

Joint Audit Committee Meeting of
The New York City Municipal Water Finance Authority
and
The New York City Water Board

June 3, 2024

Agenda

1. Resolution: Approval of Minutes of Meeting of October 11, 2023
2. Resolution: Annual Self-Evaluation and Review of Annual Report of the Audit Committee
3. Presentation of Audit Plan Including Discussion of New Accounting and Auditing Standards
4. Resolution: Recommendation to the Authority Board of Directors and the Water Board – Approval of Independent Auditor Contract

Joint Audit Committee Meeting of
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Approval of Minutes

WHEREAS, the Joint Audit Committee has reviewed the minutes of its meeting held on October 11, 2023; it is therefore

RESOLVED, that the minutes of the meeting of October 11, 2023 be, and they hereby are, approved.

DRAFT
JOINT AUDIT COMMITTEE OF
THE NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY
AND
NEW YORK CITY WATER BOARD
October 11, 2023

A meeting of the Joint Audit Committee (the “Committee”) of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”) was held at 8:40 a.m. in Conference Rooms 8S-1/S-2, 255 Greenwich Street, New York, NY 10007, on October 11, 2023. The following members of the Committee were present in person:

Max Von Hollweg;

Alfonso L. Carney, Jr.;

Marc Shaw;

Adam Freed; and

Jonathan E. Goldin

constituting a quorum of the Committee. Mr. Von Hollweg served as Chair of the meeting, and Deborah Cohen served as Secretary of the meeting.

Approval of Minutes of Previous Committee Meeting

The first item on the agenda was approval of the minutes of the meeting of May 17, 2023.

There being no discussion, the following resolution was adopted by majority Committee vote:

WHEREAS, the Joint Audit Committee has reviewed the minutes of its meeting held on May 17, 2023; it is therefore

RESOLVED, that the minutes of the meeting of May 17, 2023 be, and they hereby are, approved.

Presentation by management and independent auditors regarding the audited annual financial statements of the Water and Sewer System of the City of New York (the “System”) for Fiscal Year 2023

Mr. Von Hollweg introduced Raymond Lee, the Authority’s Comptroller, who briefly discussed the Water & Sewer System’s audited financial statements, and introduced Nicholas Lazzaruolo from Grant Thornton, the System’s independent auditors. Mr. Lazzaruolo provided the required communications related to the independent audit of the System’s financial statements for the fiscal years ended June 30, 2023 and June 30, 2022. Discussion ensued.

Recommendation to the Authority Board of Directors and the Water Board the acceptance of the independent auditors’ report on the audited financial statements of the System for the fiscal years ended June 30, 2023 and June 30, 2022, and the issuance of such financial statements

Following the independent auditors’ presentation, Mr. Von Hollweg explained the proposed agenda would recommend to the Board of Directors of the Authority and the Water Board approval of the audited financial statements. The following resolution was approved by unanimous vote of the members present.

WHEREAS, the Joint Audit Committee of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”) has met with the independent auditors of the water and sewer system of the City of New York (the “System”) and has reviewed the independent auditors’ report on the audited financial statements of the Authority for the fiscal years ended June 30, 2023 and June 30, 2022 and such financial statements, as submitted to the Committee; and

WHEREAS, the Joint Audit Committee believes the independent auditors’ report and the financial statements are reasonable and appropriate; it is therefore

RESOLVED, that the Joint Audit Committee recommends to the Board of Directors of the Authority and the Water Board the acceptance of the independent auditors’ report and the authorization of the release of the audited financial statements of the System for the fiscal years ended June 30, 2023 and June 30, 2022; provided that both the independent auditors’ report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller of the Authority.

Review and Approval of the Audit Committee Charter

Mr. Von Hollweg noted the next item on the agenda was the review and approval of the Committee's Charter. Mr. Von Hollweg noted there was one change to the Committee's Charter proposed, to reflect the requirement that the Financial Integrity Compliance Statement be reviewed every four years, pursuant to the New York City Comptroller's changed protocol, rather than annually. A brief discussion ensued. Then, upon unanimous vote of the members present, the following resolution was approved.

