LIVINGSTON COUNTY
WSA
WATER & SEWER AUTHORITY

Regular Meeting Minutes
Date: March 22, 2017

APPROVED
4/24/17

Members Attending: T. Anderson, D. LeFeber, D. Kriewall, S. Beardsley

Excused: F. Miller, H. Stewart, P. Brooks

Others attending : J. Campbell, M. Kosakowski, R. Lewis, R. Shepard, N. Mazza, C. VanHorne, E. Wies, M. Baines

Audit report –R. Shepard distributed and discussed draft copies of the 2015 and 2016 Financial Statements and Independent Auditor (on file with the Secretary). R. Shepard stated that the Opinion of the auditors is that the financial statements are presented fairly, in all material respects. The respective financial position of the Authority, as of December 31, 2016 and 2015, and the changes in its financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. The Board examined the report and made the following motion:

Motion: S. Beardsley moved and D. Kriewall seconded to approve the Auditors' Report and Financial Statement. Carried unanimously.

S. Nelson, Tompkins Insurance entered.

Financial Report – R. Lewis reviewed the Financial Report – February 2017 with the Board. The Board made the following motion:

Motion: D. LeFeber moved and S. Beardsley seconded to approve the Financial Report. Carried unanimously.

R. Lewis stated that Five Star Bank has requested that a new Municipal Authorization Resolution be approved with M. Baines being added.

RESOLUTION 2017- 02 MUNICIPAL AUTHORIZATION RESOLUTION – FIVE STAR BANK (on file with the Secretary)

Motion: S. Beardsley moved and D. LeFeber seconded to approve the Municipal Authorization Resolution.2017-02. Carried unanimously.

Operation Report – M. Kosakowski reviewed the operations report (on file with the Secretary) with the Board. D. LeFeber questioned the water slippage? M. Kosakowski stated that he is watching the master meters closely and waiting for meter reading to be completed.

Capital Report – M. Kosakowski reviewed the capital report outline (on file with the Secretary) with the Board.

1. J. Campbell reviewed the Farm agreement with the Board.

Motion: D. LeFeber moved and D. Kriewall seconded to finalize the agreements and send to the Farms for review. Carried unanimously.

2. E. Wies provided information on the DOCCS construction and Engineering project status. The Board requested that C. VanHorne provide an update on the request for additional funding from DOCCS via email to the Board.

R. Shepard departed the meeting.

Succession plan – S. Nelson reviewed with the Board the Workers Compensation insurance through PERMA. The Board made the following resolution:

RESOLUTION 2017-01 PAYMENT OF WORKER COMPENSATION CLAIMS AND LIABILITIES

WHEREAS, the Livingston County Water & Sewer Authority has determined it is in its best interests, financial and otherwise, to obtain its Workers' compensation coverage through Public Employer Risk Management Association, Inc. (PERMA); and

WHEREAS, the New York State Workers' Compensation Board is seeking confirmation that in the event PERMA is unable to meet its obligations that the Livingston County Water & Sewer Authority will be able to cover payment for any outstanding Workers' compensation claims or liabilities; and

WHEREAS, pursuant to Public Authorities Law § 1199-dddd, the Livingston County Water & Sewer Authority has the power and authority to issue bonds, notes or other obligations for any corporate purpose of the Livingston County Water & Sewer Authority; and

WHEREAS, pursuant to Public Authorities Law § 1199-dddd the Livingston County Water & Sewer Authority has the power and authority to pledge its revenues and mortgage any and all properties to secure the obligations of the authority and to do all thing necessary, convenient or desirable to carry out is purposes; and

WHEREAS, pursuant to Public Authorities Law § 1199-dddd the fees, rates and fixed by the Livingston County Water & Sewer Authority must be sufficient to cover all bond indebtedness, liabilities and expenses of the Livingston County Water & Sewer Authority, it is hereby

RESOLVED, that the Livingston County Water & Sewer Authority acknowledges that in the event of a PERMA default it will be responsible for any outstanding Workers' Compensation Claims accruing during the period that it is a part of PERMA, and that the Livingston County Water & Sewer Authority shall take any and all steps necessary to fund said claims, including commencing the process of bond issuance, subject to the laws and regulations governing the bonding process, together with utilizing all other financial resources necessary to satisfy any outstanding Worker's Compensation claims accruing during the period in question.

Motion: S. Beardsley moved and D. LeFeber seconded to approve Resolution 2017-01 Payment of Worker Compensation Claims and Liabilities. Carried unanimously.

The Board thanked S. Nelson for attending the meeting. S. Nelson departed.

Executive Session:
Motion: D. LeFeber moved and S. Beardsley seconded that the Board adjourn and reconvene in Executive Session for the purpose of discussing: the medical, financial, credit, or employment history of a particular person or corporation, or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation; and that T. Anderson act as Chairman and C. VanHorne act as Secretary, and J. Campbell and N. Mazza remain present. Carried unanimously,

The Board reconvened in regular session.

The following report was presented.

REPORT OF EXECUTIVE SESSION

The Board of Supervisors having met in Executive Session for the purpose of discussing:
the medical, financial, credit, or employment history of a particular person or corporation, or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation.

hereby reports as follows:

No action taken.

Dated March 22, 2017

W. Harold Stewart
Catherine VanHorne, Secretary

Motion: S. Beardsley moved and D. Kriewall seconded that the Report of Executive Session be accepted. Carried unanimously.

Motion: D. Kriewall moved and S. Beardsley seconded to approve the Employment agreement as amended. Carried unanimously.

Other Business:

Lateral Restrictions - C. VanHorne stated that the State Department of Agriculture and Markets amended the Lateral Restriction policy in 2010. The policy does provide provisions for hardship cases and provides latitude to provide service to a lot not requiring additional approvals. This updates our policy.

RESOLUTION 2017-03 LATERAL RESTRICTION – CONDITION ON SERVICE (on file with the Secretary)

Motion: S. Beardsley moved and D. LeFeber seconded to approve the new Lateral Restriction policy for all LCWSA areas currently under the policy. Carried unanimously.

Mission Statement and Performance Measures - C. VanHorne reviewed the Authority Mission Statement and Performance Measurements document (on file with the Secretary) with the Board.

Motion: D. Kriewall moved and D. LeFeber seconded to approve the Mission Statement and Performance Measures. Carried unanimously.

AWWA (America Water Works Association) Conference Travel request – The Board reviewed the travel request.

Motion: D. LeFeber moved and D. Kriewall seconded to authorize the travel request. Carried unanimously.

Meeting dates

Motion: D. LeFeber moved and D. Kriewall seconded to cancel the April 26th regular meeting and reschedule to April 24th. Carried unanimously.

