$ 376,913,399

The notes to the financial statements are an integral part of these statements.

Erie County Water Authority
Statements of Revenue, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues	$ 90,787,720	$ 84,913,199
Operating expenses:		
Operation and administration	31,620,112	30,040,037
Maintenance	16,736,282	15,875,558
Depreciation/amortization	15,071,933	14,472,846
Other postemployment benefit expense	(4,846,125)	1,511,558
Total operating expenses	58,582,202	61,899,999
Operating income	32,205,518	23,013,200
Nonoperating revenues (expenses):		
Interest income on investments	648,578	75,743
Interest on loans receivable	70,520	74,715
Interest on leases receivable	35,020	-
Interest expense	(1,784,413)	(1,894,295)
Total nonoperating revenues (expenses)	(1,030,295)	(1,743,837)
Net income before contribution in aid of construction	31,175,223	21,269,363
Contribution in aid of construction	1,661,403	3,272,013
Change in net position	32,836,626	24,541,376
Net position—beginning	376,913,399	352,372,023
Net position—ending	$ 409,750,025	$ 376,913,399

The notes to the financial statements are an integral part of these statements.

ERIE COUNTY WATER AUTHORITY
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 88,215,421	$ 82,532,028
Payments to contractors	(19,650,456)	(16,000,375)
Payments to employees including fringe benefits	(30,914,406)	(30,828,891)
Net cash provided by operating activities	37,650,559	35,702,762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(47,167,299)	(37,967,312)
Bond repayment	(3,455,000)	(3,305,000)
Interest paid on revenue bonds	(2,055,409)	(2,175,821)
Advances for construction	428,360	(474,460)
Contribution in aid of construction	1,661,403	3,272,012
Net cash used for capital and related financing activities	(50,587,945)	(40,650,581)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(54,411,218)	(52,119,513)
Proceeds from sale or maturity of investments	64,445,026	38,327,678
Interest received	471,170	208,998
Net cash provided by (used for) investing activities	10,504,978	(13,582,837)
Net (decrease) in cash and cash equivalents	(2,432,408)	(18,530,656)
Cash and cash equivalents—beginning (including amounts restricted for future construction, debt service reserve, debt service, customer deposits, and employee payroll withholdings)	41,634,884	60,165,540
Cash and cash equivalents—ending (including amounts restricted for future construction, debt service reserve, debt service, customer deposits, and employee payroll withholdings)	$ 39,202,476	$ 41,634,884

(continued)

ERIE COUNTY WATER AUTHORITY
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

(concluded)

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income:	$ 32,205,518	$ 23,013,200
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization expense	15,071,933	14,472,846
(Increase) in customer accounts receivable	(1,524,912)	(524,055)
(Increase) in materials and supplies	(857,140)	(187,726)
(Increase) in accrued revenue	(776,133)	(637,083)
Decrease (increase) in other assets	317,190	(1,395,656)
(Increase) in lease receivable	(1,164,551)	-
Decrease in long term accounts receivable	163,302	163,302
Decrease (increase) in deferred outflows of resources	6,492,394	(2,724,773)
(Decrease) increase in accounts payable	(252,702)	2,367,233
Increase in other accrued liabilities	76,847	247,263
Increase in lease liability	1,446,382	-
Increase (decrease) increase in compensated absences	462,510	(123,221)
(Decrease) in net pension liability	(4,820,020)	(14,240,529)
(Decrease) increase in other postemployment benefit liability	(35,349,602)	942,087
Increase in deferred inflows of resources	26,159,543	14,329,874
Total adjustments	5,445,041	12,689,562
Net cash provided by operating activities	$ 37,650,559	$ 35,702,762

The notes to the financial statements are an integral part of these statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity—The Erie County Water Authority (the "Authority") is a public benefit corporation created in 1949 by the State of New York. The accounts of the Authority are maintained generally in accordance with the Uniform System of Accounts prescribed by the New York State Public Service Commission (PSC), although the Authority is not subject to PSC rules and regulations. The rates established by the Authority do not require PSC approval.

The Authority operates its business activities on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority is responsible for the operation and maintenance of the assets while the lessor is responsible for the improvement and replacement of assets; and on a bulk sales basis where the Authority contracts with the customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvement and replacement as well as billings and customer collections.

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

The activities of the Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from providing water services are reported as operating revenues. Operating revenues are recorded as water service is supplied. Water supplied, but not billed, as of the calendar year end is estimated based upon historical usage and has been accounted for as accrued revenue.

Transactions which are capital, financing or investing related are reported as nonoperating revenues. All expenses related to operating the system are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Budgets—The Authority is not required to have a legally adopted budget.

Cash and cash equivalents**—**The Authority considers cash and cash equivalents to be all unrestricted and restricted cash accounts and short-term investments purchased with an original maturity of three months or less.

Investments—The Authority considers cash invested for more than three months investments. Investments are carried at fair value based on quoted market prices. The cost of investments sold is determined using the specific identification method and then adjusted to fair value changes to reflect the combined net change in these elements in the statements of revenue, expenses, and changes in net position.

Customer accounts receivable—All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority recognizes water revenues in the period in which the service is provided. Billings to customers generally consist of revenues earned from the prior three months for quarterly billed customers and revenues earned from the prior month for monthly-billed customers.

Materials and supplies—Materials and supplies are determined on the basis of moving-average cost.

Accrued revenue**—**This account represents earned water revenues as of the end of the year that have not yet been billed to customers.

Prepaid expenses and other assets—These consist primarily of certain payments reflecting costs applicable to future accounting periods and interest earned from securities and investments but not yet received.

Capital assets**—**Capital assets are defined by the Authority as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Infrastructure assets with individual costs less than $10,000 are treated as a class of assets and are capitalized. The cost of additions to capital assets, including purchased property or property contributed in aid of construction, and replacement of property, is capitalized. Cost includes direct material, labor, overhead and an allowance for funds used during construction equivalent to the average cost of borrowed funds advanced for construction purposes. Overhead is added proportionately to the cost of a project on a monthly basis. The cost of retirements of capital assets is charged against accumulated depreciation. Maintenance and repairs are charged to expenses as incurred, and major betterments are capitalized. Right-to-use leased assets are initially measured as the initial amount of the leased liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs.

Depreciation/amortization of capital assets is computed using the composite and straight-line methods based upon annual rates established in accordance with PSC guidelines: buildings and structures, 15 to 76 years; hydrants and mains, 64 to 100 years; equipment, 5 to 43 years; and other, 4 to 50 years. Depreciation expense approximated 1.95% of the original cost of average depreciable property for the years ended December 31, 2022 and 2021.

Leases**—**The Authority is contracted with other entities which qualify as lessor and lessee relationships. Amounts within lease receivable includes towers in which the Authority rents out to other entities. Amounts within the lease liability includes a building and a subcarrier that the Authority makes monthly payments to another entity. Additional information regarding leases is discussed in Note 5.

Long-term obligations**—**Long term debt is reported as a liability in the statements of net position. Bond premiums and bond discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Advances for construction—Advances for construction primarily represent amounts received from contractors for water system expansions. Upon completion of the expansion, the cost of the construction is transferred to contributions in aid of construction, with any remaining advance being refunded.

Accrued liabilities**—**Included are provisions for estimated losses and surcharges collected from customers on behalf of various municipalities and unpaid at year end.

Compensated absences—Authority employees earn vacation, sick leave and compensatory time in varying amounts. In the event of termination or upon retirement, represented employees are entitled to payment for accrued vacation, sick and compensatory time limited to amounts defined under their respective collectively bargained agreements. All non-represented employees receive benefits as defined by Authority policy or by resolution of the Board.

