

**NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY & NEW YORK
CITY WATER BOARD
JOINT AUDIT COMMITTEE MEETING
MAY 26, 2022**

>> GOOD AFTERNOON, EVERYONE. I'M MAX VON HOLLWEG, THE CHAIR OF THE JOINT AUDIT COMMITTEE OF THE MUNICIPAL WATER FINANCE AUTHORITY AND THE WATER BOARD. I'D LIKE TO ASK ALL PARTICIPANTS TO KEEP THEIR PHONES MUTED UNLESS THEY'RE SPEAKING, AND I'LL NOW CONVENE THE MEETING BY ASKING DEB IF YOU COULD CALL THE ROLL.

>> CONDUCTING THE ROLL CALL, MAX VON HOLLWEG?

>> I'M HERE.

>> ALFONSO CARNEY, JR.?

>> PRESENT.

>> SELVIN SOUTHWELL?

>> PRESENT.

>> JONATHAN GOLDIN?

>> HERE.

>> ADAM FREED?

>> HERE.

>> MARC SHAW?

>> HERE.

>> THANK YOU. WE HAVE A QUORUM.

>> WELL, AS ALWAYS, THE FIRST ITEM ON THE AGENDA IS THE REVIEW AND APPROVAL OF THE MINUTES OF OUR LAST MEETING. A DRAFT OF THOSE MINUTES HAS BEEN CIRCULATED TO EVERYONE FOR THEIR REVIEW. I'D ASK IF THERE ARE ANY COMMENTS OR CORRECTIONS, AND HEARING THAT THERE ARE NONE, I'LL ASK IF THERE COULD BE--SOMEONE COULD MOVE A RESOLUTION APPROVING THOSE MINUTES.

>> SO MOVED, MR. CHAIRMAN.

>> AND A SECOND?

>> I'LL SECOND THAT.

>> RIGHT. THEN I'LL ASK FOR PEOPLE TO VOTE. MR. CARNEY, HOW DO YOU VOTE?

>> APPROVED--TO APPROVE.

>> MR. GOLDIN?

>> APPROVE.

>> MR. SOUTHWELL?

>> APPROVE.

>> AND MR. SHAW?

>> APPROVE.

>> AND MR. FREED?

>> APPROVED.

>> AND I TOO VOTE IN FAVOR OF THAT RESOLUTION. THAT'S HEREBY APPROVED. NEXT ITEM ON THE AGENDA IS REQUIRED BY OUR AUDIT COMMITTEE CHARTER, AND THAT'S A REQUIREMENT THAT WE PERFORM A

SELF-EVALUATION OF OUR FUNCTIONS ANNUALLY, AND I BELIEVE WE HAVE CIRCULATED OUR COMMITTEE'S ANNUAL REPORT AND SELF-EVALUATION, WHICH INDICATES THE ACTIVITIES THAT WE PERFORMED IN 2021, WHICH INCLUDED A MEETING IN MAY MUCH LIKE THIS MEETING AND A MEETING IN OCTOBER. THERE'S A DRAFT OF A RESOLUTION THAT EXPRESSES THE COMMITTEE'S OPINION THAT WE'RE FUNCTIONING IN A SATISFACTORY MANNER AND WOULD AUTHORIZE THAT THE REPORT THAT HAS BEEN CIRCULATED WOULD BE PRESENTED TO THE WATER AUTHORITY BOARD OF DIRECTORS AND THE WATER BOARD. ANYONE HAVE ANY QUESTIONS REGARDING THAT REPORT OR OUR SELF-EVALUATION?

>> NONE HERE, MR. CHAIRMAN.

>> OK. THANK YOU. HEARING NONE OTHER, I WILL NOW CALL A ROLL FOR A VOTE ON THAT RESOLUTION. MR. CARNEY, HOW DO YOU VOTE?

>> TO APPROVE.

>> MR. GOLDIN?

>> APPROVE.

>> MR. SOUTHWELL?

>> APPROVE.

>> MR. SHAW?

>> APPROVE.

>> MR. FREED?