Motion: S. Beardsley moved and D. LeFeber seconded to set a public hearing for High Volume Discount at the April 24, 2017 board meeting. Carried unanimously.

Minutes

Motion: D. LeFeber moved and D. Kriewall seconded to approve the minutes dated February 22, 2017. Carried unanimously.

Bills: R. Lewis reviewed the monthly bills.

Motion: S. Beardsley moved and D. Kriewall seconded to approve paying the bills for Operating Expenditures in an amount not to exceed $119,255.73, and the DOCCS project in an amount not to exceed $283,871.63. Carried unanimously.

Motion: D. Kriewall moved and S. Beardsley seconded to approve paying the bills for Utilities in an amount not to exceed $27,959.57, Commodity in an amount not to exceed $60,320.34, and for miscellaneous expense in an amount not to exceed $1,973.16. Carried unanimously.

Communications: none

Adjourn: *Motion: S. Beardsley moved and D. LeFeber seconded to adjourn the board meeting. Carried unanimously.*

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

Financial Statements
December 31, 2016 and 2015
Together with
Independent Auditor's Report

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

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INDEPENDENT AUDITOR'S REPORT

March 23, 2017

To the Board Members of
Livingston County Water and Sewer Authority:

Report on the Financial Statements
We have audited the accompanying financial statements of the Livingston County Water and Sewer Authority (the Authority), a New York Public Benefit Corporation, which is a discretely presented component unit of Livingston County, New York, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2016 and 2015, and the changes in its financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules on pages 24-25, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2016 AND 2015

INTRODUCTION

The Livingston County Water and Sewer Authority (the Authority) is a public benefit corporation formed in 1995, created by legislation passed by the State of New York. Livingston County's (the County) Board of Supervisors appoints the volunteer members who comprise the Authority's Board. The N.Y.S. Authority Budget Office provides oversight of operations and practices of authorities. The Authority also is required to meet the requirements of Federal, State, and County water pollution control and safe drinking water laws, thereby helping to protect the health of citizens, improving drinking water quality, and protecting the environment.

The Authority functions with required fair bidding laws, prevailing wage rates and financial safeguards. It is required to report as an *Enterprise Fund* similar to private business. Financial statements are prepared on the accrual basis in accordance with Generally Accepted Accounting Principles set forth by the Government Accounting Standards Board (GASB). Within these principles, revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid. The Authority is self-supporting and does not receive Federal, State or County appropriations for operating expenses or issuance of debt.

The Authority leases its employees from the County. Employee related services, such as payroll, personnel, etc. are provided by the County. The County then bills the Authority annually for a share of the related indirect expenses. Payroll and health care costs are reimbursed monthly. The Authority has a staff of 10 leased employees: four are administrative and six are for water and sewer operations. Professional services are used to supplement the staff as needed.

The discussion and analysis of the Authority's financial performance provides highlights of the Authority's major activities that had an effect on the operations of the Authority for the fiscal year ended December 2016 with comparative data for 2015 and 2014. This report should be used and considered in conjunction with the 2016 audited financial statements, which follows this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statement of net position and the statement of revenue, expenses, and change in net position report information about the Authority as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them from one year to the next. The Authority's net position, the difference between assets and liabilities, is one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Authority's operating revenue and the fluctuation of the Authority's expenses, to assess the overall health of the Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Financial Highlights

- Net Position increased from 2015 by $361,562, resulting in total 2016 net position of $24,358,085.
- 2016 Operating Revenues increased over 2015 by $129,511, or 4.1%.
- 2016 Operating Expenses increased over 2015 by $18,975, or 0.6%.

The remainder of this report contains a series of financial information and tables disclosing the basis for the above financial highlights and the operations of the Authority.

NOTES TO FINANCIAL STATEMENTS

The financial statements also include notes that explain the information in the financial statements. They are essential to a full understanding of the data provided in the financial statements.

STATEMENTS OF NET POSITION

The condensed Statements of Net Position that follow provides information about the nature and amounts of resources (assets) and the obligations to the Authority's creditors (liabilities). The difference between the assets and liabilities is reported as net position. The following is a summary of the Authority's net position as of December 31 (in thousands):

Table 1 - Summary Statements of Net Position (in thousands)

	2016	2015	2014
Assets:			
Current and other assets	$ 6,077	$ 6,309	$ 4,296
Capital assets, net	24,317	24,272	24,925
Total assets	30,394	30,581	29,221
Liabilities:			
Current liabilities	1,846	2,248	479
Long-term liabilities	4,190	4,336	4,483
Total liabilities	6,036	6,584	4,962
Net Position:			
Net investment in capital assets	19,981	19,789	20,295
Restricted	178	197	258
Unrestricted	4,199	4,011	3,706
Total net position	$ 24,358	$ 23,997	$ 24,259

Current and other assets reflect the value of all cash accounts, accounts receivable, inventory, capital contribution receivables, prepaid expenses and funds held for others. These funds are the total customer payments and other operating deposits less the Authority's operating and repair expense payments. The balance of current and other assets decreased approximately $232,000 from 2015 to 2016. This decrease is primarily due to a $175,128 increase in receipts from service fees year over year offset by $418,483 in current year expenditures related to the agreement with the Department of Corrections and Community Supervisions (DOCCS) to provide a distribution system and drinking water service for ten years to Groveland and Livingston Correctional Facilities.

STATEMENTS OF NET POSITION (Continued)

Total liabilities show the total funds the Authority borrowed to improve infrastructure either with debt or other current year payables. The decrease in total liabilities of approximately $548,000 from 2015 to 2016 is primarily the result of an approximate $418,000 decrease in unearned revenue as a result of current year work performed for the DOCCS project as well as the $146,725 current principal debt payment. There was also a small increase in accounts payable of approximately $20,000 in 2016 over 2015.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION

Net position changes as a result of operating activities over a period of one year (revenues earned and expenses incurred). The following Statements of Revenue, Expenses, and Change in Net Position provide information on the Authority's operations for the years ended December 31, 2016, 2015 and 2014.