Retirement plan—The Authority provides retirement benefits for its employees through its participation and contributions to the New York State and Local Employees' Retirement System. The system provides various plans and options, some of which require employee contributions.

Contributions in aid of construction—Contributions in aid of construction represent amounts received from individuals, governmental agencies, and others to reimburse the Authority for construction costs incurred on capital projects or the original cost of certain water plant systems conveyed to the Authority by municipalities and others. Only those water plant systems resulting in increased revenue generation are assigned any value and, therefore, recorded as a contribution in aid of construction.

Risk management—The Authority limits its risk exposure to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters through various insurance policies. Insurance coverage has remained relatively stable from the previous year. Insurance expense for the years ended December 31, 2022 and 2021 totaled $3,328,803 and $2,835,170, respectively. There were no settlements that significantly exceeded insurance coverage or reserved amounts for each of the last three years. Any unpaid claims outstanding as of December 31, 2022 and 2021 have been adequately planned for.

Use of estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, deferred outflows of resources, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Adoption of new accounting pronouncements—During the year ended December 31, 2022 the Authority implemented GASB Statements No. 87, *Leases*, the remaining requirements of No. 92, *Omnibus 2020*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32.* GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. GASB Statement No. 87 has been implemented as of January 1, 2022. The Authority has evaluated the impact to the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position and the Statements of Cash Flows and has determined that GASB Statement No. 87 does not have a material effect on the Authority's financial position, operations or cash flows as of and for the year ended December 31, 2021 and, therefore, the Authority has not restated net position, the related statements of revenue, expenses, and changes in net position or cash flows as of January 1, 2021 or January 1, 2022. GASB Statements No. 92 and 97 do not have a material effect on the Authority's operations or financial position.

Future impacts of accounting pronouncements—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*, effective for the fiscal year ending December 31, 2023; and the remaining portion of No. 99, *Omnibus 2022*; No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* and No. 101, *Compensated Absences*, effective for the fiscal year ending December 31, 2024. The Authority is, therefore, unable to disclose the impact that adopting these Statements will have on its financial position and results of operations when such statements are adopted, if any.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits—All uninsured bank deposits are fully collateralized.

Investments—The Authority's bond resolutions and investment guidelines allow for monies to be invested in the following instruments:

- Obligations of the United States Government;
- Obligations of Federal Agencies which represent full faith and credit of the United States Government;
- Bonds issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- Time deposits and money market accounts;
- Commercial paper which matures not more than 270 days after the date of purchase; and
- Municipal obligations of any state, instrumentality, or local governmental unit of such state.

Restricted cash, cash equivalents, and investments—Cash has been deposited into various trust accounts with a fiscal agent to satisfy certain legal covenants, or restricted internally through Board resolution. Further, the amounts are invested in compliance with the Authority's investment guidelines. The following is a brief synopsis of restricted cash:

Restricted for debt service—Cash restricted for debt service was established to fulfill the debt service requirements on the outstanding water revenue bonds as they become due and payable.

Restricted for customer deposits—Cash restricted for customer deposits was established to keep customer deposits for future work to be performed and deposits taken from customers to secure payment of their water bills segregated from the Authority's operating cash.

Restricted for employee payroll withholdings—Employee elective payroll withholding under Title 26 U.S. Code §125 - Cafeteria plans and §105(h) - Amounts received under accident and health plans. New employees meeting eligibility requirements can elect participation in the New York State Voluntary Defined Contribution Program sponsored by the State University of New York ("SUNY") Optional Retirement Plan. Eligible employees have a 366 day vesting period during which the employer retains the employee and employer contributions.

Restricted for future construction—Cash restricted for future construction was established to maintain a construction account, which has been committed for future capital expenses.

Restricted for debt service reserve**—**The Authority restricts investments in the debt service reserve account as required by various bond resolutions.

As of December 31, 2022 and 2021, the Authority had the following restricted cash, cash equivalents, and investments:

	December 31, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Restricted for debt service:				
Cash	$ 1,067,978	$ 1,067,978	$ 541,202	$ 541,202
Investments - U.S. Treasury bills	332,310	337,878	383,897	383,858
	1,400,288	1,405,856	925,099	925,060
Restricted for customer deposits:				
Cash	2,086,308	2,086,308	1,568,075	1,568,075
Restricted for employee payroll withholdings:				
Cash	13,920	13,920	42,689	42,689
Current restricted cash, cash equivalents, and investments	$ 3,500,516	$ 3,506,084	$ 2,535,863	$ 2,535,824
Restricted for future construction:				
Cash	$ 30,302	$ 30,302	$ 5,967,582	$ 5,967,582
Investment - Certificate of Deposit	-	-	1,203,949	1,203,949
Investment - U.S. Treasury bills	21,157,540	21,220,304	16,862,607	16,860,913
	21,187,842	21,250,606	24,034,138	24,032,444
Restricted for debt service reserve:				
Cash	1,472	1,472	54	54
Investment - State and Local Government Series Treasury bonds	862,839	862,839	862,839	862,839
	864,311	864,311	862,893	862,893
Noncurrent restricted cash, cash equivalents, and investments	$ 22,052,153	$ 22,114,917	$ 24,897,031	$ 24,895,337
Total restricted cash, cash equivalents and investments	$ 25,552,669	$ 25,621,001	$ 27,432,894	$ 27,431,161

Fair value measurement**—**The Authority reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the Authority has access at the measurement date.

- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

    - Quoted prices for similar assets or liabilities in active markets;

    - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and

    - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

  - Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The Authority has the following fair value measurements as of December 31, 2022:

- Money market funds, DDA and NOW accounts of $39,202,475 are valued using quoted prices for identical assets in active markets (Level 1 input).

- U.S. treasury bills of $30,757,886 are valued using quoted prices for identical assets in active markets (Level 1 input).

- Treasury securities - State and Local Government Series ("SLGS") of $862,839 is valued using quoted prices for similar assets or liabilities in active markets (Level 2 input).

Description	12/31/2022	Level 1 Investments	Level 2 Investments
Money Market/DDA/NOW Accounts	$ 39,202,475	$ 39,202,475	$ -
U.S. Treasury bills	30,757,886	30,757,886	-
Treasury Securities - SLGS	862,839	-	862,839
Total	$ 70,823,200	$ 69,960,361	$ 862,839

Description	12/31/2021	Level 1 Investments	Level 2 Investments
Money Market/DDA/NOW Accounts	$ 41,634,884	$ 41,634,884	$ -
Certificate of Deposit	6,203,014	6,203,014	-
U.S. Treasury bills/notes	34,430,773	34,430,773	-
Treasury Securities - SLGS	862,839	-	862,839
Total	$ 83,131,510	$ 82,268,671	$ 862,839

Custodial credit risk—For deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned. For cash equivalents and investments, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2022 and 2021, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institutions' trust departments or agents in the Authority's name and all of the Authority's cash equivalents and investments were registered in the Authority's name. For investments, the U.S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

Interest rate risk—For investments, this is the risk that potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. There is the prospect of a loss should those securities be sold prior to maturity. The Authority uses the specific identification method to identify the maturity for each investment and evaluate risk accordingly. For the year ended December 31, 2022, the Authority had $30,757,886 in U.S. Treasury bills and $862,839 in SLGS with the longest maturity date being July 15, 2023.

3. CUSTOMER ACCOUNTS RECEIVABLE

Customer accounts receivable primarily represent amounts due from customers for current and past due water services provided, including penalties, unpaid bill charges, collection fees and shut-off charges.

Customers are billed either on a monthly or quarterly basis depending on the type of customer and the level of water usage. Municipalities are billed for hydrant maintenance annually. Customers are provided a fifteen day (15) payment period from the billing date to pay their current water charges. A late penalty of 10% is assessed on any unpaid balance 10 days after the due date. An account will receive a collection letter if the account is active and has a receivable balance greater than $100. The collection letter indicates that the customer could be subject to the discontinuance of their water service and additional delinquent charges.

