

WESTCHESTER JOINT WATER WORKS
Board of Trustees Meeting
Wednesday, May 11, 2021 at 3:30 p.m.

The meeting was called to order at 3:32 p.m. with the following members present (via video conference):

Present:

- Trustees: Ron Belmont, Nancy Seligson, Thomas Murphy
- Lori Lee Dickson, General Counsel
- Paul Kutzy, Manager
- David Birdsall, Business Director
- Frank Arcara, General Superintendent
- Jacqueline Briggs, Assistant Civil Engineer
- Zach Wasp, Assistant Civil Engineer

Approval of Minutes

Trustee Murphy made a motion to approve the minutes of the April 27, 2021 Board meeting. Trustee Belmont seconded the motion, all in favor:

Trustee Seligson	“aye”
Trustee Belmont	“aye”
Trustee Murphy	“aye”

Financial Reports and Approvals

David Birdsall, Business Director, reviewed bank balances and presented claims to the Board highlighting significant items, among them: Various Water System Repairs, Transite Water Main Replacement (Dudley Lane - TOM), Payroll Related Items and the Purchase Booster Station/PRV Project.

Approval of Claims: Trustee Belmont made a motion to approve 117 claims totaling \$1,204,959.00. Trustee Murphy seconded the motion, all in favor:

Trustee Seligson	“aye”
Trustee Belmont	“aye”
Trustee Murphy	“aye”

General Administration:

David Birdsall, Business Director, presented the following items to the Board:

- PKF O’Connor Davies Audit/Financial Review: Alan Kassay and Lawrence Feldman, representatives from PKF O’Connor Davies, were introduced to the Board to present their findings of the 2020 WJWW audit and financials review. Their findings indicated that overall WJWW financial operations are “in good shape and that WJWW had a good year”.

- **NYC Water Rates:** The NYC Water Board issued a notice that upstate water rates are proposed to increase by 8.8% effective July 1, 2021 (the WJWW 2021 budget assumption was 10%). A conference call was hosted by the NYC Water Board, at which time they announced that a virtual public hearing will be held on June 3, 2021. The Business Director shared that the proposed member rate increases to take effect on July 1st, are as follows:

VOM 9.5%,
TOM 7.5%
TVOH 11.0%

The Trustees requested that David Birdsall, Business Director, and Paul Kutzy, Manager, attend their Town Board meetings in order to update their Board members on this issue, as well as to update them on the UV Facility and the Filtration Plant projects.

- **WJWW Dump Truck Auction:** A WJWW 2004 Mack RD688P Dump Truck, which would require repair work too extensive to make it road worthy, was auctioned online. It is estimated that the parts and labor to repair the truck would run in excess of \$25,000. The truck, which is currently inoperable, received a high bid of \$9,700 at auction. Trustee Belmont made a motion to approve the auction result as presented. Trustee Murphy seconded the motion, all in favor:

Trustee Seligson	“aye”
Trustee Belmont	“aye”
Trustee Murphy	“aye”

There was a general discussion of vehicle maintenance and at the suggestion of Chairperson Seligson, David Birdsall, Business Director, agreed that he would look into potentially utilizing the Town of Mamaroneck municipal garage for certain types of repairs of various WJWW vehicles in the future.

- **Chemical Bulk Storage Tank Annual Inspection and Spill Prevention Report Update Proposals:** Frank Arcara, General Superintendent, reviewed two proposals submitted by D&B Engineering and Architects, concerning the 2021 Chemical Bulk Storage Tank Annual Inspection and Spill Prevention Report Update for and the 4195 Purchase Street Booster Station and the 687 Weaver Street station.

Following review and discussion, Trustee Belmont made a motion to approve the 2021 Chemical Bulk Storage Tank Annual Inspection and Spill Prevention Report proposal for the 4195 Purchase Street Booster Station for a not-to-exceed amount of \$3,900. Trustee Murphy seconded the motion, all in favor:

Trustee Seligson	“aye”
Trustee Belmont	“aye”
Trustee Murphy	“aye”

Following review and discussion, Trustee Murphy made a motion to approve the 2021 Chemical Bulk Storage Tank Annual Inspection and Spill Prevention Report proposal for the 687 Weaver Street Station for a not-to-exceed amount of \$3,900. Trustee Belmont seconded the motion, all in favor:

Trustee Seligson	“aye”
Trustee Belmont	“aye”
Trustee Murphy	“aye”

- **Rye Lake Filtration Plant:** Lori Lee Dickson, General Counsel, explained that the two-week extension for public comment on the Draft Scope, ended on May 10, 2021. A few additional comments, from entities who had already commented during the first comment period and one new individual, were submitted. Many of the comments were insightful and helpful and the WJWW team will review all submissions and present a revised Draft Scope to the Board. Once the revised Draft Scope is adopted, a Final Scope will be presented for consideration. The Final Scope will eventually lead to the preparation of a Draft Environmental Impact Statement. WJWW, as lead agency, and in accordance with all regulations, will arrange for an additional comment period and a public hearing once the Draft Environmental Impact Statement is adopted. General Counsel reminded the Board that this is a long and necessary process that will play out over the coming weeks and months.
- **UV Facility:** Lori Lee Dickson, General Counsel, shared that on April 27, 2021, WJWW staff and consultants presented the TVOH Planning Board with a reprise of the UV Facility presentation that had been provided previously at a 2020 Planning Board meeting. The UV Facility has now been placed on the May 25th Planning Board meeting agenda for a public hearing and WJWW is optimistic that all the necessary permits and approvals will be granted at that time. General Counsel stated that there are deadlines looming and that the Planning Board is aware of the need and urgency for this project to proceed. General Counsel also shared that as part of the presentation, which included Engineering and Planning consultants, Phil Karmel, WJWW Special Counsel, presented a project timeline and a review of tasks needed to be undertaken going forward.

Old Business

Frank Arcara, General Superintendent, updated the Board on the following:

- **Over the last two weeks ELQ has completed three service line repairs, a valve replacement, a hydrant replacement and replaced two taps for water service lines.** Pre-paving is continuing in the VOM ahead of sewer work to be done in this municipality. WJWW Distribution staff performed a curb box repair and replacement, as well as completing other routine duties. Operations staff took 96 samples, checking for various parameters and all results have come back within normal ranges.
- **Purchase Booster Station Upgrades & PRV:** The interior of the station is now being gutted and the outside prep work to install larger pipes has started. Paul Kutzy, Manager, added that time is of the essence with regards to this project because the station is currently disabled and running on emergency pumps, while these upgrades are made. He explained the push is to complete the work ahead of increased water demand that comes along with higher flows as a result of warmer weather conditions.
- **Buss Bar Replacement / Rye Lake:** Paul Kutzy, Manager, explained that the production and delivery of a Buss bar, a specialty item that must be custom built and custom drilled, has been expedited thanks to the work of Frank Arcara, General Superintendent. The General Superintendent made several calls, including reaching out to the president of General Electric and representatives of A.B.B., a General Electric sister company, to explain the sensitivity and urgency of this project. The delivery time has been reduced from 6-8 weeks to 3 weeks and is now expected on May 20, 2021.

Manager's Report

No Manager's Report needed at this time.

New Business

No New Business to discuss at this time.

Executive Session

No Executive Session needed at this time.

Date of Next Meeting

The next Board of Trustees meeting is scheduled for May 25, 2021 at 3:30 p.m.

With no further business to discuss, Trustee Belmont made a motion to adjourn the meeting. Trustee Murphy seconded the motion:

Trustee Seligson	"aye"
Trustee Belmont	"aye"
Trustee Murphy	"aye"

The meeting adjourned at 4:32 p.m.

**Westchester Joint Water Works
General Fund**

Financial Statements

Years Ended December 31, 2020 and 2019



Independent Auditors' Report

The Board of Trustees of the Westchester Joint Water Works

We have audited the accompanying special-purpose financial statements of the General Fund of the Westchester Joint Water Works ("WJWW") which comprise the balance sheets as of December 31, 2020 and 2019 and the related special-purpose statements of operations, undistributed deficit and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the WJWW's General Fund financial statements.

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.

Auditors' 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. Those standards require that we plan and perform the audit 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 auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 2 to the special-purpose financial statements, the WJWW charges capital expenditures to operations as incurred, and vacation and sick pay are charged to operations when paid and does not accrue post employment health insurance or pension liabilities as required by the Governmental Accounting Standards Board. The special-purpose financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Qualified Opinion

In our opinion, except for the departures from generally accepted accounting principles discussed in the "Basis for Qualified Opinion" paragraph above and as described in Note 2 the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the WJWW as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 in the notes to financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 ("Coronavirus"). Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion on or provide any assurance of the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise WJWW's General Fund financial statements. The schedules of revenues and expenses and schedules of water purchased and sold are presented for purposes of additional analysis and are not a required part of the General Fund financial statements.