WHEREAS, the Joint Audit Committee Charter was adopted by the New York City Water Board (the "Water Board") on January 28, 2008 and by the Board of Directors of the New York City Municipal Water Finance Authority (the "Authority") on February 4, 2008 and amended on October 7, 2009 by the Authority and October 30, 2009 by the Water Board; and

WHEREAS, pursuant to the Joint Audit Committee Charter, section III(s), the Joint Audit Committee of the Water Board and the Authority is required annually to review the Audit Committee Charter, reassess its adequacy, and recommend any proposed changes to the Authority and the Water Board; and

WHEREAS, the Audit Committee has reviewed the Audit Committee Charter, as amended and attached hereto, and finds it to be reasonable and appropriate; it is hereby

RESOLVED, that the Audit Committee hereby approves the Audit Committee Charter as adopted and attached hereto.

Review of Audit Committee Schedule of Dates

Mr. Von Hollweg noted the next item on the agenda was a review of the Audit Committee's Schedule of Dates, which provide a guideline for items the Committee will review throughout the year. He noted that the same change made to the Audit Committee Charter had been made to the Schedule of Dates. He also noted that this was a review only, and no vote was necessary.

Adjournment

There being no further business before the Committee, upon unanimous vote, the Joint Audit Committee meeting was adjourned.

Assistant Secretary of the Authority

Secretary of the Water Board

Joint Audit Committee Meeting of
The New York City Municipal Water Finance Authority
and
The New York City Water Board

June 3, 2024

Annual Self-Evaluation and Report of the Audit Committee

WHEREAS, Section III(k) of the Audit Committee Charter and Section 6.3 of Directive 22 of the City of New York Office of the Comptroller require the Audit Committee to issue an annual report, which details the activities and decisions of the Committee for the prior calendar year;

WHEREAS, the Audit Committee has reviewed the Annual Report of the Audit Committee, as attached hereto, and finds it to be reasonable;

WHEREAS, Section III(j) of the Audit Committee Charter requires the Audit Committee to conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Audit Committee Charter; and

WHEREAS, the Audit Committee finds its performance to be satisfactory, effective, and in compliance with the Audit Committee Charter; it is therefore

RESOLVED, that the Annual Report of the Audit Committee is hereby approved and shall be presented to the Board of Directors of the New York City Municipal Water Finance Authority and the New York City Water Board, copies of which shall be sent to the Bureau of Accountancy of the City of New York Office of the Comptroller and filed with the minutes of the Audit Committee.

Joint Audit Committee Meeting of
The New York City Municipal Water Finance Authority
and
The New York City Water Board

Annual Report of the Joint Audit Committee

June 3, 2024

During calendar year 2023, the Joint Audit Committee of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”) met twice. The Joint Audit Committee’s actions at these meetings were as follows:

May 17, 2023:

- Conducted a self-evaluation and approved an annual report of the Committee’s activities;
- Reviewed the Water Authority and Water Board Internal Control Policies; and
- Met with the independent auditors to review the auditors’ audit plan for the fiscal year 2023 audit and several new accounting and auditing standards.

October 11, 2023:

- Met with the independent auditors and management of the Authority to discuss the annual audited financial statements for the fiscal years ended June 30, 2023 and June 30, 2022, and recommended to the Authority Board of Directors and the Water Board the acceptance and release of such financial statements;
- Reviewed the annual Agency Financial Integrity Compliance Statements of the Authority and the Water Board; and
- Reviewed and approved the Audit Committee Charter and Schedule of Dates.



2024 Annual Audit Planning Presentation

**New York City Municipal Water Finance Authority
New York City Water Board**

June 3, 2024

PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

This communication is intended solely for the information and use of management and those charged with governance of the New York City Municipal Water Finance Authority and the New York City Water Board and is not intended to be and should not be used by anyone other than these specified parties.