Following fifteen (15) days from the collection letter date, unpaid accounts with receivable balances greater than $200 are sent to a collector who schedules a visit to the customer with an unpaid bill notice. At the visit, the account is "posted," and the customer has three (3) working days to either pay the bill in full, or submit a partial payment (25%-33%) with a signed promissory agreement for the remaining balance. The agreement is normally kept to a term of 90 days, with some exceptions to 180 days. In agreements with lease managed water districts and in some direct service districts, unpaid water bills are referred to municipalities for payment per the terms of the service agreement. Allowances for doubtful accounts at December 31, 2022 and 2021 total $1,604,825 and $1,426,913.

The Authority has complied with guidance issued throughout 2022 from the New York State Public Service Commission relating to service disconnections, liens, and deferred payment arrangements. The guidance has limited the Authority's ability to terminate services for non-payment and has resulted in longer term deferred payment arrangements with no required partial payment. All related guidance expires on June 30, 2023.

4. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2022 and December 31, 2021 is presented below:

	Balance 1/1/2022	Additions & Reclassifications	Retirements & Reclassifications	Balance 12/31/2022
Capital assets not being depreciated:				
Land	$ 2,231,137	$ -	$ -	$ 2,231,137
Construction work in progress	17,694,944	44,840,955	(28,236,573)	34,299,326
Total capital assets not being depreciated	19,926,081	44,840,955	(28,236,573)	36,530,463
Capital assets being depreciated/amortized:				
Buildings and structures	309,189,157	11,737,849	-	320,927,006
Mains and hydrants	293,856,277	10,779,226	(23,625)	304,611,878
Equipment	76,145,811	3,232,115	(842,320)	78,535,606
Other	67,869,774	3,507,022	-	71,376,796
Right-to-use assets	-	1,683,430	(77,499)	1,605,931
Total capital assets being depreciated/amortized	747,061,019	30,939,642	(943,444)	777,057,217
Less accumulated depreciation/amortization:				
Buildings and structures	172,430,530	6,722,349	-	179,152,879
Mains and hydrants	65,069,024	2,969,789	(23,625)	68,015,188
Equipment	49,008,227	3,720,124	(516,389)	52,211,962
Other	31,421,470	1,404,774	-	32,826,244
Right-to-use assets	-	254,897	(77,499)	177,398
Total accumulated depreciation/amortization	317,929,251	15,071,933	(617,513)	332,383,671
Capital assets being depreciated/amortized, net	429,131,768	15,867,709	(325,931)	444,673,546
Total capital assets, net	$ 449,057,849	$ 60,708,664	$ (28,562,504)	$ 481,204,009

	Balance 1/1/2021	Additions	Retirements & Reclassifications	Balance 12/31/2021
Capital assets not being depreciated:				
Land	$ 2,231,137	$ -	$ -	$ 2,231,137
Construction work in progress	9,496,892	37,302,114	(29,104,062)	17,694,944
Total capital assets not being depreciated	11,728,029	37,302,114	(29,104,062)	19,926,081
Capital assets being depreciated:				
Buildings and structures	307,583,646	1,605,511	-	309,189,157
Mains and hydrants	271,581,832	22,278,960	(4,515)	293,856,277
Equipment	74,037,582	2,688,032	(579,803)	76,145,811
Other	63,804,578	4,065,196	-	67,869,774
Total capital assets being depreciated	717,007,638	30,637,699	(584,318)	747,061,019
Less accumulated depreciation:				
Buildings and structures	165,708,800	6,721,730	-	172,430,530
Mains and hydrants	62,330,803	2,742,736	(4,515)	65,069,024
Equipment	45,669,152	3,676,506	(337,431)	49,008,227
Other	30,089,596	1,331,874	-	31,421,470
Total accumulated depreciation	303,798,351	14,472,846	(341,946)	317,929,251
Capital assets being depreciated, net	413,209,287	16,164,853	(242,372)	429,131,768
Total capital assets, net	$ 424,937,316	$ 53,466,967	$ (29,346,434)	$ 449,057,849

5. LEASES

Lease Receivable—The Authority is a lessor for noncancellable leases of space on the Authority's water towers. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease.

- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The Authority leases certain space on and in the Colvin Tower and adjoining part of a parcel of land that is owned by the Authority. The lease has four years remaining and the Authority will receive monthly payments ranging from $2,300 to $4,033. The Authority recognized $38,173 in principal and $5,363 in interest during the current fiscal year related to this lease. As of December 31, 2022, the Authority's receivable for lease payments was $157,852. Also, the Authority reports a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was $153,256.

The Authority leases certain space on the Harris Hill Tower that is owned by the Authority. The lease has five years remaining and the Authority will receive monthly payments ranging from $2,850 to $3,406. The Authority recognized $31,051 in principal and $5,968 in interest during the current fiscal year related to this lease. As of December 31, 2022, the Authority's receivable for lease payments was $182,047. Also, the Authority reports a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was $177,582.

The Authority leases certain space on the Wehrle Tower that is owned by the Authority. The lease has four years remaining and the Authority will receive monthly payments ranging from $2,850 to $3,563. The Authority recognized $39,107 in principal and $3,643 in interest during the current fiscal year related to this lease. As of December 31, 2022, the Authority's receivable for lease payments was $160,918. Also, the Authority reports a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was $159,342.

The Authority leases certain space on a tower located at the Ball Pump Station that is owned by the Authority. The lease has twenty-one years remaining and the Authority will receive monthly payments ranging from $1,958 to $4,873. The Authority recognized $8,155 in principal and $20,045 in interest during the current fiscal year related to this lease. As of December 31, 2022, the Authority's receivable for lease payments was $663,734. Also, the Authority reports a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was $640,638.

Lease Payable**—**The Authority is a lessee for a noncancellable leases of a building and space on a cellular tower. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of $150,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the right-to-use asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right-to-use assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The Authority entered into a long-term lease agreement as the lessee for the use of office space in a building. As of December 31, 2022, the value of the lease liability was $1,028,479. The Authority is required to make annual principal and interest payments on these leases of $20,512. The lease has an interest rate of 1.66%. The value of the right-to-use assets as of the end of the current fiscal year was $1,180,247 and had accumulated amortization of $157,366.

The Authority entered into a long-term lease agreement as the lessee for the use of cellular tower space on a parcel of land. As of December 31, 2022, the value of the lease liability was $417,903. The Authority is required to make annual principal and interest payments on these leases ranging from $1,525 to $3,100. The lease has an interest rate of 3.00%. The value of the right-to-use assets as of the end of the current fiscal year was $425,684 and had accumulated amortization of $20,032.

The future principal and interest payments as of December 31, 2022, were as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2023	$ 239,462	$ 27,743	$ 267,205
2024	244,226	23,610	267,836
2025	249,102	19,385	268,487
2026	254,092	15,066	269,158
2027	94,305	11,446	105,751
2028-2032	80,378	49,242	129,620
2033-2037	115,572	34,694	150,266
2038-2042	159,990	14,209	174,199
2043	9,255	46	9,301
Totals	$ 1,446,382	$ 195,441	$ 1,641,823

6. LONG-TERM DEBT

At December 31, 2022 the Authority has three series of bonds outstanding. All outstanding bonds have been issued under the Authority's Fourth General Bond Resolution (the "Resolution") and, therefore, all the current bondholders have equal claims against the Authority's revenues. The Authority's outstanding bonds are secured by the Authority's available revenues and all accounts established by the Resolution, including investments.