The schedules of revenues and expenses and schedules of water purchased and sold are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the General Fund financial statements. The information on pages 18 through 23 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, except for the departures from generally accepted accounting principles discussed in the basis for qualified opinion above and as described in Note 2, the information is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees and management of the Westchester Joint Water Works and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP
Harrison, New York
April 9, 2021

Westchester Joint Water Works

Management's Discussion and Analysis December 31, 2020

As the management of the Westchester Joint Water Works ("WJWW"), we offer this narrative overview and analysis of WJWW's financial activities for the year ended December 31, 2020 to be referenced while reviewing WJWW's basic financial statements which are comprised of Balance Sheets, Statements of Operation and Statements of Cash Flows for its General Fund and Capital Projects Fund.

The WJWW was formed in 1927 as a public benefit corporation to provide a joint water works system for its three member municipalities, the Village of Mamaroneck, Town of Mamaroneck and Town/Village of Harrison. The WJWW is akin to proprietary funds that exist in many municipalities that function similarly to private businesses with the cost of operations mainly supported by the revenues generated by the enterprise. In the case of the WJWW, its special purpose financial statements are used to manage the operation and to provide a basis for the distribution of net income to its member's water funds. Net income attributable to each member is determined as follows:

- All member retail water sales are attributed directly to the respective member;
- Wholesale revenues (derived from sales of water to the Village of Larchmont and Suez Water Westchester), outside district retail revenues (portions of the City of New Rochelle and City of Rye) and other miscellaneous revenues are allocated to each member based on the share of member water sales in any particular year;
- All water purchase costs and operating costs are allocated to each member based on the share of member water sales in any particular year;

As WJWW does not have the ability to incur debt to finance water system projects, its members issue debt on its behalf and net income distributions from WJWW serve to cover debt service costs related to these financings.

It is important to note when reading WJWW's financial statements that its financial position is greatly impacted by a court order requiring it to accrue fines for not having built a filtration plant for its Rye Lake water source. Since late 2008, WJWW has accrued approximately \$60 million in fines at a daily rate of \$13,750, which calculates to approximately \$5 million annually. Management's view, based upon ongoing talks with New York State and support expressed by the State of plans presented to it, is that the fines will not be imposed but be part of a negotiated settlement which will have the fines replaced by a series of capital improvement projects that will bring WJWW into compliance.

WJWW has already completed and has in the pipeline, multiple capital improvement projects to advance the broader compliance effort. WJWW has completed major projects such as the Barry Avenue/Macy Road 16-inch transmission main, Kenilworth booster pump station and the new 2 MG Kenilworth water storage tank which are all directed toward the compliance effort. In 2020, WJWW initiated projects for a Rye Lake UV Facility (expected to be completed in late 2021 this facility will result in water from each of the WJWW's sources having the same level of treatment) as well as a multi-year project to construct a Rye Lake filtration plant that will bring WJWW's Rye Lake source into full compliance with USEPA and NYS Health Department requirements.

At December 31, 2020, WJWW's undistributed deficit to its member municipalities was \$51.5, which included accrued fines totaling \$59.6 million. This demonstrates the adverse impact that the accrued fines have on WJWW's financial position on paper and underscores the potential positive effect should the fines be held in abeyance and replaced by capital projects aimed at achieving compliance – the undistributed deficit would shift to an undistributed surplus of \$8.1 million.

Additionally, in 2019, the USEPA issued an administrative order directing the WJWW to develop a design plan, construct and have operational by October 15, 2024 a filtration plant at Rye Lake in order to address disinfection by-products. Failure to meet milestone dates established by the USEPA could result in additional fines to WJWW of up to \$57,317 per day. Currently, WJWW is progressing its plan to build a filtration plant at Rye Lake that has thus far met the milestones established by the USEPA.

WJWW derives its revenues primarily from metered water sales to retail and wholesale customers. In 2020, total revenues were \$27.0 million of which 96% (\$26.0 million) represented metered water sales. The balance of 2020 revenues (\$1.0 million) were made up of charges related to customer late payment fees and penalties (\$.3 million); fire protection fees (\$.6 million); and service connection & meter installation fees (\$.1 million).

WJWW's 2020 revenues were up 7 percent compared to 2019 as water production rebounded (4.3 billion gallons in 2020 versus 4.0 billion gallons in 2019) as more moderate weather conditions prevailed. It is important to note that WJWW revenues can fluctuate +/- 500 million gallons due to changing weather driven irrigation demands. A typical year's water production, upon which budgeted revenues are based, is approximately 4.5 billion gallons – the adverse variance to budgeted revenue was driven by a combination of volume shortfall (200 MG) and budgeted water rate increases of 7 percent (on average) which were deferred due to concern for customers' finances that were already being strained by Covid-19 (see supplementary information for budget comparatives).

Operating expenses for 2020 totaled \$23.1 million, down to budget (\$1.2 million) and up marginally to 2019 (\$.4 million). The two major components of WJWW's operating expenses are water purchases and other operating costs (salaries & benefits, water treatment plant operations, water distribution & transmission system operations and maintenance, customer service and general administration & overhead).

WJWW purchases the water that it treats and supplies from the NYC water system. In 2020, purchases of water from NYC totaled \$10.7 million, up to both budget and prior year, \$0.1 million and \$1.9 million, respectively. As the year 2020 saw a return to more moderate weather conditions, the cost of water purchased from the NYC water system was roughly in-line with budget (which assumed "normal weather conditions"), but was up significantly to 2019 (approximately 21%), a relatively cool/wet year.

Other operating expenses (non-water) totaled about \$12.3 million, significantly lower than both budget and prior year, \$1.4 million and \$1.5 million respectively. Reductions were due to lower activity and severity of water distribution system repairs in general, partly as a result of year-to-year variations in weather, but also related to Covid-19 as leak detection efforts were curtailed and focus was placed primarily on significant leaks that had surfaced and/or had adverse service impacts. To a lesser extent, with recent personnel changes, WJWW also began to undertake smaller, limited repair projects with its own workforce when/where possible. In 2020, Covid-19

impacted budgeted computer system upgrades (related to meter reading, accounting/financial reporting) and facility improvements (record storage room) which were deferred to 2021.

Other Income totaled \$.5 million in 2020, up to budget (\$.1 million) as a result of higher sales of scrap metal and down to the prior year (\$.1 million) due to a change in the Larchmont cost recovery methodology.

Net income before filtration plant fines, totaled \$4.3 million, \$.6 million below budget and \$1.2 million above 2019. After deducting filter plant fine accruals, WJWW generated a net loss of \$0.7 million in 2020 versus a 2019 net loss of \$2.0 million.

With respect to water infrastructure capital projects, WJWW develops the projects, directs the work and directly incurs construction, equipment and engineering costs. The WJWW member municipalities provide funding of the capital costs to WJWW through bond issuance and water fund reserves. WJWW in turn distributes its operating income to its members to cover debt service related to the water infrastructure capital projects.

While WJWW capital projects are in progress, the costs directly incurred by WJWW and associated reimbursements from its members are passed through receivable/payable accounts on the WJWW General Fund balance sheet. In 2020, WJWW distributed \$2.6 million of income to its members' water funds. Tax levy transfers, representing seriously delinquent water arrear balances, totaling \$.4 million were made to member municipalities for collection.

When water infrastructure capital projects are completed, WJWW records their values as part of its Capital Fund balance sheet. WJWW shows the cost of the project in its appropriate category, joint system, local system, etc. with an offsetting entry in the capital section. Joint projects, related to shared water infrastructure, are allocated to each member based on the latest audited share of member water sales at the time the project is authorized. Local projects, which involve pipes and infrastructure specific to a member, are entirely attributed to that member.

In 2020, completed water infrastructure project values of \$8.5 million were added to the capital projects fund balance sheet. Shared joint water works system project costs made up \$2.3 million of the total and primarily involved projects to support system, reliability, resiliency and redundancy, such as the installation of three new pressure regulators and modifications to the distribution infrastructure at WJWW's Rye Lake site. Local distribution system project costs were \$6.2 million and were mainly related to the replacement of failed transit water mains and the replacement of vulnerable and/or non-functional water infrastructure in advance of planned paving within the member municipalities.

In addition to the preceding narrative and the basic financial statements, supplementary information is also provided comparing actual results for 2020 to budget and the prior year. Statistical data for water sales and purchases is also presented. To further enhance understanding of the financial statements, the reader is directed to the accompanying notes to the financial statements.