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Agenda

- 01 Our responsibilities
- 02 Audit scope
- 03 Required communications



Our responsibilities

We are responsible for:

- Performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* of the combining financial statements of the New York City Municipal Water Finance Authority and New York City Water Board (collectively, the “New York City Water and Sewer System” or the “System”) as of and for the year ended June 30, 2024.
- Forming and expressing an opinion about whether the combining financial statements are presented fairly, in all material respects, in accordance with US GAAP
- Reading other information in the combining financial statements and Annual Comprehensive Financial Report (ACFR), such as Management's Discussion and Analysis (MD&A) and other Required Supplementary Information (RSI) and assessing whether it is materially consistent with the combining financial statements
- Communicating fraud and/or abuse in connection with the combining financial statements
- Communicating material weaknesses and/or significant deficiencies in internal control to you in a timely fashion; we do not design our audit for this purpose
- Reporting material non-compliance related to laws, regulations, contracts and grant agreements

An audit provides reasonable, not absolute, assurance that the combining financial statements are free from material misstatements due to fraud or error. It does not relieve you or management of your respective responsibilities. Our responsibilities are described further in our contract/engagement letter.

Those Charged With Governance and Management Responsibilities

Those Charged with Governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the System's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - The System's strategies and related business risks that may result in heightened risks of material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management is responsible for:

- Preparing and fairly presenting the combining financial statements
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the combining financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with written representations

Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s)

We believe that **total expenses** is the appropriate benchmark for the **System's combining financial statements**

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative and/or other risk factors are present (for example, related party relationships or significant unusual transactions)

Significant risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments

| Area of Focus | Procedures |
|--|--|
| Billed and unbilled revenue and receivables: <ul style="list-style-type: none">• Water supply and distribution• Sewer collection and treatment• Upstate water and late payment fees• Connection fees and permits• Service line protection program• Change in residual interest in sold items | <ul style="list-style-type: none">• Perform reasonableness testing on related revenue and receivables• Perform detailed substantive testing of a sample of transactions, across various revenue streams, agreeing to source documentation• Gain understanding of the allowance methodology and, policy(ies) governing additional charges• Perform tests of controls over select revenue streams• Ensure that all revenues recognized in fiscal 2024 were recorded in the proper period |

Significant risks and other areas of focus- continued

| Area of focus | Procedures |
|---|---|
| Valuation of investments and derivative instruments | <ul style="list-style-type: none"> • Test reasonableness of investment-related income, including unrealized appreciation/(depreciation) in fair market values • Confirm investment positions as of June 30, 2024 • Ensure prioritization of inputs used to fair value investment assets is reasonable and in accordance with pertinent <i>Fair Value Measurement</i> standards |
| Utility Plant in-service and construction | <ul style="list-style-type: none"> • Obtain fiscal 2024 roll-forwards for the System's in-service and construction utility plant assets. Test capital additions, disposals and transfers • Test depreciation for reasonableness |
| Bonds and notes payable | <ul style="list-style-type: none"> • Confirm outstanding debt balances • Review fiscal 2024 debt related activity for reasonableness • Assess adequacy of footnote disclosures |

Significant risks and other areas of focus – continued

| Area of focus | Procedures |
|---------------------------------|--|
| Expenses | <ul style="list-style-type: none"> • Test a sample of expenses including those relating to the lease with the City of New York for accuracy, recognition in the appropriate period, and proper support • Perform tests of controls over select disbursements |
| Accounting estimates | <p>The preparation of the combining financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions in determining the amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our procedures have been designed in part, to review these estimates and evaluate their reasonableness</p> |
| Financial statement disclosures | <p>Our procedures will also include an assessment as to the adequacy of the System's combining financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the combining financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by US GAAP</p> |

Technology support as part of the audit process



An important component of our audit approach is to understand how IT is used in supporting business operations and producing financial reports. Our audit technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices

To that end, we will conduct a general controls review to evaluate the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations

Required communications

Professional standards
require that we
communicate the
following matters to you,
as applicable