A default will have occurred if the payment of principal or interest or sinking fund installment payments or the redemption of term bonds are not paid when due and payable; if the Authority fails to comply with a bond covenant.

If there is an occurrence of an event of default, upon the written request of the holders of not less than 25% of all series of bonds then outstanding, the Trustee or holders may declare the principal of all the bonds then outstanding and the interest accrued thereon, to be due and payable immediately.

The Authority does not have any lines of credit.

Summary of long-term debt—The following is a summary of the Authority's water revenue bonds at December 31, 2022:

Series	Final Annual Principal Payment Due	Year of Earliest Principal Payment	Interest Rate	Original Issue	Principal Outstanding 12/31/2022
2003F Series	7/15/2023	2004	0.79-4.50% (*)	$ 15,544,443	$ 1,738,384
2016 Series	12/1/2036	2017	2.75-5.00%	30,725,000	18,985,000
2018 Series	12/1/2048	2019	3.00-5.00%	24,900,000	23,630,000
Total					44,353,384
Less portion due within one year					(3,548,384)
Total					$ 40,805,000

(*) Gross rates subject to subsidy from the New York State Environmental Facilities Corporation (EFC)

2003F Series Bonds

On July 24, 2003 the 2003F Series Bonds were issued to the EFC under their aggregate pool financing identified as New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue 2003F Series Bonds.

The 2003F Series Bonds in the amount of $15,544,443 representing the Authority's portion of this financing were issued to cover the cost of new pump stations along with meters, water mains, a pump station and a storage tank in the City of Tonawanda.

On August 1, 2013 EFC refunded the 2003F Series Bonds. New bonds were issued in the same principal denomination. The Authority paid off $691,616 on the outstanding bond principal. The Authority did not issue new bonds to EFC. The interest rates on the outstanding bonds were significantly reduced. The net present value savings as calculated by EFC is $1,382,895.

Interest on the 2003F Series Bonds ranges from 0.79% to 4.50% and is payable semi-annually on January 15 and July 15. The terms of the EFC borrowings provide for an interest subsidy of approximately one-third of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which the EFC invests and credits the borrower with the earnings on the invested funds as an offset to the interest payable on the bonds.

Principal is payable annually on July 15. The final maturity of the bonds is July 15, 2023.

2016 Series Refunding Bonds

On September 29, 2016, the Authority issued $30,725,000 of Water Revenue Refunding Bonds, Series 2016. The proceeds of the issue after premium of $4,378,154 and discount of $109,654 were used to refund the principal of the 2007 Series and 2012 Series Bonds, $29,705,000 and $7,850,000, respectively. A portion of the proceeds were deposited into a Rebate Liability Fund to be used to pay any arbitrage rebate due on the 2007 Series Bonds in September 2017. The remainder of the proceeds covered the costs of issuance. The issuance of the 2016 Series Refunding Bonds reduced the debt service by $9,330,782 and has a net present value cash flow savings of $6,787,290.

The advance refunding resulted in a deferred outflow of resources of $1,333,446, which is being amortized over the life of the 2016 Series Refunding Bonds. The deferred outflow is the difference between the reacquisition price, which is the amount deposited into the escrow account, and the carrying amount of the 2007 Series Bonds at the time of defeasance.

The 2012 Series Bonds were redeemed immediately. The remaining net proceeds from the issuance and certain existing funds were deposited into an escrow account by an escrow agent pursuant to the refunding agreement and invested in U.S. Government securities for the 2007 Series Bonds. The maturities of these invested funds and related earnings thereon provided sufficient cash flow to meet the debt service requirements of the defeased bonds. These advance refunding transactions effectively released the Authority from its obligation to repay these bonds and constituted in-substance defeasances. The 2007 Series Bonds were callable on December 1, 2017. Prior to December 31, 2017, interest and principal payments were being made from the escrow account. On December 1, 2017 the remaining bonds were redeemed.

Interest on the 2016 Refunding Bonds ranges from 2.00% to 5.00% and is payable semi-annually on June 1 and December 1.

Principal is payable annually on December 1. The final maturity of the bonds is December 1, 2036.

2018 Series Bonds

On July 25, 2018, the Authority issued $24,900,000 of Water Revenue Bonds, Series 2018. The bonds were issued at a premium of $3,089,043 offset by a discount of $22,969. The premium and discount are being amortized over the life of the bonds. The proceeds of the issue will be used to finance the cost of development, acquisition and construction of certain improvements and additions to the Water Works System and to pay the costs of issuance of the 2018 Series Bonds.

Interest on the 2018 Series Bonds ranges from 3.00% to 5.00% and is payable semi-annually on June 1 and December 1.

Principal is payable annually on December 1. The final maturity of the bonds is December 1, 2048.

2021 Series Bonds

On December 9, 2021, the Authority issued a $22,883,000 bond with the United States Environmental Protection Agency (EPA). The Bond secures a loan granted under the Water Infrastructure Finance and Innovation Act (WIFIA), as amended. Under the terms of the loan agreement, no debt service is incurred until reimbursement for project costs is approved by the EPA.

Three projects were included in the loan agreement: replacement of the filter gallery piping at the Sturgeon Point treatment plant; replacement of obsolete powder activated carbon systems at both the Sturgeon Point and Van DeWater treatment plants; and improvements to pumps and mains at the Ball Pump Station. Construction on the projects and drawdowns from the WIFIA loan are planned for 2023.

Interest on the 2021 Series Bonds is 1.66%, and is due semi-annually on January 15 and July 15, beginning after the initial drawdown.

Principal is payable annually on July 15. The final maturity of the bond is July 15, 2046.

Long-term debt requirements—Long-term debt requirements are summarized as follows:

Year ending December 31,	Bond Principal	Interest on Bonded Debt
2023	$ 3,548,384	$ 1,771,504
2024	2,040,000	1,764,182
2025	2,100,000	1,662,182
2026	2,165,000	1,557,182
2027	2,220,000	1,448,932
2028-2032	11,380,000	5,553,810
2033-2037	9,870,000	3,663,982
2038-2042	5,235,000	2,088,600
2043-2047	4,715,000	996,750
2048	1,080,000	54,000
Total	44,353,384	20,561,124
Less portion due within one year	3,548,384	1,771,504
Total	$ 40,805,000	$ 18,789,620

Summary of changes in long-term debt—The following is a summary of changes in water revenue bonds and other long-term debt for the years ended December 31, 2022 and December 31, 2021:

	Balance 1/1/2022	Additions and Appreciation	Reductions	Balance 12/31/2022	Due Within One Year
2003F Series	$ 2,593,384	$ -	$ (855,000)	$ 1,738,384	$ 1,738,384
2016 Series	21,245,000	-	(2,260,000)	18,985,000	1,010,000
2018 Series	23,970,000	-	(340,000)	23,630,000	800,000
Total bonds payable	47,808,384	-	(3,455,000)	44,353,384	3,548,384
Bond premiums	5,977,090	-	(318,820)	5,658,270	318,820
Bond discounts	(101,455)	-	6,193	(95,262)	(6,193)
Net bonds payable	$ 53,684,019	$ -	$ (3,767,627)	$ 49,916,392	$ 3,861,011
Compensated absences	$ 5,081,613	$ 2,776,394	$ (2,313,884)	$ 5,544,123	$ 1,647,247

	Balance 1/1/2021	Additions and Appreciation	Reductions	Balance 12/31/2021	Due Within One Year
2003F Series	$ 3,423,384	$ -	$ (830,000)	$ 2,593,384	$ 855,000
2016 Series	23,400,000	-	(2,155,000)	21,245,000	2,260,000
2018 Series	24,290,000	-	(320,000)	23,970,000	340,000
Total bonds payable	51,113,384	-	(3,305,000)	47,808,384	3,455,000
Bond premiums	6,295,910	-	(318,820)	5,977,090	318,820
Bond discounts	(107,648)	-	6,193	(101,455)	(6,193)
Net bonds payable	$ 57,301,646	$ -	$ (3,617,627)	$ 53,684,019	$ 3,767,627
Compensated absences	$ 5,204,834	$ 2,258,731	$ (2,381,952)	$ 5,081,613	$ 1,679,770