(This page intentionally left blank)

Westchester Joint Water Works**General Fund****Balance Sheets**

	December 31,	
	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Petty cash	\$ 75	\$ 75
Demand deposits	5,635,463	7,108,711
Accounts Receivable		
Consumer services, net	2,202,853	1,999,133
Due from Member Municipalities		
Village of Mamaroneck	762,436	789,628
Town of Mamaroneck	377,670	467,248
Town-Village of Harrison	1,337,466	1,345,266
Due from Village of Larchmont, net	329,363	323,107
Other receivables	256,056	55,928
Inventory		
Materials and supplies - at cost	831,300	828,842
Work in progress - at cost	219,342	35,849
Prepaid expenses and other assets	469,381	464,191
Total Assets	<u>\$ 12,421,405</u>	<u>\$ 13,417,978</u>
LIABILITIES AND UNDISTRIBUTED DEFICIT		
Current Liabilities		
Accounts Payable and Accrued Liabilities		
Water purchased	\$ 972,563	\$ 2,975,257
Filtration plant fines payable	59,648,750	54,616,250
Other	2,350,014	2,561,467
Due to Member Municipalities		
Village of Mamaroneck sewer charges	131,314	130,080
Town of Mamaroneck sewer charges	115,214	87,291
Town-Village of Harrison sewer charges	357,321	289,017
Contractor deposits and contractor retained percentages	273,539	432,586
Consumer deposits	792,448	811,448
Consumer credit balances	377,827	290,540
Total Current Liabilities	65,018,990	62,193,936
Undistributed deficit	<u>(52,597,585)</u>	<u>(48,775,958)</u>
Total Liabilities and Undistributed Deficit	<u>\$ 12,421,405</u>	<u>\$ 13,417,978</u>

See notes to financial statements

**Westchester Joint Water Works
General Fund**

Statements of Operations
Years Ended December 31,

	Village of Mamaroneck		Town of Mamaroneck		Town-Village of Harrison		Totals	
	2020	2019	2020	2019	2020	2019	2020	2019
REVENUES								
Sale of Water and Service								
Member Districts								
Retail - Basic	\$ 5,750,120	\$ 5,344,679	\$ 4,173,045	\$ 3,797,165	\$ 10,389,035	\$ 9,632,247	\$ 20,312,200	\$ 18,774,091
Retail - Surcharge	567,177	515,982	307,074	268,103	1,169,686	1,074,253	2,043,937	1,858,338
Fire protection	141,106	127,775	93,448	89,946	319,044	287,964	553,598	505,685
Service connections	7,700	10,150	950	11,200	50,250	58,900	58,900	80,250
Meter installations	9,635	10,705	5,150	7,575	31,285	34,735	46,070	53,015
Penalties	96,076	195,622	21,540	103,812	130,149	327,206	247,765	626,640
	<u>6,571,814</u>	<u>6,204,913</u>	<u>4,601,207</u>	<u>4,277,801</u>	<u>12,089,449</u>	<u>11,415,305</u>	<u>23,262,470</u>	<u>21,898,019</u>
Nonmember Districts								
Retail - Basic	198,806	173,832	133,978	115,054	387,529	336,408	720,313	625,294
Retail - Surcharge	20,960	14,507	14,125	9,602	40,857	28,074	75,942	52,183
Wholesale - Basic	711,309	679,738	479,360	449,898	1,386,537	1,315,464	2,577,206	2,445,100
Wholesale - Surcharge	83,375	61,179	56,188	40,492	162,521	118,396	302,084	220,067
Fire protection	3,724	2,510	2,510	1,661	7,258	4,857	13,492	9,028
Miscellaneous	2,252	6,666	1,518	4,412	4,390	12,901	8,160	23,979
	<u>1,020,426</u>	<u>938,432</u>	<u>687,679</u>	<u>621,119</u>	<u>1,989,092</u>	<u>1,816,100</u>	<u>3,697,197</u>	<u>3,375,651</u>
Total Revenues	<u>7,592,240</u>	<u>7,143,345</u>	<u>5,288,886</u>	<u>4,898,920</u>	<u>14,078,541</u>	<u>13,231,405</u>	<u>26,959,667</u>	<u>25,273,670</u>
OPERATING EXPENSES								
Water purchases	-	-	-	-	-	-	10,725,966	8,859,986
30" Main supply	-	-	-	-	-	-	169,151	184,208
Larchmont plant	-	-	-	-	-	-	597,309	641,803
Rye Lake plant	-	-	-	-	-	-	919,894	767,209
Lake Street Plant	-	-	-	-	-	-	90,302	85,981
Silver Lake Well	-	-	-	-	-	-	1,313	2,041
Transmission and distribution	-	-	-	-	-	-	5,219,694	6,883,499
Motor vehicle fleet	-	-	-	-	-	-	259,308	243,768
Customer service	-	-	-	-	-	-	1,023,974	984,245
General and administrative	-	-	-	-	-	-	4,061,371	4,043,772
Total Operating Expenses								
Apportioned to Districts	<u>6,366,846</u>	<u>6,309,630</u>	<u>4,290,700</u>	<u>4,176,158</u>	<u>12,410,736</u>	<u>12,210,724</u>	<u>23,068,282</u>	<u>22,696,512</u>
Income Before Other								
Income (Expense)	<u>1,225,394</u>	<u>833,715</u>	<u>998,186</u>	<u>722,762</u>	<u>1,667,805</u>	<u>1,020,681</u>	<u>3,891,385</u>	<u>2,577,158</u>

(Continued)

**Westchester Joint Water Works
General Fund**

Statements of Operations (Continued)
Years Ended December 31,

	Village of Mamaroneck		Town of Mamaroneck		Town-Village of Harrison		Totals	
	2020	2019	2020	2019	2020	2019	2020	2019
OPERATING EXPENSES (CONTINUED)								
OTHER INCOME (EXPENSE), NET								
Jobbing work and overhead recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,253	\$ 7,111
Interest income	-	-	-	-	-	-	4,738	5,082
Sales of scrap and miscellaneous	-	-	-	-	-	-	251,492	145,890
Expense recovery - Village of Larchmont	-	-	-	-	-	-	143,481	328,786
Total Other Income Apportioned to Districts	110,942	135,350	74,765	89,584	216,257	261,935	401,964	486,869
Net Income before Filtration Plant Fines	1,336,336	969,065	1,072,951	812,346	1,884,062	1,282,616	4,293,349	3,064,027
Filtration Plant Fines	1,388,970	1,395,213	936,045	923,450	2,707,485	2,700,087	5,032,500	5,018,750
Net Income (Loss)	\$ (52,634)	\$ (426,148)	\$ 136,906	\$ (111,104)	\$ (823,423)	\$ (1,417,471)	\$ (739,151)	\$ (1,954,723)
Unreserved Balance - January 1,	\$ (13,903,947)	\$ (12,162,742)	\$ (9,335,110)	\$ (8,283,617)	\$ (28,587,901)	\$ (25,060,740)	\$ (51,826,958)	\$ (45,507,099)
Net income (loss) for the year	(52,634)	(426,148)	136,906	(111,104)	(823,423)	(1,417,471)	(739,151)	(1,954,723)
	(13,956,581)	(12,588,890)	(9,198,204)	(8,394,721)	(29,411,324)	(26,478,211)	(52,566,109)	(47,461,822)
Distributions and Other Charges/ Credits with Members								
Distributions to members	847,104	1,193,096	768,808	896,851	1,033,380	1,860,454	2,649,292	3,950,401
Transferred to tax lien	197,927	121,961	40,797	43,538	194,460	249,236	433,184	414,735
	1,045,031	1,315,057	809,605	940,389	1,227,840	2,109,690	3,082,476	4,365,136
Unreserved Balance - December 31,	(15,001,612)	(13,903,947)	(10,007,809)	(9,335,110)	(30,639,164)	(28,587,901)	(55,648,585)	(51,826,958)

**Westchester Joint Water Works
General Fund**

Statements of Undistributed Deficit
Years Ended December 31,

	Village of Mamaroneck		Town of Mamaroneck		Town-Village of Harrison		Totals	
	2020	2019	2020	2019	2020	2019	2020	2019
Reserved								
Reserved for inventory	\$ 76,400	\$ 76,400	\$ 44,800	\$ 44,800	\$ 78,800	\$ 78,800	\$ 200,000	\$ 200,000
Reserved for working capital	813,446	813,446	532,494	532,494	1,305,060	1,305,060	2,651,000	2,651,000
Reserved for insurance	69,068	69,068	40,488	40,488	90,444	90,444	200,000	200,000
Total Reserved - December 31,	958,914	958,914	617,782	617,782	1,474,304	1,474,304	3,051,000	3,051,000
Total Undistributed Deficit December 31,	<u>\$ (14,042,698)</u>	<u>\$ (12,945,033)</u>	<u>\$ (9,390,027)</u>	<u>\$ (8,717,328)</u>	<u>\$ (29,164,860)</u>	<u>\$ (27,113,597)</u>	<u>\$ (52,597,585)</u>	<u>\$ (48,775,958)</u>

See notes to financial statements

**Westchester Joint Water Works
General Fund**

Statements of Cash Flows
Years Ended December 31,

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (739,151)	\$ (1,954,723)
Adjustments to reconcile net loss to net cash from operating activities		
Transfers to tax lien	(433,184)	(414,735)
Filtration plant fines	5,032,500	5,018,750
Changes in operating assets and liabilities		
Accounts receivable	(285,534)	(42,718)
Inventory	(185,951)	(123,480)
Prepaid expenses and other assets	(5,190)	26,494
Accounts payable and accrued liabilities	(2,214,147)	(1,003,823)
Due to members - Village of Mamaroneck sewer charges	1,234	(1,622)
Due to members - Town of Mamaroneck sewer charges	27,923	40,951
Due to members - Town - Village of Harrison sewer charges	68,304	289,017
Consumer deposits	(19,000)	111,400
Consumer credit balances	87,287	34,970
	<u>1,335,091</u>	<u>1,980,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contractor deposits and contractor retained percentages	<u>(159,047)</u>	<u>179,303</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to members	<u>(2,649,292)</u>	<u>(3,950,401)</u>
	<u>(1,473,248)</u>	<u>(1,790,617)</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>7,108,786</u>	<u>8,899,403</u>
End of year	<u><u>\$ 5,635,538</u></u>	<u><u>\$ 7,108,786</u></u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Petty cash	\$ 75	\$ 75
Demand deposits	<u>5,635,463</u>	<u>7,108,711</u>
	<u><u>\$ 5,635,538</u></u>	<u><u>\$ 7,108,786</u></u>