Table 2 - Statement of Revenue, Expenses and Change in Net Position (in thousands)

	Sewer			Water		
	2016	2015	2014	2016	2015	2014
Operating revenue:						
Service fees	$ 1,733	$ 1,669	$ 1,577	$ 1,422	$ 1,353	$ 1,373
Permit fees	23	30	13	46	35	27
Other income	44	57	40	13	7	2
Total operating revenues	1,800	1,756	1,630	1,481	1,395	1,402
Operating expenses						
Contracted employees	505	496	616	407	416	429
Professional services	200	154	89	69	54	53
Utilities	174	177	184	103	98	105
Equipment/building expense	78	75	45	70	88	56
Vehicle expenses	6	16	15	6	10	15
Purchased water and sewer	59	64	83	478	493	436
Outside services	164	170	219	90	92	87
Depreciation	739	712	726	243	243	237
Other	25	30	24	14	22	22
Total operating expenses	1,950	1,894	2,001	1,480	1,516	1,440
Total operating income (loss)	(150)	(138)	(371)	1	(121)	(38)
Non-operating revenue (expense):						
Contract with NYS	-	-	-	418	44	-
Contributed funds	-	-	-	107	-	-
Interest income	1	5	1	20	17	24
Interest expense	(74)	(70)	(79)	-	-	-
Grant revenue	15	44	36	-	-	-
Grant expense	(5)	(43)	(21)	-	-	-
Gain on sale of assets	15	-	3	13	-	2
Total non-operating rev (exp)	(48)	(64)	(60)	558	61	26
Change in net position	$ (198)	$ (202)	$ (431)	$ 559	$ (60)	$ (12)

STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION (Continued)

The Summary Statements of Revenue, Expenses, and Change in Net Position (Table 2) show a increase in net position in 2016 of $361,562 and a decrease in 2015 of $262,130. Operating revenue is income earned by the Authority from normal operations. Total operating revenue increased $129,511 from 2015 to 2016, or approximately 4.1%, while from 2014 to 2015 operating revenue increased $120,000.

Operating expense reflects the expenses incurred by the Authority during the execution of normal operating procedures. These normal operations costs include: personnel, professional, utilities, vehicle, equipment, building, permit, supply, and depreciation on fixed assets. The Authority has Administrative, Treatment and Transmission/Collection Departments. All of the leased employees perform work for both the water and sewer areas. All direct costs are applied directly to the applicable water/sewer service area. All indirect costs (costs applicable to both water and sewer, such as administrative salaries) are applied according to the number of service units within each service area. Operating expenses increased $18,975, or approximately 0.6%.

LEASE AREAS

The Authority leases several water/sewer service areas. The value of these leased areas is not carried within the capital asset total because the balance sheet reflects only assets that the Authority owns. The Authority is responsible for repair and improvements upon these leased areas. When an improvement is made, the value of the improvement/repair is added to capital assets. Thus, the depreciated amount from capital assets does not represent all infrastructures the Authority is responsible to maintain. Water/Sewer infrastructure leases generally have a term of 40 years.

FUTURE FACTORS

Sewer Rates were increased $4 per unit per year in most service areas for 2017.

Water Rates were increased $4 per unit per year in most service areas for 2017.

CSEA contract negotiations for 2017 are ongoing as no contract has been reached.

Sewage Treatment Plant Permit Requirements

Lakeville Waste Water Treatment Plant Permit - The Lakeville plant received a permit for modifications that will lower the effluent discharge levels by 2019. During that time the LCWSA will either have to upgrade the plant or consolidate with the Village of Avon, either plan will require utilizing Environmental Facilities Corporation (EFC) funding already received. Decision of preferred option will be made in 2017.

FUTURE FACTORS

Collection System

2015 Collection System Study – Due to the recent rash of extreme storms that created overflows in the LCWSA sewer collection system, the LCWSA conducted a study that examines the inflow and infiltration issues in the Lakeville treatment plant service area. The Study looked at rain events and flows with the collection system and evaluated the data. The report is completed, and outlines the activities for the next five years, to attempt to stop the overflow issue. The following are steps to be undertaken over the next 5 years

- Hire a new employee who will undertake internal plumbing inspections of residents in the service area to determine if there are any illegal connections
- Continue with the Inflow and Infiltration repair projects $80,000 per year
- Continue televising and cleaning the sanitary sewer system and identifying project for the Inflow and Infiltration repair projects

At the end of each year a report will be submitted to the NYSDEC on the accomplishments under the study. At the end of the five years if the LCWSA has not been successful in eliminating or reducing overflow issues, the report outlines capital improvement options that include:

- Installation of parallel gravity sewer mains
- Installation of a new force main
- Combinations of both gravity and force mains
- Different sizes of sewer storage tanks
- Installation of entire new system diverting the sewage from the Lake collection system through a new collection system directly to the plant

The costs of the capital improvement options range from $1,200,000 to $9,000,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Financial Manager, LCWSA, P.O. Box 396, Lakeville, N.Y., 14480; or call 585-346-3523.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,122,098	$ 2,879,525
Restricted cash	1,415,783	1,833,758
Accounts receivable	839,903	849,984
Current portion of capital contributions receivable	34,050	32,560
Inventory	7,503	8,475
Prepaid expenses	51,855	47,954
Funds held for others	32,547	30,657
Total current assets	5,503,739	5,682,913
NONCURRENT ASSETS:		
Restricted cash	11,058	11,057
Funds held by trustee	166,669	185,869
Capital contributions receivable, net of current portion	395,266	429,316
Capital assets, net	24,317,430	24,271,654
Total noncurrent assets	24,890,423	24,897,896
Total assets	30,394,162	30,580,809
LIABILITIES		
CURRENT LIABILITIES:		
Unearned revenue	1,415,212	1,833,695
Accounts payable	147,746	127,745
Current portion of bonds payable	146,725	146,725
Other current liabilities	104,172	109,064
Funds held for others	32,547	30,657
Total current liabilities	1,846,402	2,247,886
NONCURRENT LIABILITIES:		
Bonds payable, net of current portion	4,189,675	4,336,400
Total noncurrent liabilities	4,189,675	4,336,400
Total liabilities	6,036,077	6,584,286
NET POSITION		
Net investment in capital assets	19,981,030	19,788,529
Restricted	177,727	196,926
Unrestricted	4,199,328	4,011,068
Total net position	$ 24,358,085	$ 23,996,523

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
OPERATING REVENUE:		
Service fees	$ 3,154,904	$ 3,021,550
Permit fees	69,251	65,325
Other income	56,437	64,206
Total operating revenue	3,280,592	3,151,081
OPERATING EXPENSES:		
Administrative	529,732	562,960
Treatment	913,310	963,361
Transmission/collection	1,004,432	928,646
Depreciation	981,759	955,291
Total operating expenses	3,429,233	3,410,258
Total operating loss	(148,641)	(259,177)
NON-OPERATING REVENUE (EXPENSE):		
Interest revenue	21,440	22,759
Interest expense	(74,215)	(70,065)
Gain on sale of capital assets	27,930	-
Grant revenue	15,000	44,470
Grant expense	(5,075)	(43,722)
Total non-operating revenue (expense)	(14,920)	(46,558)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(163,561)	(305,735)
CAPITAL CONTRIBUTIONS:		
Contract with New York State	418,483	43,605
Developers and customers	106,640	-
Total capital contributions	525,123	43,605
CHANGE IN NET POSITION	361,562	(262,130)
NET POSITION - beginning of year	23,996,523	24,258,653
NET POSITION - end of year	$ 24,358,085	$ 23,996,523

The accompanying notes are an integral part of these statements.