7. PENSION PLAN

Plan Description—The Authority participates in the New York State and Local Employees' Retirement System ("State Plan"), which is a cost-sharing, multiple-employer, public employee retirement system. The State Plan provides retirement, disability, and death benefits to members as authorized by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the State Plan is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the State Plan. The Comptroller of the State of New York ("Comptroller") serves as the trustee of the Fund and is the administrative head of the State Plan. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Once a public employer elects to participate in the State Plan, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The State Plan is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy—Plan members who joined the State Plan before July 27, 1976 are not required to make contributions. Those joining on or after July 27, 1976 are required to contribute 3% of their annual salary for the first ten years of their membership, and members hired after January 1, 2010 generally contribute 3% of their salary for the duration of their membership. For members hired after April 1, 2012 the contribution rate varies from 3% to 6% depending on salary.

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the State Plans fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, as presented below:

Year Ended December 31,	Amount
2022	$ 2,157,063
2021	2,931,658
2020	2,422,472

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions—The Authority's proportionate share of net pension liability/(asset) was $(4,765,913) and $54,107 as of December 31, 2022 and 2021, respectively. The net pension liability/(asset) was measured as of March 31 of each year and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of April 1 of the prior year. The Authority's proportion of the net pension liability/(asset) was based on the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2022 and 2021, the Authority's proportion of the pension liability/(asset) was 0.058% and 0.054%, respectively. For the years ended December 31, 2022 and December 31, 2021, the Authority recognized pension expense of $487,733 and $1,431,300, respectively. As of December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 360,929	$ 468,146
Changes of assumptions	7,953,774	134,211
Net difference between projected and actual earnings on pension plan investments	-	15,606,368
Changes in proportion and differences between Authority contributions and proportionate share of contributions	818,270	37,834
Authority contributions subsequent to the measurement date	1,617,797	-
Total deferred outflows/inflows of resources	$ 10,750,770	$ 16,246,559

As of December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 660,799	$ -
Changes of assumptions	9,948,625	187,634
Net difference between projected and actual earnings on pension plan investments	-	15,542,862
Changes in proportion and differences between Authority contributions and proportionate share of contributions	456,264	72,683
Authority contributions subsequent to the measurement date	2,198,740	-
Total deferred outflows/inflows of resources	$ 13,264,428	$ 15,803,179

The $1,617,797 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as an addition to net pension asset in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2023	$ (959,837)
2024	(1,556,151)
2025	(3,882,465)
2026	(715,133)

Actuarial assumptions—The total pension liability as of the March 31, 2022 measurement date was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The valuation used the following actuarial assumptions:

Actuarial cost method	Aggregate Cost Method

Inflation	2.7%
Salary scale	4.4%
Investment rate of return	5.9%
Cost of living adjustments	1.4%
Mortality improvement	Based upon fiscal year 2015-2020 experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-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 return, net of investment expenses 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 by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized on the following page for the measurement date of March 31, 2022.

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	32.0%	3.3%
International equity	15.0%	5.9%
Private equity	10.0%	6.5%
Real estate	9.0%	5.0%
Opportunistic/Absolute return strategies	3.0%	4.1%
Credit	4.0%	3.8%
Real assets	3.0%	5.8%
Fixed income	23.0%	0.0%
Cash	1.0%	(1.0)%
Total	100.0%	

***Discount rate*—**The discount rate used to calculate the total pension liability at December 31, 2022 and 2021 was 5.9%. 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 the statutorily required rates, actuarially determined. Based upon the assumptions, the State Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the proportionate share of the net pension liability/(asset) to the discount rate assumption*—**The table on the following page presents the Authority's proportionate share of the net pension liability/(asset) calculated using the discount rate of 5.9%, 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% lower (4.9%) or 1% higher (6.9%) than the current rate.

	2022	2021
Current discount rate	5.9%	5.9%
Pension liability/(asset) at:		
Current discount rate	$ (4,765,913)	$ 54,107
1% increase in discount rate	(19,013,464)	(13,746,242)
1% decrease in discount rate	12,267,408	15,018,150

Collective net position liability of participating employers and actuarial information—The components of the net position liability/(asset) of the employers as of March 31, 2022 and 2021 were as shown below:

	2022	2021
	(in thousands)	(in thousands)
Employers' total pension liability	$ 223,874,888	$ 220,680,157
Plan net position	(232,049,473)	(220,580,583)
Employers' net pension liability/(asset)	$ (8,174,585)	$ 99,574
Fiduciary net position as a percentage of total pension liability	103.65%	99.95%

8. LABOR RELATIONS

Certain Authority employees are represented by two bargaining units, Brotherhood of Western New York Water Workers (BWNYWW), and Civil Service Employees Association, Inc. (CSEA).

On July 7, 2022, the Authority entered into an amended collective bargaining agreement with the BWNYWW with a retroactive effective date of April 1, 2022 through March 31, 2027.

On April 1, 2022, the Authority entered into a collective bargaining agreement with the CSEA with an effective date of April 1, 2022 through March 31, 2027.

9. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") LIABILITY

Plan Description and Benefits Provided—The Authority provides retiree health plans through Labor Management Healthcare Fund (LMHF). Retirees must meet age and years of service requirements to qualify for health benefits under this cost-sharing multiple-employer defined benefit healthcare plan ("the Plan"). Retiree benefits continue for the lifetime of the retiree and spousal benefits continue for their lifetime unless they remarry. Retirees can also elect to receive an annual payment in lieu of health insurance. There were 194 and 180 retirees or spouses receiving health care benefits on December 31, 2022 and December 31, 2021, respectively.

Authorization for the Authority to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Authority's Board of Commissioners or through union contracts, which are ratified by the Board of Commissioners. Retired employees that met the age and years of service requirements and were enrolled in any healthcare plan prior to June 1, 2004 are not required to make a contribution. Retirees enrolling in the Traditional Blue PPO 812 plan after June 1, 2004 are required to make contributions equal to the difference between the Traditional Blue PPO 812 plan premium and the highest premium of any other plan offered to that retiree.

The table below defines employee eligibility and the required contribution level for each class of employee.

		Eligibility Health Benefits		
Employee Group	Hire Date	Age	Years of Service	15% Contribution
CSEA	Before 01/01/2008	55	10	No
CSEA	01/01/2008-07/26/2012	58	15	No
CSEA	After 07/26/2012	58	15	Yes
BWNYWW	Before 01/01/1991	55	30	No
BWNYWW	01/01/1991-01/01/2006	58	15	No
BWNYWW	01/01/2006-07/26/2012	58	20	No
BWNYWW	After 07/26/2012	58	20	Yes
Non-represented	All	55	15	Yes
Non-represented	All	Age + Years of Service =70		Yes

Employees Covered by Benefit Terms—On December 31, 2022 and 2021, the following employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefit payments	194	180
Active employees	185	173
Total	379	353

Total OPEB Liability—The Authority's total OPEB liability of $54,624,496 was measured as of December 31, 2022 and was determined by an actuarial valuation. For purposes of determining benefit obligations and costs as of the December 31, 2022 measurement date, participant data as of January 1, 2022 is used. Benefit obligations are projected to measurement date using roll forward techniques by assuming no actuarial gains and losses in the interim, except for those assumption changes necessary to reflect the assumptions as of the measurement date.