See notes to financial statements

(This page intentionally left blank)

**Westchester Joint Water Works
General Fund**

Notes to Financial Statements
December 31, 2020 and 2019

1. Organization

The Westchester Joint Water Works ("WJWW") was organized in 1927 under the laws of New York State as a joint water works and is a nontaxable public benefit corporation. It was formed by three member municipalities, the Village of Mamaroneck, the Town of Mamaroneck and the Town-Village of Harrison, to jointly acquire, construct, provide, maintain and operate a water works system. The fixed properties, accounted for in the Capital Projects Fund, are not included in these financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The General Fund financial statements of the WJWW have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental proprietary funds and the Uniform System of Accounts as prescribed by the State of New York, except as described below. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for established governmental accounting and financial reporting principles.

Proprietary funds are used to account for operations that are (1) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Generally Accepted Accounting Principles ("GAAP"), requires that income be accrued and recognized when earned, that capital expenditures be capitalized and depreciated over the useful life of the asset and that the amount due for vacation and sick pay be recognized when earned. The General Fund of the WJWW charges capital expenditures directly to operations as incurred, and vacation and sick pay are charged to operations when paid and does not accrue post employment health insurance or pension liabilities as required by the Governmental Accounting Standards Board. Such practice is not in accordance with GAAP. The Board of Trustees have agreed that the special-purpose financial statements be prepared for the purpose of determining distributions to its members based on the departures from GAAP noted above and that all other accounting principles followed by the WJWW will be in accordance with GAAP.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 ("Coronavirus") pandemic and the mitigation responses, and such differences may be material. (See Note 5).

**Westchester Joint Water Works
General Fund**

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Budgetary Data

The WJWW'S administration prepares a proposed budget for the General Fund for approval by the Board of Trustees.

Cash and Equivalents

Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The WJWW's deposits and investment policies are governed by State statutes. The WJWW has adopted its own written investment policy which provides for the deposit of funds in Federal Deposit Insurance Corporation, ("FDIC") insured commercial banks or trust companies located within the State. The WJWW is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The WJWW has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions, and accordingly, the WJWW's policy provides for no credit risk on investments.

The WJWW follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the WJWW will incur losses in fair value caused by changing interest rates. The WJWW does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the WJWW does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the WJWW's deposits may not be returned to it. GASB Statement No. 40, "*Deposit and Investment Risk Disclosure - an amendment of GASB Statement No. 3*", directs that deposits be disclosed as exposed

**Westchester Joint Water Works
General Fund**

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the WJWW's name. The WJWW's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2020.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The WJWW does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The WJWW's investment policy limits the amount on deposit at each of its banking institutions.

Accounts Receivable

Customers in member districts, consisting of the Village of Mamaroneck, the Town of Mamaroneck and the Town-Village of Harrison are billed on a monthly basis. Once a year, old customer balances are transferred to the tax lien of the respective member resulting in a reduction of the year-end member distribution. Allowances are recorded when appropriate based on a combination of write-off history, aging analysis and any specific knowledge of troubled accounts.

Inventory of Materials and Supplies

The cost of materials and supplies, which is derived from perpetual records, is determined at cost using the first-in, first-out method.

Vehicles and Other Equipment

All expenses for vehicles and equipment, as well as maintenance and repairs, are charged to operations as incurred.

Vacation and Sick Pay

All expenditures for vacation and sick pay are charged to operations at the time of payment.

Revenues and Expenses

Each member municipality is credited with revenues billed in its district. Revenues billed in nonmember districts and operating expenses are apportioned to member districts on the basis of the quantity of water billed in the member districts to the total for all member districts.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 9, 2021.

**Westchester Joint Water Works
General Fund**

Notes to Financial Statements
December 31, 2020 and 2019

3. Reserves

The reserves for inventory, working capital and insurance at December 31, 2020 and at December 31, 2019 were \$200,000, \$2,651,000 and \$200,000, respectively. These reserves have the effect of restricting a portion of each member district's earnings available for distribution.

4. Pension Plan

The Westchester Joint Water Works participates in the New York State and Local Employees' Retirement System ("ERS"), ("System"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in fiduciary net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, 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 WJWW also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System 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.os.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244

Funding Policy - The Systems are non-contributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. 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 System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2020 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
4 A15	16.1 %
5 A15	13.4
6 A15	9.6

The actual cost for the years ended December 31, 2020 and 2019 was \$398,932 and \$367,597.

**Westchester Joint Water Works
General Fund**

Notes to Financial Statements
December 31, 2020 and 2019

5. Contingencies

In September 1999, the Attorney General of the State of New York sought and obtained an injunction to require the WJWW to build a water filtration plant for its Rye Lake water supply. The WJWW subsequently submitted a plan to build a filtration plant. The New York State Health Department approved the plans on April 6, 2006. The WJWW awarded contracts on August 3, 2006 and construction commenced on August 29, 2006. The Supreme Court of the State of New York ruled that construction had to be completed by December 3, 2008. Construction was subsequently halted due to litigation, permitting issues and the requirement to approve an environmental impact statement by the Harrison Planning Board.

With the endorsement of New York State, Management moved forward with an alternative to the filtration plant. The alternative involved a joint venture with Westchester County to get access to ultraviolet treated water. WJWW, as well as its member municipalities, entered into an intermunicipal agreement in April 2010 with Westchester County for this purpose. The County UV Alternative, as it was known, involved WJWW constructing a pipeline and pump station as well as modifying some existing interconnections and infrastructure. WJWW would also share in the cost for Westchester County to construct a pipeline, pump station and various other infrastructure to access water from New York City's ultraviolet plant at Eastview. Westchester County subsequently decided not to pursue the County UV Alternative pipeline as planned and the project was abandoned.

As a result, the WJWW re-directed its efforts to a second alternative which was discussed with New York State. This involved interim modifications to increase water flow from its Shaft 22 pipeline along with building another pipeline in the longer term from Delaware Aqueduct Shaft 20 in Greenburgh to connect directly with the WJWW system. This would allow for sufficient volume to provide UV treated water to the entire WJWW system and eliminate Rye Lake as a source of water. A conceptual plan was completed in December 2014 related to this alternative and submitted to New York State. WJWW has continued to advance its design and engineering efforts relative to UV alternative projects identified in the December 2014 plan. The projects undertaken and completed include the new booster station at the Kenilworth tank location in Harrison; the new 16" water transmission main from North Barry Avenue in the Village of Mamaroneck to Macy Road in the Town of Harrison as well as the recently completed new 2 MG Kenilworth water storage tank in Harrison. These projects provide enhanced resiliency and redundancy to the overall WJWW system and are part of the broader project to achieve overall compliance goals.

Beginning in late 2016, having determined that the Shaft 20 project was cost prohibitive (approximately \$175 million), WJWW began discussions with Westchester County Airport (WCA) about the siting of a filtration facility which would be a much less costly option (expected cost of approximately \$100 million). In 2018, WJWW committed to construction of a Rye Lake filtration facility and began actively working with Westchester County to explore site viability at the WCA.

In the second quarter of 2019, WJWW engaged Hazen & Sawyer Engineers to assess viability of a particular site adjacent to the WCA off of Tower Road in Purchase. In July of 2019, USEPA issued an administrative order requiring WJWW to submit a plan within 30 days to address its longstanding Surface Water Treatment Rule (SWTR) violation. In this same timeframe, WJWW also received violations from the Westchester County Department of Health (WCDOH) for

**Westchester Joint Water Works
General Fund**

Notes to Financial Statements
December 31, 2020 and 2019

5. Contingencies (*Continued*)

disinfection by-product exceedances (an issue for which filtration will provide better control). In November of 2019, USEPA issued another administrative order requiring WJWW to commence design of the proposed Rye Lake filtration facility and to initiate the SEQR process by January 31, 2020 with the facility completed and operational by October 15, 2024. Hazen & Sawyer Engineers are working on the preliminary SEQR and are developing a basis of design report for the Rye Lake filtration facility.

As the WJWW has not met the specific terms associated with the court ordered December 3, 2008 deadline an accrual for fines of \$59,648,750 for the period December 4, 2008 through December 31, 2020 is reflected in the accounts payable on the Balance Sheet and \$5,032,500 and \$5,018,750 for the years ended December 31, 2020 and 2019, respectively, are reflected in the statements of operations. Management has indicated that, based on their discussions with the State that the State is holding in abeyance the imposition of fines although they continue to be accrued. The expectation of Management continues to be that the fines will be suspended or replaced with a negotiated settlement given that an acceptable plan is being progressed. WJWW is involved in ongoing discussions with New York State to resolve this matter. The accrual for fines outlined above will be adjusted when discussions with the New York State are finalized. The amount of fines are potentially substantial as they continue to accrue at \$13,750 per day.