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Revenues -		
Receipts from service fees	$ 3,164,985	$ 2,989,857
Receipts from permit fees	69,251	65,325
Other operating receipts	56,437	64,206
Expenses -		
Payments to vendors and suppliers for goods and services	(1,518,852)	(1,570,901)
Payments to Livingston County for contracted employees	(915,731)	(929,085)
Net cash flow from operating activities	856,090	619,402
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash received under New York State contract	-	1,875,000
Purchase of capital assets with state revenue	(511,270)	(258,317)
Contributed capital assets	(418,483)	(41,305)
Proceeds on disposal of capital assets	36,788	-
Disposal of capital assets	-	241
Cash received for capital contributions	32,560	31,135
Grants received for capital assets	15,000	44,470
Repayments on grants	(5,075)	(43,722)
Change in funds held with trustee	19,200	60,800
Repayments of bond payable	(146,725)	(146,725)
Interest on capital debt	(74,926)	(76,756)
Net cash flow from capital and related financing activities	(1,052,931)	1,444,821
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	21,440	22,759
Net cash flow from investing activities	21,440	22,759
CHANGE IN CASH AND CASH EQUIVALENTS	(175,401)	2,086,982
CASH AND CASH EQUIVALENTS - beginning of year	4,724,340	2,637,358
CASH AND CASH EQUIVALENTS - end of year	$ 4,548,939	$ 4,724,340
CLASSIFIED AS:		
Cash and cash equivalents	$ 3,122,098	$ 2,879,525
Restricted cash and cash equivalents	1,426,841	1,844,815
Total cash and cash equivalents	$ 4,548,939	$ 4,724,340

(Continued)

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating loss	$ (148,641)	$ (259,177)
Adjustments to reconcile operating loss to net cash flow from operating activities:		
Depreciation	981,759	955,291
Change in:		
Accounts receivable	10,081	(31,693)
Inventory	972	1,116
Prepaid expenses	(3,901)	13,137
Accounts payable	20,001	(41,278)
Other current liabilities	(4,181)	(17,994)
Net cash flow from operating activities	$ 856,090	$ 619,402
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY:		
Capital assets received directly from developers and governments	$ 106,640	$ 2,300

1. ORGANIZATION AND REPORTING ENTITY

The Livingston County Water and Sewer Authority (the Authority) is a public benefit corporation organized under the Public Authorities Law of the State of New York. The Authority was created to finance, construct, operate and maintain water and sewage facilities for the benefit of the residents of the County of Livingston, New York (the County).

The Authority was created by special New York State legislation on July 26, 1995 and commenced operations with the appointment of its officers on August 23, 1995 and September 13, 1995.

Members of the Authority's governing board are appointed by the County's Board of Supervisors; however, the Board of Supervisors exercises no oversight responsibility for management of the Authority, or accountability for fiscal matters. The County is not liable for any Authority indebtedness. The Authority is considered a component unit of the County and is included as such within the County's basic financial statements as a discretely presented component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Basis of Presentation

GASB requires the classification of net position into three components, as defined below:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent capital-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted Net Position - This component of net position consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position - This component consists of net position that does not meet the definition of "net investment in capital assets," or "restricted."

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Authority's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. In addition, cash held with trustee consists of cash that is held by New York State Environmental Facilities Corporation (EFC) on the Authority's behalf.

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing and therefore any remaining proceeds are restricted. Also, certain assets were restricted to fund development and repairs associated with specific service areas.

For purposes of presenting the statement of cash flows, the Authority considers all highly liquid short-term investments with a maturity of three months or less from year-end to be cash or cash equivalents.

Accounts Receivable

Accounts receivable consist of fees for services for sewer and water charges due from individuals and other governments. Accounts receivable are carried on the statements of net position at net realizable value. The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require the allowance method to be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Capital Contributions Receivable

Capital contributions receivable represents contractual agreements with the Village of Geneseo for capital improvements to system infrastructure in the respective water and sewer districts. In addition, interest is charged by the Authority for amounts expended during project completion at rates equivalent to borrowings incurred by the Authority during that time and are recorded as interest income in the accompanying statements of revenue, expenses and changes in net position.

Inventory

Inventory of meters and supplies is stated at the lower of cost determined on the first-in, first-out method or market.

Capital Assets

Capital assets, including distribution/collection systems, are stated at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

Machinery and equipment	5 - 10 years
Buildings	20 - 40 years
Water distribution system	30 - 50 years
Sewer collection system	20 - 50 years

Improvements, renewals and significant repairs that do not extend the life of the asset are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation are written off and any unrelated gains or losses are recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Held by Trustee
Funds held by M&T Bank (the Trustee) consist of fixed income United States Government securities. The Authority reports these items at fair value based on quoted market prices. This represents funds held by EFC as unspent proceeds related to a project that was funded by the EFC, as well as debt service funds required under the 2012 series bonds.

Revenue Recognition
Revenues from water and sewer sales are recognized at the time of service delivery based on actual or estimated water meter readings and actual sewer units.

Capital Contributions
Capital contributions represent amounts that developers, customers and governments have contributed for betterments or additions to capital assets. These contributions are received in cash or in the form of non-cash contributions of capital items and are recorded at fair value on the date of donation.

Unearned Revenue
Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Authority has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

Income Taxes
As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales taxes.

Budget
The Authority is not required to have a legally adopted budget. However, under the New York State Public Authorities Law, the Authority board must approve and issue a budget on an annual basis representing the Authority's objectives and priorities for the year.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made to the December 31, 2015 financial statement presentation to correspond with the current year's format. Net position and changes in net position are unchanged due to these reclassifications.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS

The guidelines established by the Authority permit the investment of funds held by the Authority to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

The Authority's investment policy requires its deposits and investments to be 100% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. In addition, the Authority's investment policy includes the following provisions for interest rate risk, credit risk and custodial credit risk (as defined below):

- Interest rate risk
  Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- Credit risk
  The Authority's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Authority's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

  - Interest bearing demand accounts.
  - Certificates of deposit.
  - Obligations of the United States Treasury and United States agencies.
  - Obligations of New York State and its localities.