Actuarial Methods and Other Inputs—The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Reporting date — December 31, 2022
Measurement date — December 31, 2022
Actuarial valuation date — January 1, 2022
Discount rate as of the measurement date — 4.05%
Rate of compensation increase — 2.50%
Consumer price index (CPI) — 2.50%
Inflation rate (chained CPI) — 2.50%
Actuarial cost method — Entry age normal
Amortization method — Level percentage
Amortization period — 6.561 years

Mortality — The sex-distinct Pri.H-2012 Mortality Tables for employees and healthy annuitants, and contingent survivors adjusted for mortality improvements with Scale MP-2021 mortality improvement scale on a generational basis.

Disability — Rates of decrement due to disability are assumed to be 0%.

Turnover — Rates of turnover are based on experience under the New York State Employees' Retirement System (State Plan).

Retirement incidence — Rates of retirement are based on the experience under the State Plan.

Election percentage — It was assumed 97% of future retirees eligible for coverage will elect postretirement healthcare coverage.

Spousal coverage — 80% of future retirees are assumed to elect spousal coverage upon retirement.

Per capita costs — All retiree health plans are offered through LMHF. Actual claims experience from LMHF was used to develop retiree claim costs for ECWA.

Annual rate of increase in the consumer price index — CPI of 2.50% was assumed for purposes of developing the rate of increase in healthcare costs. This assumptions are consistent with historical CPI and chained CPI as well as future expectations.

Healthcare cost trend rate — The assumed rates of increase in health care costs are presented in the table below. The trend rate schedule has been developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trends Model v2022f4 (The Getzen model), as well as Labor Management Healthcare Fund's expectations.

Year	Pre-65 Medical	Post-65 Medical	Prescription Drug	Prescription Drug
2023	7.750%	4.500%	7.750%	6.500%
2024	7.750%	4.500%	7.750%	6.250%
2025	7.000%	4.400%	7.000%	6.000%
2026	6.500%	4.300%	6.500%	5.500%
2027	6.000%	4.200%	6.000%	5.000%
2035	5.078%	4.200%	5.078%	5.000%
2045	4.823%	4.200%	4.823%	4.823%
2055	4.695%	4.200%	4.695%	4.695%
2065	4.607%	4.200%	4.607%	4.607%
2075+	4.037%	4.037%	4.037%	4.037%

Changes In the Total OPEB Liability—The following table presents the changes to the total OPEB liability for fiscal years ending December 31, 2022 and December 31, 2021.

	Total OPEB Liability	
	December 31,	
	2022	2021
Beginning balance	$ 89,974,098	$ 89,032,011
Changes for the year:		
Service cost	3,505,196	3,665,987
Interest cost	1,492,761	1,835,642
Differences between expected and actual experience	(11,363,153)	(6,851,571)
Changes of assumptions or other inputs	(27,045,010)	4,123,866
Actual benefit payments	(1,939,396)	(1,831,837)
Net changes	(35,349,602)	942,087
Ending balance	$ 54,624,496	$ 89,974,098

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate and healthcare cost trend assumptions can have an impact on the total OPEB liability. Healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the total OPEB liability of a 1% change in the discount rate and a 1% change in the initial (7.75%)/ultimate (4.04%) healthcare cost trend rates.

	2022	2021
Current discount rate	4.05%	1.84%
Current healthcare cost trend rates - initial/ultimate	7.75%/4.04%	7.00%/3.78%
OPEB liability at:		
Current discount rate	$ 54,624,496	$ 89,974,098
1% increase in discount rate	47,626,196	76,401,256
1% decrease in discount rate	63,279,690	107,125,802
OPEB liability at:		
Current healthcare cost trend rates	$ 54,624,496	$ 89,974,098
1% increase in healthcare cost trend rates	64,757,394	109,259,451
1% decrease in healthcare cost trend rates	46,655,947	75,168,427

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB—For the years ended December 31, 2022 and 2021 the Authority recognized annual OPEB expense of $(4,846,125) and $1,511,558, respectively. The Authority reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. The table on the following page presents the Authority's deferred outflows and inflows of resources at December 31, 2022 and 2021.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2022	2021	2022	2021
Differences between expected and actual experience	$ 47,431	$ 76,213	$ 26,434,322	$ 22,542,443
Changes in assumptions	11,342,270	15,292,224	26,597,070	5,903,604
Total	$ 11,389,701	$ 15,368,437	$ 53,031,392	$ 28,446,047

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	
2023	$ (9,844,082)
2024	(9,024,289)
2025	(7,033,166)
2026	(6,436,767)
2027	(6,019,290)
2028	(3,284,097)

10. NET POSITION

The Authority financial statements utilize a net position presentation. Net position is categorized into net investment in capital assets, restricted and unrestricted.

Net investment in capital assets—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

	December 31,	
	2022	2021
Capital assets, net of accumulated depreciation/amortization	$ 481,204,009	$ 449,057,849
Related debt:		
Water revenue bonds issued for capital assets	(44,353,384)	(47,808,384)
Bond premium	(5,658,270)	(5,977,090)
Bond discount	95,262	101,455
Lease liability	(1,446,382)	-
Total related debt	(51,362,774)	(53,684,019)
Advanced refunding of Series 2007 Bonds	919,934	986,038
Net investment in capital assets	$ 430,761,169	$ 396,359,868

Restricted net position—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

For the years ended December 31, 2022 and 2021, net position was restricted for the following purposes:

- ***Debt Service Reserve Account***—During 2003, per the 2003F bond resolution the Authority established a Debt Service Reserve Account from a portion of the 2003F bond proceeds. The required debt service reserve is based on ten percent of the total principal of the loan. The required amount was determined by EFC and must remain on deposit until the bonds mature.

- ***Debt Service Account***—The 2003F, 2016 and 2018 Supplemental Fourth Resolution bond resolutions require that a specified amount of funds be maintained in the Debt Service Account. The requirements of the Debt Service Account state that the Authority must deposit funds to provide for monthly interest and principal payments to start not later than six months prior to the payment of interest and twelve months prior to the payment of principal.

***Unrestricted net position*—**This category represents the amount of net position the Authority has not restricted for any project or other purpose. Management intends to utilize a portion of unrestricted net position to finance the Authority's projected five-year capital spending, which will require future financing in excess of $353,000,000.

When an expense is incurred for purposes for which both restricted and unrestricted amounts are available, the Authority's policy concerning which to apply first varies with the intended use and associated legal requirements. Management typically makes this decision on a transactional basis.

11. COMMITMENTS AND CONTINGENCIES

The Authority maintains and operates certain facilities employed in the sale and distribution of water which it leases from various local municipal water districts pursuant to lease management agreements. No financial consideration is afforded the municipalities in conjunction with these lease agreements. Such agreements generally are for at least ten-year terms and automatically renew for additional ten-year terms unless terminated by either party one year prior to expiration of the term. The agreements provide that the municipalities obtain water exclusively from the Authority. Future maintenance and operating costs to be incurred by the Authority under such arrangements presently in effect are not determinable.

The Authority is subject to various laws and regulations, which primarily establish uniform minimum national water quality standards. The Authority has established procedures for the on-going evaluation of its operations to identify potential exposures and assure continued compliance with these regulatory standards.