The WJWW receives numerous additional notices of claims for money damages occurring from property damage or personal injury. Of the claims currently pending, none are expected to have a material effect on the financial position of the WJWW if adversely settled.

Coronavirus

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of Coronavirus. This was followed by the President of the United States declaring the outbreak of coronavirus a national emergency on March 13, 2020.

Preceding these announcements, the Governor of the State of New York declared a state of emergency on March 7, 2020 and has since issued multiple Executive Orders regarding the pandemic. Furthermore, the Enacted 2020-21 New York State budget granted the Budget Director the authority to reduce state aid payments to local governments and school districts by any amount needed to achieve a balanced budget. The Budget Director is authorized, under Section 1(f) of Chapter 53 of the Laws of 2020, to withhold all or some of specific local aid payments during state fiscal year 2020-21, that began on April 1, 2020, if the budget is deemed unbalanced and if the Budget Director further determines that such withholding is necessary to respond to the direct and indirect economic financial and social effects of the Coronavirus pandemic ("Reduction Authority").

The ultimate size of any permanent reductions would depend in part on the availability of unrestricted Federal aid. The Federal government has not reached a consensus on additional recovery legislation at this time. Therefore, in the interim, without assurance of Federal aid, New York State has begun withholding a minimum of 20% of most municipal and school district aid payments to achieve the cash flow savings anticipated in the Executive Budget Financial Plan as updated for the Governor's amendments and forecast revisions pursuant to the Reduction Authority.

**Westchester Joint Water Works
General Fund**

Notes to Financial Statements
December 31, 2020 and 2019

5. Contingencies (Continued)

In addition to these New York State actions, the WJWW economically sensitive revenues (i.e., water sales and surcharges, charges for services and interest earnings) are being negatively impacted. Meanwhile, the WJWW expenditures on health and safety measures (personal protective equipment, sanitizing supplies, and technology acquisitions to support remote work) will increase significantly.

The outbreak of the Coronavirus and the dramatic steps taken by the Federal government and New York State to address it will continue to negatively affect New York State and its local economies. The full impact of the Coronavirus on New York State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact on the WJWW future operations and finances as a result of the Coronavirus is extremely difficult to predict due to uncertainties relating to its duration and severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including New York State, to contain or mitigate its effects. The spread of the outbreak or reemergence later in the year could have a material adverse financial effect on New York State and local municipalities, including the WJWW. The WJWW is continuously monitoring the situation and will take such proactive measures as may be required to maintain operations and meet its obligations. Given this level of uncertainty, management cannot reasonably estimate the actual impact on the WJWW future financial position at this time.

* * * * *

(This page intentionally left blank)

**Westchester Joint Water Works
General Fund**

Supplementary Information

December 31, 2020 and 2019

**Westchester Joint Water Works
General Fund**

Schedules of Revenues and Expenses (Continued)
Years Ended December 31,

	2020		Variance	2019
	Actual	Budget	With Budget	Actual
Larchmont Plant				
Supervision - Salaries	\$ 29,288	\$ 32,000	\$ (2,712)	\$ 28,694
Plant operations - Salaries	214,489	166,000	48,489	155,922
Sampling and analysis				
Salaries	59,035	50,000	9,035	63,618
Other	48,003	62,000	(13,997)	70,599
Operations and maintenance				
Other	66,412	95,000	(28,588)	87,412
Power	31,759	65,000	(33,241)	45,564
Chemicals	148,323	165,000	(16,677)	152,113
Improvements	-	25,000	(25,000)	22,696
Equipment purchases	-	28,000	(28,000)	15,185
	<u>597,309</u>	<u>688,000</u>	<u>(90,691)</u>	<u>641,803</u>
Rye Lake Plant				
Supervision - Salaries	24,184	24,000	184	23,695
Plant operations - Salaries	177,118	132,000	45,118	128,755
Sampling and analysis				
Salaries	90,013	71,000	19,013	62,923
Other	59,273	110,000	(50,727)	91,772
Operations and maintenance				
Other	270,569	175,000	95,569	168,923
Power	186,836	195,000	(8,164)	174,943
Chemicals	111,901	100,000	11,901	88,017
Improvements	-	20,000	(20,000)	-
Equipment purchases	-	40,000	(40,000)	28,181
	<u>919,894</u>	<u>867,000</u>	<u>52,894</u>	<u>767,209</u>
Lake Street Plant				
Sampling and analysis				
Salaries	53,608	-	53,608	61,711
Operations and maintenance				
Other	28,013	10,000	18,013	11,363
Power	8,681	15,000	(6,319)	9,233
Equipment purchases	-	5,000	(5,000)	3,674
	<u>90,302</u>	<u>30,000</u>	<u>60,302</u>	<u>85,981</u>

(Continued)

See independent auditors' report.

**Westchester Joint Water Works
General Fund**

Schedules of Revenues and Expenses (Continued)
Years Ended December 31,

	2020		Variance	2019
	Actual	Budget	With Budget	Actual
Silver Lake Well				
Power	\$ 1,313	\$ 3,000	\$ (1,687)	\$ 2,041
Transmission and Distribution				
Supervision - Salaries	169,933	153,000	16,933	146,706
Storage tanks				
Salaries	23,352	31,000	(7,648)	24,705
Other	96,583	180,000	(83,417)	42,966
Booster stations				
Salaries	12,333	30,000	(17,667)	2,934
Other	277,598	115,000	162,598	257,620
Water mains				
Salaries	555,728	530,000	25,728	446,317
Other	1,393,053	2,050,000	(656,947)	2,408,311
Fire hydrants				
Salaries	45,907	57,000	(11,093)	45,576
Other	775,846	500,000	275,846	817,003
Service repairs				
Salaries	20,934	40,000	(19,066)	61,615
Other	1,487,561	1,350,000	137,561	2,223,727
Leak survey				
Salaries	-	3,000	(3,000)	-
Other	-	15,000	(15,000)	-
Other expenses				
Salaries	59,681	100,000	(40,319)	90,766
Miscellaneous	80,322	130,000	(49,678)	108,171
Equipment purchases	220,863	250,000	(29,137)	207,082
	<u>5,219,694</u>	<u>5,534,000</u>	<u>(314,306)</u>	<u>6,883,499</u>

(Continued)

See independent auditors' report.

**Westchester Joint Water Works
General Fund**

Schedules of Revenues and Expenses (Continued)
Years Ended December 31,

	2020		Variance	2019
	Actual	Budget	With Budget	Actual
Motor Vehicle Fleet				
Supervision - Salaries	\$ 13,368	\$ 14,000	\$ (632)	\$ 13,097
Maintenance and repairs				
Gasoline and oil	31,776	61,000	(29,224)	40,690
Tires, batteries, parts and tools	-	2,000	(2,000)	-
Shop and outside repair expenses	107,493	75,000	32,493	82,178
Vehicle purchases	106,671	75,000	31,671	107,803
	<u>259,308</u>	<u>227,000</u>	<u>32,308</u>	<u>243,768</u>
Customer Service				
Supervision - Salaries	26,737	30,000	(3,263)	26,195
Meter reader - Salaries	19,987	12,000	7,987	3,486
Servicemen - Salaries	181,175	160,000	21,175	138,190
Meter parts and miscellaneous expenses	55,171	25,000	30,171	58,618
Meter testing and repairs	-	5,000	(5,000)	-
Customer records and billing				
Salaries	412,263	430,000	(17,737)	439,217
Other	322,436	450,000	(127,564)	306,753
Automatic meter reader system	864	250,000	(249,136)	11,786
Equipment purchases	5,341	50,000	(44,659)	-
	<u>1,023,974</u>	<u>1,412,000</u>	<u>(388,026)</u>	<u>984,245</u>
General and Administrative				
Management and staff - Salaries	749,835	866,000	(116,165)	736,258
Office supervision - Salaries	130,035	115,000	15,035	103,723
Secretarial and clerical - Salaries	71,026	64,000	7,026	46,363
Professional, educational and legal	30,175	30,000	175	34,191
Communication	75,723	100,000	(24,277)	65,726
Heating and electricity	31,295	135,000	(103,705)	52,108
Supplies and expenses - Other	62,795	15,000	47,795	80,889
Board of Trustees	6,523	8,000	(1,477)	5,800
Accounting	24,500	30,000	(5,500)	24,500
Professional services - Other	480,673	595,000	(114,327)	508,783
Insurance				
Liability and other	209,875	203,000	6,875	194,764
Compensation and disability	154,332	210,000	(55,668)	186,857
Medical, dental and group life	938,337	1,100,000	(161,663)	995,076

(Continued)

See independent auditors' report.