- Custodial credit risk
  Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Authority's investment and deposit policy, all deposits of the Authority including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits.

  - Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
  - Obligations issued or fully insured or guaranteed by New York State and its localities.

At December 31, 2016 and 2015, respectively, cash and cash equivalents and restricted cash held by the Authority in financial institutions (not including funds held for others) were $4,548,939 and $4,817,090. At December 31, 2016 and 2015, cash and cash equivalents and restricted cash consisted of bank demand deposit and money market accounts, which are not subject to investment risk relating to changing interest rates. The Authority's deposits and investments are required to be collateralized in the event of loss due to the failure of the issuer or counterparty to its investments.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

Total deposits of cash and cash equivalents, including funds held for others, are as follows for the years ended December 31:

	2016	
	Carrying Amount	Bank Balance
Demand deposits	$ 41,675	$ 58,441
Time deposits	4,539,811	4,537,412
Total cash and investments	$ 4,581,486	$ 4,595,853
Insured cash - FDIC		$ 308,441
Uninsured - collateralized with securities held by pledging financial institution		4,442,644
Total insured and collateralized cash and cash equivalents		$ 4,751,085

	2015	
	Carrying Amount	Bank Balance
Demand deposits	$ 40,648	$ 45,098
Time deposits	4,807,099	4,809,660
Total cash and investments	$ 4,847,747	$ 4,854,758
Insured cash - FDIC		$ 392,308
Uninsured - collateralized with securities held by pledging financial institution		4,608,859
Total insured and collateralized cash and cash equivalents		$ 5,001,167

4. RESTRICTED CASH

The Authority's cash is restricted for the following purposes as of December 31:

	2016	2015
Department of Corrections Capital Project	$ 1,415,783	$ 1,833,758
Capital development and repairs	11,058	11,057
	$ 1,426,841	$ 1,844,815

Restricted funds are established to fund development and repairs associated with specific service areas as well as requirements related to debt reserves.

5. FUNDS HELD BY TRUSTEE

Funds held by trustee for the Authority refer to cash held by a third party for the Authority. The funds held by trustee are not subject to the Authority's Investment and Deposit Policy or collateralization requirements. As of December 31, 2016 and 2015 this amount was $166,669 and $185,869, respectively. This represents funds held by EFC as unspent proceeds related to a project that was funded by the EFC, as well as debt service funds required under the 2012 series bonds.

United States Treasury obligations and United States Treasury bills are considered level 1 investments. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2016 and 2015:

- U.S. Treasury securities of $92,750 are valued using quoted market prices (Level 1 inputs).

6. ACCOUNTS RECEIVABLE

The Authority's accounts receivable as of December 31 are as follows:

	2016	2015
Water and sewer service fees	$ 566,071	$ 570,070
Due from local governments	273,832	279,914
	$ 839,903	$ 849,984

7. CAPITAL CONTRIBUTIONS RECEIVABLE

Capital contributions receivable at December 31 are as follows:

	2016	2015
Village of Geneseo	$ 429,316	$ 461,876

Future scheduled principal payments of capital contributions are as follows at December 31:

2017	$ 34,050
2018	35,608
2019	37,238
2020	38,942
2021	40,724
2022-2026	233,343
2027	9,411
	$ 429,316

8. CAPITAL ASSETS

The Authority's capital assets for 2016 are as follows:

	Balance January 1	Increases	Transfers	Decreases	Balance December 31
Land	$ 150,285	$ -	$ -	$ -	$ 150,285
Construction work-in-progress	375,922	807,201	(354,073)	-	829,050
Total non-depreciable assets	526,207	807,201	(354,073)	-	979,335
Buildings	5,167,310	-	175,190	-	5,342,500
Water distribution system	9,583,315	-	-	-	9,583,315
Sewer collection system	20,534,862	106,640	71,835	-	20,713,337
Machinery and equipment	3,113,010	122,552	107,048	(64,984)	3,277,626
Total depreciable assets	38,398,497	229,192	354,073	(64,984)	38,916,778
Less: Accumulated depreciation:					
Buildings	(1,866,356)	(138,556)	-	-	(2,004,912)
Water distribution system	(3,220,075)	(182,794)	-	-	(3,402,869)
Sewer collection system	(7,883,239)	(465,783)	-	-	(8,349,022)
Machinery and equipment	(1,683,380)	(194,626)	-	56,126	(1,821,880)
Total accumulated depreciation	(14,653,050)	(981,759)	-	56,126	(15,578,683)
Net depreciable assets	23,745,447	(752,567)	354,073	(8,858)	23,338,095
Total capital assets, net	$ 24,271,654	$ 54,634	$ -	$ (8,858)	$ 24,317,430

The Authority's capital assets for 2015 are as follows:

	Balance January 1	Increases	Transfers	Decreases	Balance December 31
Land	$ 147,985	$ 2,300	$ -	$ -	$ 150,285
Construction work-in-progress	864,489	299,622	(787,948)	(241)	375,922
Total non-depreciable assets	1,012,474	301,922	(787,948)	(241)	526,207
Buildings	5,148,174	-	19,136	-	5,167,310
Water distribution system	9,583,315	-	-	-	9,583,315
Sewer collection system	20,417,529	-	117,333	-	20,534,862
Machinery and equipment	2,461,531	-	651,479	-	3,113,010
Total depreciable assets	37,610,549	-	787,948	-	38,398,497
Less: Accumulated depreciation:					
Buildings	(1,733,256)	(133,100)	-	-	(1,866,356)
Water distribution system	(3,037,883)	(182,192)	-	-	(3,220,075)
Sewer collection system	(7,419,689)	(463,550)	-	-	(7,883,239)
Machinery and equipment	(1,506,931)	(176,449)	-	-	(1,683,380)
Total accumulated depreciation	(13,697,759)	(955,291)	-	-	(14,653,050)
Net depreciable assets	23,912,790	(955,291)	787,948	-	23,745,447
Total capital assets, net	$ 24,925,264	$ (653,369)	$ -	$ (241)	$ 24,271,654

9. FINANCING ARRANGEMENTS

The Authority had the following debt outstanding as of December 31, 2016:

	Balance January 1	Increases	Decreases	Due Within One year	Due After One Year
On August 27, 2009, the Authority issued a $2,921,000 Sewer Installment Bond with the NYS Environmental Facilities Corporation to fund the cost of various water and sewer projects. The bond has an interest rate of 4.27% and will mature on August 1, 2039.	$ 2,475,000	$ -	$ (80,000)	$(80,000)	$ 2,315,000
On February 7, 2011 the Authority issued a $951,750 Drinking Water Installment Bond with the NYS Environmental Facilities Corporation to fund the cost of the Groveland Station water project. The note has an interest rate of 0% and will mature on August 31, 2040.	793,125	-	(31,725)	(31,725)	729,675
On May 1, 2012, the Authority issued a $1,322,692 clean water installment bond with the NYS Environmental Facilities Corporation to fund the cost of various sewer projects. The bond has an interest rate of 3.74% and will mature on May 1, 2042.	1,215,000	-	(35,000)	(35,000)	1,145,000
	$ 4,483,125	$ -	$ (146,725)	$ (146,725)	$ 4,189,675

The Authority had the following debt outstanding as of December 31, 2015:

	Balance January 1	Increases	Decreases	Due Within One year	Due After One Year
On August 27, 2009, the Authority issued a $2,921,000 Sewer Installment Bond with the NYS Environmental Facilities Corporation to fund the cost of various water and sewer projects. The bond has an interest rate of 4.27% and will mature on August 1, 2039.	$ 2,555,000	$ -	$ (80,000)	$(80,000)	$ 2,395,000
On February 7, 2011 the Authority issued a $951,750 Drinking Water Installment Bond with the NYS Environmental Facilities Corporation to fund the cost of the Groveland Station water project. The note has an interest rate of 0% and will mature on August 31, 2040.	824,850	-	(31,725)	(31,725)	761,400
On May 1, 2012, the Authority issued a $1,322,692 clean water installment bond with the NYS Environmental Facilities Corporation to fund the cost of various sewer projects. The bond has an interest rate of 3.74% and will mature on May 1, 2042.	1,250,000	-	(35,000)	(35,000)	1,180,000
	$ 4,629,850	$ -	$ (146,725)	$ (146,725)	$ 4,336,400

9. FINANCING ARRANGEMENTS (Continued)

Future scheduled principal payments on long-term debt are as follows at December 31:

2017	$	146,725
2018		151,725
2019		151,725
2020		151,725
2021		156,725
2022 - 2026		813,625
2027 - 2031		888,625
2032 - 2036		963,625
2037 - 2041		766,900
2042		145,000
	$	4,336,400

Interest on all long-term debt for the year was composed of:

Interest paid	$	74,926
Plus: Interest accrued in the current year		21,306
Less: Interest accrued in the prior year		(22,017)
Total interest expense	$	74,215

In 2008, the Authority entered into a Trust Indenture under which debt is issued. The Trust Indenture pledges all revenues and other income collected by the Authority for payment of principal and interest on the bonds. The Trust Indenture also generally requires establishment of certain trust funds, for which M&T Bank acts as a trustee, into which monies are to be deposited. The Authority is required to maintain on deposit amounts sufficient to cover the annual debt service (as defined in the Trust Indenture) of its bonds. The Authority covenants in its indenture that it will establish water and sewer rates sufficient to cover the sum of: (1) 105% times debt service, (2) operating revenues exceed operating expenses as defined by the covenant, and (3) any additional amounts required to restore the debt service reserve fund to the debt service reserve requirement. As of December 31, 2016 and 2015, there were no covenant violations with any outstanding debt issues for the Authority. The Authority includes in their customer billings an amount designated for debt service. The intention by the Board, related to the use of these revenues, is to satisfy debt service requirements.

10. FUNDS HELD FOR OTHERS

At December 31, the Authority maintained funds for other unrelated governments related to capital projects and collections for customer charges billed by the Authority, as follows:

		2016		2015
Compact of towns (flood gates)	$	21,936	$	21,934
Collections		10,611		8,723
	$	32,547	$	30,657

11. COMMITMENTS AND CONTINGENCIES

Commitments
The Authority has an agreement with the County to lease the County's employees, with the exception of 10% of the billing clerk salary which is paid by the County. Therefore, the Authority makes monthly payments to the County for all payroll and related employee expenses. The total amount recognized in 2016 and 2015 was $911,550 and $911,091, respectively.

Contingencies
The Authority has various insurance policies with third-party carriers related to property protection and casualty.

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

DEC SPEDES Permit
In February 2013, the New York State Department of Environmental Conservation (NYSDEC) issued a draft permit for comment for the Lakeville Sewer Plant. To achieve the effluent discharge limits published in the draft permit, the plant would require major costly upgrades. The LCWSA undertook a formalized negotiation process under the guidance of an administrative law judge with the NYSDEC to work out issues with the draft permit.

The permit will contain a chemical and biological monitoring program that will run for two years and one year, respectively. The resulting conclusions of the monitoring program will provide the basis of the permit effluent discharge limits. The outcome may still require upgrades to the Lakeville Sewer Plant depending on the monitoring program results. The monitoring program analysis will be completed in 2015 for the biological monitoring and the chemical monitoring analysis will be completed by 2016.

Part of this program was also a re-rating of the plant capacity from 1,270,000 to 950,000 gallons per day.

Groveland Correctional Facility Water Supply Project
On June 15, 2014 the Authority signed a contract with the New York State Department of Corrections and Community Supervision (DOCCS) to design and construct needed improvements to the Authority's water supply and distribution system. These improvements would allow the Authority to begin water supply services to the Groveland Correctional Facility.

It was agreed that DOCCS would pay 100% of the anticipated project cost of $7,500,000, or the actual costs, whichever is less. The agreement called for 25% of the project cost ($1,875,000) to be paid immediately after approval of the contract, 25% to be paid after the project is 25% complete, 25% to be paid after the project is 50% complete and 15% when the project is 75% complete. DOCCS will then make a final payment to cover the final remaining cost of the project.

On November 19, 2015, the Authority received its first check from DOCCS in the amount of $1,875,000. This amount was initially recorded as unearned revenue and will be recognized as revenue as the Authority completes the project. As of December 31, 2016, the Authority has recognized $462,088 of revenue and expense related to this project.

12. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2019.

The Authority's management has begun to assess the impact of this statement on its future financial statements.