The Authority is involved in litigation and other matters arising in its normal operating, financing, and investing activities. While the resolution of such litigation or other matters could have a material effect on earnings and cash flows in the year of resolution, the Authority has obtained various liability, property, and workers' compensation insurance policies which would reduce exposure to loss on the part of the Authority. Management has made provisions for anticipated losses in the accompanying financial statements as advised by legal counsel. None of this litigation and none of these other matters are expected to have a material effect on the financial condition of the Authority at this time.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2023, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

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Required Supplementary Information

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ERIE COUNTY WATER AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liability/(Asset)—New York State Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Authority's proportion of the net pension liability/(asset)	0.0583016%	0.0543390%	0.0539816%	0.0555064%	0.0546663%	0.0561145%	0.0558137%	0.0572349%	0.0572349%
Authority's proportionate share of the net pension liability/(asset)	$ (4,765,913)	$ 54,107	$ 14,294,636	$ 3,932,796	$ 1,764,324	$ 5,272,641	$ 8,958,247	$ 1,933,536	$ 2,586,366
Authority's covered payroll	$ 19,043,427	$ 18,359,313	$ 16,783,757	$ 16,158,109	$ 16,019,184	$ 15,648,444	$ 15,035,523	$ 15,112,883	$ 15,752,018
Authority's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(25.0%)	0.3%	85.2%	24.3%	11.0%	33.7%	59.6%	12.8%	16.4%
Plan fiduciary net position as a percentage of the total pension liability	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

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* Information prior to the year ended December 31, 2014 is not available.

ERIE COUNTY WATER AUTHORITY

Schedule of Contributions to the New York State Employees' Retirement System

Last Ten Fiscal Years

(Dollar amounts in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 2,157	$ 2,932	$ 2,422	$ 2,333	$ 2,327	$ 2,339	$ 2,387	$ 2,595	$ 2,996	$ 2,905	$ 2,564
Contributions in relation to required contribution	2,157	2,932	2,422	2,333	2,327	2,339	2,387	2,595	2,996	2,905	2,564
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 19,529	$ 18,524	$ 18,310	$ 16,588	$ 16,272	$ 15,800	$ 15,567	$ 15,708	$ 15,438	$ 14,800	$ 14,550
Contributions as a percentage of covered payroll	11.045%	15.828%	13.228%	14.064%	14.301%	14.804%	15.334%	16.520%	19.407%	19.628%	17.622%

ERIE COUNTY WATER AUTHORITY
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios
Last Five Fiscal Years*

	Year Ended December 31,				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 3,505,196	$ 3,665,987	$ 2,785,643	$ 2,766,281	$ 3,378,431
Interest cost	1,492,761	1,835,642	2,121,823	3,389,502	3,372,947
Change of benefit terms	-	-	463,249	-	119,294
Differences between expected and actual experience	(11,363,153)	(6,851,571)	(15,064,932)	(13,271,429)	191,341
Change of assumptions or other inputs	(27,045,010)	4,123,866	10,396,743	9,655,142	(14,821,432)
Actual benefit payments	(1,939,396)	(1,831,837)	(1,753,051)	(2,103,839)	(2,234,009)
Net change in total OPEB Liability	(35,349,602)	942,087	(1,050,525)	435,657	(9,993,428)
Total OPEB liability—beginning	89,974,098	89,032,011	90,082,536	89,646,879	99,640,307
Total OPEB liability—ending	$ 54,624,496	$ 89,974,098	$ 89,032,011	$ 90,082,536	$ 89,646,879
Plan fiduciary net position					
Contributions—employer	$ 1,939,396	$ 1,831,837	$ 1,753,051	$ 2,103,839	$ 2,234,009
Actual benefit payments	(1,939,396)	(1,831,837)	(1,753,051)	(2,103,839)	(2,234,009)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	$ -	$ -	$ -	$ -	$ -
Authority's net OPEB liability—ending	$ 54,624,496	$ 89,974,098	$ 89,032,011	$ 90,082,536	$ 89,646,879
Plan's fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$ 19,059,226	$ 18,986,341	$ 18,402,790	$ 16,908,970	$ 16,271,826
Total OPEB liability as a percentage of covered-employee payroll	286.60%	473.89%	483.80%	532.75%	550.93%

*Information prior to the year ended December 31, 2018 is not available.

The note to the Required Supplementary Information is an integral part of this schedule.

1. OPEB LIABILITY

Changes of assumptions—The assumption changes as of December 31, 2022 include a change in the discount rate from 1.84% to 4.05% resulting in a deferred inflow of resources, a change to sex distinct Pri.H-2012 mortality tables with projected mortality improvement scale MP-2021, and updated health care trends resulted in deferred outflows of resources.

Changes in expected versus actual experience—Expected benefit payments to retirees used to calculate the OPEB liability were higher than the actual payments resulting in a deferred inflow of resources.

Changes in benefit terms**—**A change to the provision of the retiree group health benefits program is reflected at the first measurement date after adoption and/or ratification. It is shown as a change in benefit terms in the annual OPEB expense and recognized in full immediately.

Trust Assets**—**There are no assets accumulated in a trust that meets the criteria of GASB Statement No. 73 to pay related benefits.

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INDEPENDENT AUDITORS' 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*

The Board of Commissioners
Erie County Water Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Erie County Water Authority (the "Authority") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 23, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Commissioners
Erie County Water Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Erie County Water Authority (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated March 23, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with Section 2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2022. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

March 23, 2023

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March 23, 2023

The Board of Commissioners and Management
Erie County Water Authority:

In planning and performing our audit of the basic financial statements of the Erie County Water Authority (the "Authority") as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

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

We summarized future reporting requirements in Exhibit I. These should be evaluated to determine the extent the Authority will be impacted in the future years.

The purpose of this communication, which is an integral part of our audit, is to describe for management, and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

March 23, 2023

Future Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted new pronouncements, which may have a future impact upon the Authority. These should be evaluated to determine the extent the Authority will be impacted in future years.

GASB Statement No. 94—The Authority is required to implement GASB Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending December 31, 2023. The objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements ("PPPs").

GASB Statement No. 96—The Authority is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending December 31, 2023. The objectives of this Statement provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITA's) for government end users.

GASB Statement No. 99—The Authority is required to implement GASB Statement No. 99, *Omnibus 2022*, a portion effective for the fiscal year ending December 31, 2023 and the remaining portion effective for the fiscal year ending December 31, 2024. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100—The Authority is required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the fiscal year ending December 31, 2024. The objectives of this Statement are to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101—The Authority is required to implement GASB Statement No. 101, *Compensated Absences*, effective for the fiscal year ending December 31, 2024. The objectives of this Statement are to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

March 23, 2023

The Board of Commissioners
Erie County Water Authority:

We have audited the financial statements of the Erie County Water Authority (the "Authority") as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated March 23, 2023. Professional standards require that we advise you of the following matters relating to our audits.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 7, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audits of the financial statements do not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audits, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding future reporting requirements in a separate communication to you dated March 23, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. Except for the matters discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2022.

During the year ended December 31, 2022 the Authority implemented Governmental Accounting Standards Board (“GASB”) Statements No. 87, *Leases*, the remaining requirements of No. 92, *Omnibus 2020*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32.* GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. GASB Statement No. 87 has been implemented as of January 1, 2022. The Authority has evaluated the impact to the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position and the Statements of Cash Flows and has determined that GASB Statement No. 87 does not have a material effect on the Authority’s financial position, operations or cash flows as of and for the year ended December 31, 2021 and, therefore, the Authority has not restated net position, the related statements of revenue, expenses, and changes in net position or cash flows as of January 1, 2021 or January 1, 2022. GASB Statements No. 92 and 97 do not have a material effect on the Authority’s operations or financial position.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements for the years ended December 31, 2022 and 2021 are the estimates of the allowance for doubtful accounts, useful lives assigned to capital assets and related depreciation methods, accrued liabilities, the liability for compensated absences, the liability for other postemployment benefits and the net pension liability/(asset).