**Westchester Joint Water Works
General Fund**

Schedules of Revenues and Expenses (Continued)
Years Ended December 31,

	2020		Variance	2019
	Actual	Budget	With Budget	Actual
General and Administrative (Continued)				
Social security	\$ 231,325	\$ 240,000	\$ (8,675)	\$ 211,705
New York State retirement plan	398,932	400,000	(1,068)	367,597
Rent and taxes	103,169	105,000	(1,831)	100,414
Maintenance of buildings and grounds				
Salaries	789	-	789	-
Other	355,416	175,000	180,416	220,100
Improvements to buildings and grounds -				
Salaries	-	-	-	-
Improvements	-	125,000	(125,000)	175
Equipment purchases	6,616	123,000	(116,384)	108,743
	<u>4,061,371</u>	<u>4,639,000</u>	<u>(577,629)</u>	<u>4,043,772</u>
Total Operating Expenses	<u>23,068,282</u>	<u>24,250,000</u>	<u>(1,181,718)</u>	<u>22,696,512</u>
Other Income (Expenses), net				
Jobbing work and overhead recovery	2,253	-	2,253	7,111
Interest income	4,738	5,000	(262)	5,082
Sales of scrap and miscellaneous	251,492	150,000	101,492	145,890
Expense recovery - Village of Larchmont	143,481	100,000	43,481	328,786
Total Other Income	<u>401,964</u>	<u>255,000</u>	<u>146,964</u>	<u>486,869</u>
Net Operating Expenses	<u>22,666,318</u>	<u>23,995,000</u>	<u>(1,328,682)</u>	<u>22,209,643</u>
Total Revenues	<u>26,959,667</u>	<u>28,865,000</u>	<u>(1,905,333)</u>	<u>25,273,670</u>
Net Income before Filtration Plant Fines	<u>4,293,349</u>	<u>4,870,000</u>	<u>(576,651)</u>	<u>3,064,027</u>
Filtration Plant Fines	<u>5,032,500</u>	<u>-</u>	<u>5,032,500</u>	<u>5,018,750</u>
Net Income (Loss)	<u>\$ (739,151)</u>	<u>\$ 4,870,000</u>	<u>\$ (5,609,151)</u>	<u>\$ (1,954,723)</u>

See independent auditors' report

**Westchester Joint Water Works
General fund**

Schedules of Water Purchased and Sold
Years Ended December 31,

	Gallons Sold (In Thousands)		Percentages		
			All Districts	Members Only	
	2020	2019	2020	2020	2019
Retail Sales					
Village of Mamaroneck	681,503	632,194	18.2 %	27.6 %	27.8 %
Town of Mamaroneck	459,234	418,901	12.3	18.6	18.4
Town-Village of Harrison	1,327,272	1,224,855	35.6	53.8	53.8
Outside districts	72,277	59,910	1.9	-	-
	<u>2,540,286</u>	<u>2,335,860</u>	<u>68.0</u>		
Wholesale Sales					
Village of Larchmont	334,442	326,149	8.9		
Suez Water Westchester Inc.	862,834	818,142	23.1		
	<u>1,197,276</u>	<u>1,144,291</u>	<u>32.0</u>		
Totals	<u>3,737,562</u>	<u>3,480,151</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Retail Water Revenues Per Thousand Gallons	<u>\$ 9.11</u>	<u>\$ 9.12</u>			
	Gallons Purchased (In Thousands)		Percentages		
	2020	2019	2020	2019	
Shaft 22	1,949,918	2,164,033	45.5 %	54.3 %	
Rye Lake Plant	2,337,050	1,818,581	54.5	45.7	
Total Produced and to be Accounted for	4,286,968	3,982,614	100.0	100.0	
Total Sold and Billed	<u>3,737,562</u>	<u>3,480,151</u>	<u>87.2</u>	<u>87.4</u>	
Balance Not Billed	<u>549,406</u>	<u>502,463</u>	<u>12.8 %</u>	<u>12.6 %</u>	

See independent auditors' report

**Westchester Joint Water Works
Capital Projects Fund**

Financial Statements

Year Ended December 31, 2020



Independent Auditors' Report

The Board of Trustees of the Westchester Joint Water Works

We have audited the accompanying special-purpose financial statements of the Capital Projects Fund of the Westchester Joint Water Works ("WJWW") which comprise the balance sheet as of December 31, 2020 and the related special-purpose statement of revenues and undistributed and uncollected earnings for the year then ended and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 2 to the special-purpose financial statements, the Capital Projects Fund does not provide for depreciation of its fixed properties, nor does it give effect to certain additions made to the distribution system. The fixed properties are not adjusted for retirements, abandonments or for properties having limited or no value. In addition, a statement of cash flows was not presented for the year ended December 31, 2020. The special-purpose financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion” paragraph and Note 2, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Capital Projects Fund of the WJWW as of December 31, 2020 and its revenues and undistributed and uncollected earnings for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 in the notes to financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 (“Coronavirus”). Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion on or provide any assurance of the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WJWW’s Capital Projects Fund financial statements. The schedule of fixed properties – local distribution system and schedule of cash receipts and cash available for distribution are presented for purposes of additional analysis and are not a required part of the Capital Projects Fund financial statements.

The schedule of fixed properties – local distribution system and schedule of cash receipts and cash available for distribution are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the Capital Projects Fund financial statements. The information on page 14 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, except for the departures from generally accepted accounting principles discussed in the “Basis for Qualified Opinion” above and as described in Note 2, the information is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees and management of the Westchester Joint Water Works and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP
Harrison, New York
April 9, 2021

Westchester Joint Water Works

Management's Discussion and Analysis December 31, 2020

As the management of the Westchester Joint Water Works ("WJWW"), we offer this narrative overview and analysis of WJWW's financial activities for the year ended December 31, 2020 to be referenced while reviewing WJWW's basic financial statements which are comprised of Balance Sheets, Statements of Operation and Statements of Cash Flows for its General Fund and Capital Projects Fund.

The WJWW was formed in 1927 as a public benefit corporation to provide a joint water works system for its three member municipalities, the Village of Mamaroneck, Town of Mamaroneck and Town/Village of Harrison. The WJWW is akin to proprietary funds that exist in many municipalities that function similarly to private businesses with the cost of operations mainly supported by the revenues generated by the enterprise. In the case of the WJWW, its special purpose financial statements are used to manage the operation and to provide a basis for the distribution of net income to its member's water funds. Net income attributable to each member is determined as follows:

- All member retail water sales are attributed directly to the respective member;
- Wholesale revenues (derived from sales of water to the Village of Larchmont and Suez Water Westchester), outside district retail revenues (portions of the City of New Rochelle and City of Rye) and other miscellaneous revenues are allocated to each member based on the share of member water sales in any particular year;
- All water purchase costs and operating costs are allocated to each member based on the share of member water sales in any particular year;

As WJWW does not have the ability to incur debt to finance water system projects, its members issue debt on its behalf and net income distributions from WJWW serve to cover debt service costs related to these financings.

It is important to note when reading WJWW's financial statements that its financial position is greatly impacted by a court order requiring it to accrue fines for not having built a filtration plant for its Rye Lake water source. Since late 2008, WJWW has accrued approximately \$60 million in fines at a daily rate of \$13,750, which calculates to approximately \$5 million annually. Management's view, based upon ongoing talks with New York State and support expressed by the State of plans presented to it, is that the fines will not be imposed but be part of a negotiated settlement which will have the fines replaced by a series of capital improvement projects that will bring WJWW into compliance.

WJWW has already completed and has in the pipeline, multiple capital improvement projects to advance the broader compliance effort. WJWW has completed major projects such as the Barry Avenue/Macy Road 16-inch transmission main, Kenilworth booster pump station and the new 2 MG Kenilworth water storage tank which are all directed toward the compliance effort. In 2020, WJWW initiated projects for a Rye Lake UV Facility (expected to be completed in late 2021 this facility will result in water from each of the WJWW's sources having the same level of treatment) as well as a multi-year project to construct a Rye Lake filtration plant that will bring WJWW's Rye Lake source into full compliance with USEPA and NYS Health Department requirements.

At December 31, 2020, WJWW's undistributed deficit to its member municipalities was \$51.5, which included accrued fines totaling \$59.6 million. This demonstrates the adverse impact that the accrued fines have on WJWW's financial position on paper and underscores the potential positive effect should the fines be held in abeyance and replaced by capital projects aimed at achieving compliance – the undistributed deficit would shift to an undistributed surplus of \$8.1 million.

Additionally, in 2019, the USEPA issued an administrative order directing the WJWW to develop a design plan, construct and have operational by October 15, 2024 a filtration plant at Rye Lake in order to address disinfection by-products. Failure to meet milestone dates established by the USEPA could result in additional fines to WJWW of up to \$57,317 per day. Currently, WJWW is progressing its plan to build a filtration plant at Rye Lake that has thus far met the milestones established by the USEPA.

WJWW derives its revenues primarily from metered water sales to retail and wholesale customers. In 2020, total revenues were \$27.0 million of which 96% (\$26.0 million) represented metered water sales. The balance of 2020 revenues (\$1.0 million) were made up of charges related to customer late payment fees and penalties (\$.3 million); fire protection fees (\$.6 million); and service connection & meter installation fees (\$.1 million).