- Going concern matters
- Fraud and noncompliance with laws and regulations
- Significant deficiencies and material weaknesses in internal control over financial reporting
- Use of other auditors
- Use of internal audit
- Related parties and related party transactions
- Significant unusual transactions
- Disagreements with management
- Management's consultations with other accountants

- Significant issues discussed with management
- Significant difficulties encountered during the audit
- Difficult or contentious matters for which we consulted outside the engagement team and that are, in our professional judgment, significant and relevant to you and your oversight responsibilities
- Other significant findings or issues that are relevant to you and your oversight responsibilities
- Modifications to the auditor's report
- Other information in documents containing audited financial statements

Auditor independence

Our firm maintains a robust quality control system supported by comprehensive policies and procedures that meets or exceeds regulatory requirements. Our system enables us to evaluate and maintain our independence and serve audit clients with requisite integrity, objectivity, and independence. As you exercise your oversight responsibilities, you should understand the more significant aspects of this system:



Monitoring independence for new opportunities

Only permitted nonaudit services or business relationships are cleared, and such services or relationships are monitored for scope creep. As necessary, our firm applies appropriate safeguards to eliminate or mitigate independence threat(s) to an acceptable level. As necessary, or as required by a regulator, the engagement partner will discuss with management and/or the audit committee any potential independence threats or where additional input is needed in relation to our firm's independence evaluation.

Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline

(1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL

link can be accessed from our external website or through this link:

https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191

Disclaimer: EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.



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Joint Audit Committee Meeting of
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and
The New York City Water Board

June 3, 2024

Recommendation to the Board of Directors – Approval of Independent Auditor Contract

WHEREAS, the Joint Audit Committee of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”) is authorized, under the Audit Committee Charter, to recommend to the Board of Directors of the Authority and the Water Board the appointment and retention of independent auditors for the water and sewer system of the City of New York (the “System”);

WHEREAS, the Authority, in conjunction with the City of New York (the “City”), issued a competitive Request for Proposals for independent auditor services;

WHEREAS, Grant Thornton LLP (“Grant Thornton”) was selected based on their proven record of quality of service, as well as compatibility in the coordination of the audit of the System with the City’s audit;

WHEREAS, the Board of the Authority have authorized the management of the Authority to sign engagement letters with Grant Thornton to serve as the independent auditors for the System’s financial statements for the fiscal years ending June 30, 2024, 2025, 2026, and 2027 for the fees listed in Schedule I, contingent on the Audit Committee’s recommendation of the action; and

WHEREAS, pursuant to the Audit Committee Charter, the Audit Committee has evaluated the recommended selection of Grant Thornton as independent auditor and finds it reasonable and prudent; it is hereby

RESOLVED, that the Audit Committee recommends that the Board of the Authority and the Water Board authorize the management of the Authority and the Water Board to sign engagement letters with Grant Thornton to serve as the independent auditors for the System’s financial statements for the fiscal years ending June 30, 2024, 2025, 2026, and 2027 for the fees listed in Schedule I, as well as any other documents necessary to effectuate the retention of the independent auditors.

Schedule I

Fees (by Fiscal Year)

| | |
|-------------|------------|
| Fiscal 2024 | \$ 210,000 |
| Fiscal 2025 | \$ 222,600 |
| Fiscal 2026 | \$ 233,725 |
| Fiscal 2027 | \$ 245,425 |

Hourly Rates for Special Projects

| Hourly Rate for Special Projects | Fiscal 2024 | Fiscal 2025 | Fiscal 2026 | Fiscal 2027 |
|----------------------------------|-------------|-------------|-------------|-------------|
| Partners | \$ 545 | \$ 570 | \$ 590 | \$ 620 |
| Directors | \$ 510 | \$ 540 | \$ 555 | \$ 575 |
| Managers | \$ 435 | \$ 450 | \$ 465 | \$ 480 |
| Seniors | \$ 340 | \$ 355 | \$ 370 | \$ 385 |
| Semi- Seniors | \$ 275 | \$ 290 | \$ 300 | \$ 310 |
| Staff | \$ 185 | \$ 190 | \$ 195 | \$ 205 |