Management's estimates of the allowance for doubtful account and useful lives assigned to capital assets and related depreciation methods are based on past trends. Management's estimates of accrued liabilities, and compensated absences are based on available information regarding eligibility, leave balances accrued and current compensation rates. Management's estimates of the liability for other postemployment benefits and the net pension liability/(asset) are based on actuarial valuations from specialist third parties. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to fair value disclosures and disclosures relating to contingencies as described in Notes 2 and 11 to the financial statements.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We encountered no significant unusual transactions throughout our audit.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No material misstatements were identified during our audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No misstatements were identified by us as a result of our audit procedures that were considered material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 23, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Other Information Included in Annual Report

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Authority's annual report, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

* * * * *

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

March 23, 2023

ERIE COUNTY
WATER AUTHORITY

Schedule of Overhead Percentage for the
Year Ended December 31, 2022 and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Erie County Water Authority

Report on the Audit of the Schedule

Opinion

We have audited the schedule of overhead percentage (the "schedule") of the Erie County Water Authority (the "Authority") for the year ended December 31, 2022.

In our opinion, the accompanying schedule presents fairly, in all material respects, the overhead percentage of the Authority for the year ended December 31, 2022, 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"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule 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 Schedule

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

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, 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 schedule.
- 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 schedule.
- 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.

Other Matter

We have audited, in accordance with GAAS, the financial statements of the Erie County Water Authority as of and for the year ended December 31, 2022, and our report thereon, dated March 23, 2023, expressed an unmodified opinion on those financial statements.

March 23, 2023

ERIE COUNTY WATER AUTHORITY
Schedule of Overhead Percentage
Year Ended December 31, 2022

2022 Operating and Maintenance Expenses and Construction Costs:	
Operating & maintenance expenses, gross of capitalized costs	$ 55,394,813
Construction costs	39,411,716
Total operating and maintenance expenses and construction costs	$ 94,806,529
Construction percentage (1)	41.57%
Composition of Overhead:	
Design	$ 1,436,265
Construction - less payments to contractors, tanks	712,779
New services - less payments to repair contractor	513,263
Restoration - less payments to restoration contractor	283,554
Administration	248,946
Central Purchasing	495,624
Information Services - Service Center	654,857
Comptroller	241,221
Accounting	566,707
Legal	2,182,331
Secretary to the Authority	350,291
Information Services - Ellicott Square Building	309,625
General Expense	2,320,882
Total overhead	$ 10,316,345
Total overhead multiplied by construction percentage	$ 4,288,574
Overhead percentage (2)	10.88%

(1) Construction costs divided by total expenses.

(2) Total overhead multiplied by construction percentage divided by construction cost.

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ERIE COUNTY
WATER AUTHORITY

Schedule of Cash and Investments and Schedule of
Income from Cash and Investments for the
Year Ended December 31, 2022 and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Erie County Water Authority

Report on the Audit of the Schedules

Opinion

We have audited the schedule of cash and investments of the Erie County Water Authority (the "Authority") as of December 31, 2022, and the schedule of income from cash and investments (the "schedules") for the year then ended, and the related notes to the schedules.

In our opinion, the accompanying schedules present fairly, in all material respects, the cash and investments of the Authority as of December 31, 2022, and income from cash and investments for the year 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"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedules 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 Schedules

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

Auditors' Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, 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 schedules.
- 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 schedules.
- 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.

Other Matter

We have audited, in accordance with GAAS, the financial statements of the Erie County Water Authority as of and for the year ended December 31, 2022, and our report thereon, dated March 23, 2023, expressed an unmodified opinion on those financial statements.

March 23, 2023

ERIE COUNTY WATER AUTHORITY
Schedule of Cash and Investments
December 31, 2022

	Fair Value	Amortized Cost
Working Funds:		
Extension and improvement accounts:		
Money market funds	$ 30,302	$ 30,302
U.S. Treasury bills/notes	21,220,304	21,157,540
Total extension and improvement accounts	21,250,606	21,187,842
Operating and maintenance accounts:		
DDA & NOW accounts	18,822,445	18,822,445
Money market funds	17,180,050	17,180,050
U.S. Treasury bills/notes	9,199,704	9,121,273
Total operating and maintenance accounts	45,202,199	45,123,768
Customer deposit accounts:		
NOW accounts	2,086,308	2,086,308
Total customer deposit accounts	2,086,308	2,086,308
Employee withholding deposits:		
NOW accounts	13,920	13,920
Total employee witholding deposits	13,920	13,920
Total working funds	68,553,033	68,411,838
Fiscal Agent Funds:		
Debt service reserve accounts:		
Money market funds	1,472	1,472
State and Local Government Series Treasury Securities	862,839	862,839
Total debt service reserve accounts	864,311	864,311
Debt service accounts:		
Money market funds	1,067,978	1,067,978
U.S. Treasury bills/notes	337,878	332,310
Total debt service accounts	1,405,856	1,400,288
Total fiscal agent funds	2,270,167	2,264,599
Total	$ 70,823,200	$ 70,676,437

The accompanying notes are an integral part of this schedule.

ERIE COUNTY WATER AUTHORITY
Schedule of Income from Cash and Investments
Year Ended December 31, 2022

Working Funds:	
Extension and improvement accounts	$ 198,573
Operating and maintenance accounts	234,582
Customer deposit accounts	3,883
Employee withholding deposits	34
Total income from working funds	437,072
Fiscal Agent Funds:	
Debt service reserve accounts	21,398
Debt service accounts	33,194
Total income from fiscal agent funds	54,592
Net increase in the fair value of cash and investments	156,914
Total income from cash and investments	$ 648,578

The accompanying notes are an integral part of this schedule.

1. ORGANIZATION AND FUNCTION OF THE AUTHORITY

The Erie County Water Authority (the "Authority") is a public benefit corporation created in 1949 by the State of New York for the purpose of constructing, operating and maintaining a public water supply for certain parts of Erie County.

The Authority operates its business activities on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority is responsible for the operation and maintenance of the assets while the lessor is responsible for the improvement and replacement of assets; and on a bulk sales basis where the Authority contracts with the customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvement and replacement as well as billings and customer collections.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments are made by the Authority in accordance with the Bond Resolutions relating to the Series 2003F, Series 2016, Series 2018, and Series 2021 Bonds and investment guidelines. At December 31, 2022, the Authority had invested substantially all of its funds in the following:

Security	Interest Rate
U.S. Government obligations	0.75%-4.60%
Cash equivalents (including money market funds)	0.01%-0.56%

Investments are carried at fair value for those investments subject to market forces and at amortized cost for investments not subject to market forces. The amortized cost recorded is either original cost (government obligations and asset-based securities) or face value (money market funds). Any premium or discount resulting from the purchase of government securities is included in cost and amortized into income over the term of the security.

Income from investments is recorded on the accrual basis and includes realized gains and losses from sales of investments.

3. FAIR VALUE MEASUREMENT

The Authority reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are shown on the following page.

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the Authority has access at the measurement date.

- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

    - Quoted prices for similar assets or liabilities in active markets;

    - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and

    - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The Authority has the following fair value measurements as of December 31, 2022:

- Money market funds, DDA and NOW accounts of $39,202,475 are valued using quoted prices for identical assets in active markets (Level 1 input).

- U.S. treasury bills of $30,757,886 are valued using quoted prices for identical assets in active markets (Level 1 input).

- Treasury securities - State and Local Government Series ("SLGS") of $862,839 is valued using quoted prices for similar assets or liabilities in active markets (Level 2 input).

Description	12/31/2022	Level 1 Investments	Level 2 Investments
Money Market/DDA/NOW accounts	$ 39,202,475	$ 39,202,475	$ -
U.S. Treasury bills	30,757,886	30,757,886	-
Treasury Securities - SLGS	862,839	-	862,839
Total	$ 70,823,200	$ 69,960,361	$ 862,839