Schedule I

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

SCHEDULE OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			2015		
	Sewer	Water	Total	Sewer	Water	Total
OPERATING REVENUE:						
Service fees	$ 1,732,680	$ 1,422,224	$ 3,154,904	$ 1,668,610	$ 1,352,940	$ 3,021,550
Permit fees	23,170	46,081	69,251	30,355	34,970	65,325
Other income	43,938	12,499	56,437	57,042	7,164	64,206
Total operating revenue	1,799,788	1,480,804	3,280,592	1,756,007	1,395,074	3,151,081
OPERATING EXPENSES:						
Administrative	274,623	255,109	529,732	293,988	268,972	562,960
Treatment	409,634	503,676	913,310	429,683	533,678	963,361
Transmission/collection	527,014	477,418	1,004,432	458,057	470,589	928,646
Depreciation	738,554	243,205	981,759	712,309	242,982	955,291
Total operating expenses	1,949,825	1,479,408	3,429,233	1,894,037	1,516,221	3,410,258
Total operating loss	(150,037)	1,396	(148,641)	(138,030)	(121,147)	(259,177)
NON-OPERATING REVENUE (EXPENSE):						
Interest revenue	664	20,776	21,440	5,281	17,478	22,759
Interest expense	(74,215)	-	(74,215)	(70,065)	-	(70,065)
Gain on sale of assets	15,406	12,524	27,930	-	-	-
Grant revenue	15,000	-	15,000	44,470	-	44,470
Grant expense	(5,075)	-	(5,075)	(43,722)	-	(43,722)
Total non-operating revenue (expense)	(48,220)	33,300	(14,920)	(64,036)	17,478	(46,558)
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(198,257)	34,696	(163,561)	(202,066)	(103,669)	(305,735)
CAPITAL CONTRIBUTIONS:						
Contract with New York State	-	418,483	418,483	-	43,605	43,605
Developers and customers	-	106,640	106,640	-	-	-
Total capital contributions	-	525,123	525,123	-	43,605	43,605
CHANGE IN NET POSITION	$ (198,257)	$ 559,819	361,562	$ (202,066)	$ (60,064)	(262,130)
NET POSITION - beginning of year			23,996,523			24,258,653
NET POSITION - end of year			$ 24,358,085			$ 23,996,523

Schedule II

LIVINGSTON COUNTY WATER AND SEWER AUTHORITY
(A Discretely Presented Component Unit of the County of Livingston, New York)

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			2015		
	Sewer	Water	Total	Sewer	Water	Total
OPERATING EXPENSES:						
Administrative -						
Contracted employees	$ 158,599	$ 150,306	$ 308,905	$ 191,451	$ 185,372	$ 376,823
Professional services	78,524	68,513	147,037	65,141	53,660	118,801
Small equipment purchase	2,027	663	2,690	1,595	(258)	1,337
Travel and training	1,136	1,190	2,326	1,340	1,624	2,964
Equipment and building maintenance	529	1,793	2,322	657	2,009	2,666
Utilities	1,046	1,017	2,063	1,091	1,056	2,147
Outside services	15,960	15,108	31,068	17,510	15,194	32,704
Other	16,802	16,519	33,321	15,203	10,315	25,518
Total administrative	274,623	255,109	529,732	293,988	268,972	562,960
Treatment -						
Contracted employees	107,296	24,530	131,826	103,263	35,653	138,916
Purchased water/sewer	59,161	477,309	536,470	63,913	492,898	556,811
Utilities	56,812	-	56,812	57,078	-	57,078
Outside services	39,233	17	39,250	75,457	2,103	77,560
Equipment and building maintenance	22,298	-	22,298	31,410	704	32,114
Professional services	121,100	-	121,100	85,774	500	86,274
Small equipment purchases	40	-	40	4,567	-	4,567
Permits, fees and inspections	2,953	1,820	4,773	4,219	1,820	6,039
Travel and training	196	-	196	1,516	-	1,516
Other	545	-	545	2,486	-	2,486
Total treatment	409,634	503,676	913,310	429,683	533,678	963,361
Transmission/collection -						
Contracted employees	238,733	232,086	470,819	200,815	194,537	395,352
Utilities	116,238	102,422	218,660	119,178	97,154	216,332
Equipment and building maintenance	55,201	68,426	123,627	28,605	74,192	102,797
Vehicle expense	6,066	5,651	11,717	15,120	11,119	26,239
Outside services	108,909	75,079	183,988	76,646	74,376	151,022
Professional services	250	-	250	2,858	218	3,076
Small equipment purchases	975	(7,515)	(6,540)	7,947	10,882	18,829
Permits, fees and inspections	45	854	899	468	4,961	5,429
Travel and training	244	337	581	129	181	310
Other	353	78	431	6,291	2,969	9,260
Total transmission/collection	527,014	477,418	1,004,432	458,057	470,589	928,646
Depreciation	738,554	243,205	981,759	712,309	242,982	955,291
Total operating expenses	$ 1,949,825	$ 1,479,408	$ 3,429,233	$ 1,894,037	$ 1,516,221	$ 3,410,258

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

March 23, 2017

To the Board Members of
Livingston County Water and Sewer Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Livingston County Water and Sewer Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Livingston, New York, as of and for the year ended December 31, 2016, 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, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

(Continued)

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

OPERATIONS REPORT

Water and Sewer Work Program 2017	
Customer work orders	Staff completed 24 customer workorders - down 3 from last month
UFPO	Staff completed 15 stakeouts - down 15 from last month
PM Maintenance	All PM maintenance completed.
Sampling and Testing	TTHM and HAA results were all below the maximum containment level.
Calibration	All flow meters have been calibrated by Cold Springs Environmental.
Generator Battery replacement	Staff is almost completed with battery and block heater replacements.
Generator antifreeze	Staff completed all generator antifreeze changes.
Cathodic protection	The cathodic protection on the underground fuel tank and Groveland plant tanks were tested. The fuel tank passed. The bags in Groveland Station will need to be changed before the next test.
Water Work Program	
Water Main and Service repair	Staff repaired a service line at 7320 Groveland Station Rd Rt 63.
Water inspections	Staff completed 2 water inspections.
Automatic Valve maintenance	Ross Valve replaced the pilot at Burger Hollow PRV and rebuilt the control valve at the lower tank in Groveland Station.
Water Station Maintenance	Staff replaced the chlorine line at the chlorine booster station on East Lake Road. Staff also replaced the solenoid at the Burger Hollow vault.
Sewer Work Program	
Sewer Cleaning and televising	Staff is almost completed with the cleaning and televising the north side of the Village of Livonia.
Gauging stations and shimming pumps	Staff has been gauging the stations that came up for 2017.
Location and adjusting of manholes	Staff is almost completed with the manhole inspections in the south side of the Village of Livonia.
Lakeville Plant	
Laboratory/digester	Staff and the YAWS operator replace the water holding tank for the digester boiler.
Personnel	
Training	Staff went for their CPR refresher course. Two (2) staff members have also attended Asbestos training.
Equipment	Two (2) new trucks have been ordered. 1- 3/4 ton Ford and 1 - 1/2 ton Dodge. Both 4-wheel drive.