WJWW's 2020 revenues were up 7 percent compared to 2019 as water production rebounded (4.3 billion gallons in 2020 versus 4.0 billion gallons in 2019) as more moderate weather conditions prevailed. It is important to note that WJWW revenues can fluctuate +/- 500 million gallons due to changing weather driven irrigation demands. A typical year's water production, upon which budgeted revenues are based, is approximately 4.5 billion gallons – the adverse variance to budgeted revenue was driven by a combination of volume shortfall (200 MG) and budgeted water rate increases of 7 percent (on average) which were deferred due to concern for customers' finances that were already being strained by Covid-19 (see supplementary information for budget comparatives).

Operating expenses for 2020 totaled \$23.1 million, down to budget (\$1.2 million) and up marginally to 2019 (\$.4 million). The two major components of WJWW's operating expenses are water purchases and other operating costs (salaries & benefits, water treatment plant operations, water distribution & transmission system operations and maintenance, customer service and general administration & overhead).

WJWW purchases the water that it treats and supplies from the NYC water system. In 2020, purchases of water from NYC totaled \$10.7 million, up to both budget and prior year, \$0.1 million and \$1.9 million, respectively. As the year 2020 saw a return to more moderate weather conditions, the cost of water purchased from the NYC water system was roughly in-line with budget (which assumed "normal weather conditions"), but was up significantly to 2019 (approximately 21%), a relatively cool/wet year.

Other operating expenses (non-water) totaled about \$12.3 million, significantly lower than both budget and prior year, \$1.4 million and \$1.5 million respectively. Reductions were due to lower activity and severity of water distribution system repairs in general, partly as a result of year-to-year variations in weather, but also related to Covid-19 as leak detection efforts were curtailed and focus was placed primarily on significant leaks that had surfaced and/or had adverse service impacts. To a lesser extent, with recent personnel changes, WJWW also began to undertake smaller, limited repair projects with its own workforce when/where possible. In 2020, Covid-19

impacted budgeted computer system upgrades (related to meter reading, accounting/financial reporting) and facility improvements (record storage room) which were deferred to 2021.

Other Income totaled \$.5 million in 2020, up to budget (\$.1 million) as a result of higher sales of scrap metal and down to the prior year (\$.1 million) due to a change in the Larchmont cost recovery methodology.

Net income before filtration plant fines, totaled \$4.3 million, \$.6 million below budget and \$1.2 million above 2019. After deducting filter plant fine accruals, WJWW generated a net loss of \$0.7 million in 2020 versus a 2019 net loss of \$2.0 million.

With respect to water infrastructure capital projects, WJWW develops the projects, directs the work and directly incurs construction, equipment and engineering costs. The WJWW member municipalities provide funding of the capital costs to WJWW through bond issuance and water fund reserves. WJWW in turn distributes its operating income to its members to cover debt service related to the water infrastructure capital projects.

While WJWW capital projects are in progress, the costs directly incurred by WJWW and associated reimbursements from its members are passed through receivable/payable accounts on the WJWW General Fund balance sheet. In 2020, WJWW distributed \$2.6 million of income to its members' water funds. Tax levy transfers, representing seriously delinquent water arrear balances, totaling \$.4 million were made to member municipalities for collection.

When water infrastructure capital projects are completed, WJWW records their values as part of its Capital Fund balance sheet. WJWW shows the cost of the project in its appropriate category, joint system, local system, etc. with an offsetting entry in the capital section. Joint projects, related to shared water infrastructure, are allocated to each member based on the latest audited share of member water sales at the time the project is authorized. Local projects, which involve pipes and infrastructure specific to a member, are entirely attributed to that member.

In 2020, completed water infrastructure project values of \$8.5 million were added to the capital projects fund balance sheet. Shared joint water works system project costs made up \$2.3 million of the total and primarily involved projects to support system, reliability, resiliency and redundancy, such as the installation of three new pressure regulators and modifications to the distribution infrastructure at WJWW's Rye Lake site. Local distribution system project costs were \$6.2 million and were mainly related to the replacement of failed transit water mains and the replacement of vulnerable and/or non-functional water infrastructure in advance of planned paving within the member municipalities.

In addition to the preceding narrative and the basic financial statements, supplementary information is also provided comparing actual results for 2020 to budget and the prior year. Statistical data for water sales and purchases is also presented. To further enhance understanding of the financial statements, the reader is directed to the accompanying notes to the financial statements.

(This page intentionally left blank)

Westchester Joint Water Works
Capital Projects Fund

Balance Sheet
December 31, 2020

ASSETS

Fixed Properties

Joint water works system	\$ 22,010,932
Local distribution system	42,209,565
30" main	1,664,405
30" main - partial relocation	69,197
Office building and improvements	157,573
Rye Lake improvements	4,637,922
Rye Lake supply - filter plant site	455,205

Total Fixed Properties	71,204,799
------------------------	------------

Cash and Cash Equivalents	9,696
---------------------------	-------

Total Assets	\$ 71,214,495
--------------	---------------

LIABILITIES AND MEMBERS' CAPITAL

	Village of Mamaroneck	Town of Mamaroneck	Town/Village of Harrison	Total
Liabilities	\$ -	\$ -	\$ -	\$ -
Capital				
Joint water works system	\$ 6,363,872	\$ 4,331,762	\$ 11,315,298	\$ 22,010,932
Local distribution system	16,504,894	7,157,802	18,546,869	42,209,565
30" main	642,460	432,745	589,200	1,664,405
30" main - partial relocation	26,779	15,154	27,264	69,197
Office building and improvements	60,681	37,801	59,091	157,573
Rye Lake improvements	1,539,790	983,240	2,114,892	4,637,922
Rye Lake supply - filter plant site	150,217	98,779	206,209	455,205
Undistributed and uncollected earnings	2,969	(1,957)	8,684	9,696
Total Capital	25,291,662	13,055,326	32,867,507	71,214,495
Total Liabilities and Capital	\$ 25,291,662	\$ 13,055,326	\$ 32,867,507	\$ 71,214,495

See notes to financial statements

Westchester Joint Water Works
Capital Projects Fund

Statement of Revenues and Undistributed and Uncollected Earnings

Year Ended December 31, 2020

REVENUES

Interest income on notes receivable and investments	\$ 551
---	--------

OTHER FINANCING USES

Distributions to members	<u>(9,702)</u>
--------------------------	----------------

Net Change in Undistributed and Uncollected Earnings	(9,151)
--	---------

Undistributed and Uncollected Earnings - Beginning of Year	<u>18,847</u>
--	---------------

Undistributed and Uncollected Earnings - End of Year	<u><u>\$ 9,696</u></u>
--	------------------------

See notes to financial statements

Westchester Joint Water Works
Capital Projects Fund

Schedule of Fixed Properties - Local Distribution System
December 31, 2020

	<u>Village of Mamaroneck</u>	<u>Town of Mamaroneck</u>	<u>Town\Village of Harrison</u>	<u>Total</u>
Engineer's estimate of local distribution system included in the original contract price	\$ 250,410	\$ 120,600	\$ 117,640	\$ 488,650
Installations made since acquisition				
Mains and hydrants	15,544,179	6,555,989	17,259,936	39,360,104
Meters - net additions	204,873	137,457	448,443	790,773
Service connections	<u>505,432</u>	<u>343,756</u>	<u>720,850</u>	<u>1,570,038</u>
Balance December 31, 2020	<u><u>\$ 16,504,894</u></u>	<u><u>\$ 7,157,802</u></u>	<u><u>\$ 18,546,869</u></u>	<u><u>\$ 42,209,565</u></u>

See independent auditors' report

(This page intentionally left blank)

**Westchester Joint Water Works
Capital Projects Fund**

Notes to Financial Statements
December 31, 2020

1. Organization

The Westchester Joint Water Works ("WJWW") was organized under the laws of New York State as a Joint Water Works in 1927 and is a nontaxable public benefit corporation. It was formed by three member municipalities: the Village of Mamaroneck, the Town of Mamaroneck and the Town/Village of Harrison to jointly acquire, construct, provide, maintain and operate a water works system. The Capital Projects Fund is provided to account for the fixed properties of the Water Works.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Capital Projects Fund financial statements of the WJWW have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental funds and the Uniform System of Accounts as prescribed by the State of New York, except as described below. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Accounting principles generally accepted in the United States of America require that capital expenditures be capitalized and depreciated over the useful life of the asset. The Capital Projects Fund does not provide for depreciation of its fixed properties, nor does it give effect to certain additions made to the distribution system. The fixed properties are not adjusted for retirements, abandonments or for properties having limited or no value.

The Board of Trustees have agreed that the special-purpose financial statements be prepared for the purpose of determining distributions to its members based on the departures from generally accepted accounting principles noted above and that all other accounting principles followed by the WJWW will be in accordance with GAAP.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 ("Coronavirus") pandemic and the mitigation responses, and such differences may be material. (See Note 4).

Cash and Cash Equivalents

Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

**Westchester Joint Water Works
Capital Projects Fund**

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (*continued*)

The WJWW's deposits and investment policies are governed by State statutes. The WJWW has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The WJWW is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The WJWW has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions, and accordingly, the WJWW's policy provides for no credit risk on investments.