CAPITAL PROJECTS REPORT - March outline	
31085 – DOCCS WSP	
3/22/2017	Contract 1 is near completion. All of the water main is installed. The Vault was installed but the shutdown for the connection was put off until the 20th due to Storm Stella. Jim Campbell will have the finalized Farm agreement for the Board. If you have any comments, please get them to Jim ASAP. The pump station and Tank properties are under purchase contract. Jim is working at getting the paperwork to complete the transactions. E. Wies will have an update on the remaining tasks in the project. DOCCS attorney is working with us to answer questions regarding the cost increases in preparation to moving the request through the Comptroller's office.
Solar Array	
3/22/2017	SolarCity was notified of the Board's decision to not pursue the project under the cost estimates provided. D. Leary called and said he was working with National Grid to decrese the costs further on the connection. There was some positive discussions that National Grid might use this connection to test their procedures for a 3VO connection. At the writing of this report, no word from D. Leary on that endeavor. Also, I was contacted by Suncommon and they are looking at our agreement to determine if they could take an assignment of the original agreement.
Wastewater Treatment Plant upgrades	
3/22/2017	E.Wies, J. Campbell, C. VanHorne and D. Lefeber met with Village of Avon on the 13th of March. The village is interested in looking at a lease or Operation and Maintenance proposal from the LCWSA. Series of meeting have been established for the Month of March to try to move the decision along as fast as possible.

Lateral Restriction - Conditions on Future Service

The ________________________________ **(name of municipality)** imposes the following conditions, as warranted or recommended on the management of water/sewer lines located along ____ **(name of roads or location of water/sewer lines)** within an agricultural district:

(1) The only land and/or structures which will be allowed to connect to the proposed waterline or sewer within an agricultural district will be existing structures at the time of construction, future agricultural structures, and land and structures that have already been approved for development by the local governing body prior to the date of filing of the Final Notice of Intent by the municipality.

Land and structures that have been approved for development refer to those properties/structures that have been brought before a local governing body where approval (e.g., subdivision, site plan, and special permit) is needed to move forward with project plans and the governing body has approved the action. If no local approval is required for the subdivision of land and/or the construction of structures, the municipality accepts the limitation under Public Health Law §1115 that defines a "subdivision," in part, as "any tract of land which is divided into five or more parcels." Water and/or sewer service will not be provided to more than a total of four residences, buildings and/or structures on any tract of land which has been divided into parcels after the date of filing of the FNOI by the municipality, where no local approval is required and the land is located within a county adopted, State certified agricultural district.

(2) If a significant hardship can be shown by an existing resident, the lateral restriction to the resident's property may be removed by the municipality upon approval by the Department. It is the responsibility of the resident landowner to demonstrate that a hardship exists relative to his or her existing water supply or septic system and clearly demonstrate the need for public water or sewer service. The municipality shall develop a hardship application to be filed with the municipality, approved by the County Department of Health, and agreed to by the Department of Agriculture and Markets.

(3) If it can be demonstrated to the Department's satisfaction that the landowner requested the county to remove his or her land from an agricultural district at the time of district review and the county legislative body refused to do so, lateral restrictions may be removed by the municipality if the Department determines that the removal of the restriction for the subject parcel(s) would not have an unreasonably adverse effect on the agricultural district.

(4) If land is removed from a county adopted, State certified agricultural district and the district has been reviewed by the county legislative body and certified by the Commissioner for modification, lateral restrictions imposed by the municipality are no longer in effect for the parcels of land that have been removed from the agricultural district.

Authorities Budget Office
Policy Guidance

Authorities Budget Office

Authority Mission Statement and Performance Measurements

Name of Public Authority:

Livingston County Water and Sewer Authority

Public Authority's Mission Statement:

The LCWSA mission is to provide high quality, environmentally sound, efficient, reliable, and affordable water and sewer services to the people who live, work and visit Livingston County.

Date Adopted: July 23, 2003

List of Performance Goals/ Measures:

- High Quality Water Supply
    - Meeting Department of Health and EPA Quality requirements. – The LCWSA is working on TTHM and HAA issues with water suppliers. In 2016 the LCWSA was able to remain in compliance with the EPA regulations.
- Environmental sound sewage treatment
    - Meeting SPDES permit requirements – Yes
    - Permit modification was received.
    - Consolidation of facilities is being further examined to determine if it is feasible to merge operations.
- Efficient provision of Services
    - Continue predictive and preventative maintenance plans.
    - Completed the upgrade equipment and facilities to provide energy efficiency.
        - Lighting at the Lakeville treatment plant upgraded to LED lighting.
    - Bill format changed to include educational information on the backside of the bills.
- Reliable & Environmentally sustainable sewer and water service
    - Implement Engineering study of the sewer collection system to determine inflow areas and implement an internal plumbing inspection program to try to prevent sewer overflows.
    - Implementing wet weather plans.
    - Provision of undisturbed water service.
    - Maintain and upgrade facilities on an ongoing basis, such as water tank inspection program.
- Affordable provision of water and sewer service.
    - The Board reviews the rates and fees at least annually to cover all expenses of the Authority at the lowest rate possible.
- High quality customer service.
    - Ease of customer contact to office personnel with the knowledge to direct the customer to the proper department.
    - Answer all customer queries with timeliness, competence and respect.

- Review procedures in place to provide for efficient dispatch to resolve customer problems/issues
    - Effective inter-departmental communications via review of workflow.
    - Providing employees with the tools, training & communication needed to perform their jobs to the best of their ability
    - Timely operational customer services such as turn on's and turn off's
    - Working with customer on new services and developments
    - Educating customers on sewer and water services available and the rules and regulations that dictate procedures.

- Reliable reporting for measuring the level of success & stability of the above goals.

    - Meeting reporting rules, requirements, and recommendations of the following
        - NYS Authority Board Office
        - GASB/FASB accounting rules
        - NYSDEC
        - NYSDOH
        - USEPA
        - NYSESD (MWBE)

- Assessment of operating & financial measurement reports on a regular basis by the Board & senior staff to ascertain whether goals are being met. The Board reviews the Financial report at each meeting.

Additional questions:

1. Have the board members acknowledged that they have read and understood the mission of the public authority?
   Yes

2. Who has the power to appoint the management of the public authority?
   The Authority Board has the power to appoint management of the Authority, in conjunction with civil service.

3. If the Board appoints management, do you have a policy you follow when appointing the management of the public authority? *No policy, except civil service rules.*

4. Briefly describe the role of the Board and the role of management in the implementation of the mission.
   Management brings forward ideas related to the goals to the Board.
   The Board brings their expertise and applies it to the ideas.
   Management implements the ideas.
   The Board also brings ideas forward and management implements ideas.

5. Has the Board acknowledged that they have read and understood the responses to each of these questions?
   Yes