The WJWW follows the provisions of the Government Accounting Standards Board ("GASB"), Statement No. 72, *"Fair Value Measurements and Application"*, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the WJWW will incur losses in fair value caused by changing interest rates. The WJWW does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the WJWW does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the WJWW's deposits may not be returned to it. GASB Statement No. 40, *"Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3"*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the WJWW's name. The WJWW's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2020.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The WJWW does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

**Westchester Joint Water Works
Capital Projects Fund**

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (*continued*)

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The WJWW's investment policy limits the amount on deposit at each of its banking institutions.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 9, 2021.

3. Capital Projects

The General Fund supervises all capital projects. Such supervision includes accumulating costs, paying bills, collecting funds from the member municipalities and overseeing the completion of the projects.

4. Contingencies - Filtration Plant

In September 1999, the Attorney General of the State of New York sought and obtained an injunction to require the WJWW to build a water filtration plant for its Rye Lake water supply. The WJWW subsequently submitted a plan to build a filtration plant. The New York State Health Department approved the plans on April 6, 2006. The WJWW awarded contracts on August 3, 2006 and construction commenced on August 29, 2006. The Supreme Court of the State of New York ruled that construction had to be completed by December 3, 2008. Construction was subsequently halted due to litigation, permitting issues and the requirement to approve an environmental impact statement by the Harrison Planning Board.

With the endorsement of New York State, Management moved forward with an alternative to the filtration plant. The alternative involved a joint venture with Westchester County to get access to ultraviolet treated water. WJWW, as well as its member municipalities, entered into an intermunicipal agreement in April 2010 with Westchester County for this purpose. The County UV Alternative, as it was known, involved WJWW constructing a pipeline and pump station as well as modifying some existing interconnections and infrastructure. WJWW would also share in the cost for Westchester County to construct a pipeline, pump station and various other infrastructure to access water from New York City's ultraviolet plant at Eastview. Westchester County subsequently decided not to pursue the County UV Alternative pipeline as planned and the project was abandoned.

As a result, the WJWW re-directed its efforts to a second alternative which was discussed with New York State. This involved interim modifications to increase water flow from its Shaft 22 pipeline along with building another pipeline in the longer term from Delaware Aqueduct Shaft 20 in Greenburgh to connect directly with the WJWW system. This would allow for sufficient volume to provide UV treated water to the entire WJWW system and eliminate Rye Lake as a source of water. A conceptual plan was completed in December 2014 related to this alternative and submitted to

**Westchester Joint Water Works
Capital Projects Fund**

Notes to Financial Statements
December 31, 2020

4. Contingencies - Filtration Plant (*continued*)

New York State. WJWW has continued to advance its design and engineering efforts relative to UV alternative projects identified in the December 2014 plan. The projects undertaken and completed include the new booster station at the Kenilworth tank location in Harrison; the new 16" water transmission main from North Barry Avenue in the Village of Mamaroneck to Macy Road in the Town of Harrison as well as the recently completed new 2 MG Kenilworth water storage tank in Harrison. These projects provide enhanced resiliency and redundancy to the overall WJWW system and are part of the broader project to achieve overall compliance goals.

Beginning in late 2016, having determined that the Shaft 20 project was cost prohibitive (approximately \$175 million), WJWW began discussions with Westchester County Airport (WCA) about the siting of a filtration facility which would be a much less costly option (expected cost of approximately \$100 million). In 2018, WJWW committed to construction of a Rye Lake filtration facility and began actively working with Westchester County to explore site viability at the WCA.

In the second quarter of 2019, WJWW engaged Hazen & Sawyer Engineers to assess viability of a particular site adjacent to the WCA off of Tower Road in Purchase. In July of 2019, USEPA issued an administrative order requiring WJWW to submit a plan within 30 days to address its longstanding Surface Water Treatment Rule (SWTR) violation. In this same timeframe, WJWW also received violations from the Westchester County Department of Health (WCDOH) for disinfection by-product exceedances (an issue for which filtration will provide better control). In November of 2019, USEPA issued another administrative order requiring WJWW to commence design of the proposed Rye Lake filtration facility and to initiate the SEQR process by January 31, 2020 with the facility completed and operational by October 15, 2024. Hazen & Sawyer Engineers are working on the preliminary SEQR and are developing a basis of design report for the Rye Lake filtration facility.

As the WJWW has not met the specific terms associated with the court ordered December 3, 2008 deadline an accrual for fines of \$59,648,750 for the period December 4, 2008 through December 31, 2020 is reflected in the accounts payable on the General Fund Balance Sheet and \$5,032,500 and \$5,018,750 for the years ended December 31, 2020 and 2019 are reflected in the statements of operations. Management has indicated that, based on their discussions with the State, that the State is holding in abeyance the imposition of fines although they continue to be accrued. The expectation of Management continues to be that the fines will be suspended or replaced with a negotiated settlement given that an acceptable plan is being progressed. WJWW is involved in ongoing discussions with New York State to resolve this matter. The accrual for fines outlined above will be adjusted when discussions with New York State are finalized. The amount of fines are potentially substantial as they continue to accrue at \$13,750 per day.

The WJWW receives numerous additional notices of claims for money damages occurring from property damage or personal injury. Of the claims currently pending, none are expected to have a material effect on the financial position of the WJWW if adversely settled.

**Westchester Joint Water Works
Capital Projects Fund**

Notes to Financial Statements
December 31, 2020

4. Contingencies - Filtration Plant (*continued*)

Coronavirus

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of Coronavirus. This was followed by the President of the United States declaring the outbreak of coronavirus a national emergency on March 13, 2020.

Preceding these announcements, the Governor of the State of New York declared a state of emergency on March 7, 2020 and has since issued multiple Executive Orders regarding the pandemic. Furthermore, the Enacted 2020-21 New York State budget granted the Budget Director the authority to reduce state aid payments to local governments and school districts by any amount needed to achieve a balanced budget. The Budget Director is authorized, under Section 1(f) of Chapter 53 of the Laws of 2020, to withhold all or some of specific local aid payments during state fiscal year 2020-21, that began on April 1, 2020, if the budget is deemed unbalanced and if the Budget Director further determines that such withholding is necessary to respond to the direct and indirect economic financial and social effects of the Coronavirus pandemic ("Reduction Authority").

The ultimate size of any permanent reductions would depend in part on the availability of unrestricted Federal aid. The Federal government has not reached a consensus on additional recovery legislation at this time. Therefore, in the interim, without assurance of Federal aid, New York State has begun withholding a minimum of 20% of most municipal and school district aid payments to achieve the cash flow savings anticipated in the Executive Budget Financial Plan as updated for the Governor's amendments and forecast revisions pursuant to the Reduction Authority.

In addition to these New York State actions, the WJWW economically sensitive revenues (i.e., water sales and surcharges, charges for services and interest earnings) are being negatively impacted. Meanwhile, the WJWW expenditures on health and safety measures (personal protective equipment, sanitizing supplies, and technology acquisitions to support remote work) will increase significantly.

The outbreak of the Coronavirus and the dramatic steps taken by the Federal government and New York State to address it will continue to negatively affect New York State and its local economies. The full impact of the Coronavirus on New York State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact on the WJWW future operations and finances as a result of the Coronavirus is extremely difficult to predict due to uncertainties relating to its duration and severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including New York State, to contain or mitigate its effects. The spread of the outbreak or reemergence later in the year could have a material adverse financial effect on New York State and local municipalities, including the WJWW. The WJWW is continuously monitoring the situation and will take such proactive measures as may be required to maintain operations and meet its obligations. Given this level of uncertainty, management cannot reasonably estimate the actual impact on the WJWW future financial position at this time.

* * * * *

(This page intentionally left blank)

**Westchester Joint Water Works
Capital Projects Fund**

Supplementary Information

December 31, 2020

Westchester Joint Water Works
Capital Projects Fund

Schedule of Cash Receipts and Cash available for Distribution
Year Ended December 31, 2020

Receipts

Suez Water Westchester	<u>Interest</u>	<u>Principal</u>	
Payment for			
Secondary Containment, Caustic Treatment			
Facility Improvements, Purchase	\$ 543	\$ 9,145	\$ 9,688
Interest income on Savings account			<u>8</u>
Total Receipts - Capital Projects Fund			<u><u>\$ 9,696</u></u>

	<u>Village of Mamaroneck</u>	<u>Town of Mamaroneck</u>	<u>Town\Village of Harrison</u>	<u>Total</u>
Cash Balance at January 1, 2020	\$ 3,170	\$ 2,100	\$ 4,432	\$ 9,702
Receipts	3,168	2,100	4,428	9,696
Distributions	<u>(3,170)</u>	<u>(2,100)</u>	<u>(4,432)</u>	<u>(9,702)</u>
Cash Balance at December 31, 2020	<u><u>\$ 3,168</u></u>	<u><u>\$ 2,100</u></u>	<u><u>\$ 4,428</u></u>	<u><u>\$ 9,696</u></u>

See independent auditors' report