>> APPROVE.

>> AND I ALSO VOTE IN FAVOR OF THAT RESOLUTION. IT'S HEREBY APPROVED. THE NEXT ITEM ON THE AGENDA IS A REVIEW ITEM, AND IT'S A REVIEW OF OUR INTERNAL CONTROLS MANUAL FOR BOTH THE WATER AUTHORITY AND THE WATER BOARD. WE'RE CHARGED WITH REVIEWING THIS INTERNAL CONTROL POLICY EVERY YEAR PURSUANT TO THE JOINT AUDIT COMMITTEE CHARTER. A REVISED, UPDATED POLICIES HAVE BEEN CIRCULATED. I BELIEVE THEY'RE REDLINED AND SHOWING THE CHANGES. THESE WERE CHANGES TO BOTH THE WATER BOARD'S AND THE WATER AUTHORITY'S POLICIES, AND BOB BALDUCCI AND OMAR NAZEM ARE HERE AND AVAILABLE TO ANSWER ANY QUESTIONS ANYONE HAS REGARDING THOSE CHANGES TO THE INTERNAL CONTROLS MANUALS, SO I WOULD ASK IF ANYONE HAS ANY QUESTIONS.

>> THIS IS AL CARNEY. DID WE--SHOULD WE CONSIDER DATING THIS THE 26th RATHER THAN THE 16th?

>> I THINK THEY'RE [INDISTINCT].

>> I'M LOOKING AT THE REDLINED VERSIONS, AND IT LOOKS LIKE THEY'RE INTENDED TO BE APPROVED ON THE 16th. ARE--

>> SO, ALFONSO, SINCE YOU DON'T ACTUALLY HAVE TO VOTE ON THESE, WE DATED IT THE DATE IT WAS UPDATED, BUT WE CAN DATE IT TODAY IF YOU PREFER.

>> I WOULD PREFER, BUT I'LL STEP BACK AND LISTEN TO WHAT ANYBODY ELSE TO SAY. THANK YOU, DEBORAH.

>> WELL, THIS IS THE DATE THAT WE'RE ACTUALLY APPROVING IT, SO IT SEEMS APPROPRIATE TO DATE IT TODAY, I THINK.

>> SURE WE CAN MAKE THAT UPDATE.

>> AND--THIS IS ADAM--I HAD ONE, ONE TYPO I JUST WANTED TO FLAG AND THEN ONE QUESTION, IF I MAY.

>> SURE.

>> IN THE REDLINE VERSION, I'M LOOKING AT PAGE 6 UNDER CASH DEFEASANCE, JUST TO FLAG FOR STAFF, ON THE FOURTH LINE IN THE MIDDLE PARAGRAPH, "DEFEASANCE" APPEARS TWICE, AND, I GUESS, THE FOURTH FROM THE BOTTOM LINE IN THAT PARAGRAPH, "THERE ARE TWO TYPES OF DEFEASANCES--LEGAL DEFEASANCE DEFEASANCE AND ECONOMIC DEFEASANCE," SO JUST TO STRIKE THE EXTRA "DEFEASANCE" AS IT APPEARS IN THAT PARAGRAPH, AND I CAN TAKE A SNAPSHOT AND SEND IT IN IF THAT'S EASIER, AND THEN MY QUESTION WAS AROUND--

>> ADAM, IT'S AL. NICE CATCH.

>> YES. YEAH. I JUST LIKE TO MAKE SURE PEOPLE KNOW I'M ACTUALLY READING IT.

>> HA HA HA!

>> YEAH.

>> IT'S A GREAT CATCH.

>> UNDER THE CONSTRUCTION PAYMENTS, I SAW THAT WE NOW EXPLICITLY SAY, "IN RECENT YEARS, WE'VE BEEN DOING PAYMENTS TWICE A MONTH," AND WAS JUST CURIOUS WHAT KIND OF THAT CHANGE REFLECTS AND WHETHER THAT'S MORE CATCHING UP WITH PREFERENCE ON OUR SIDE, ON OUR CONTRACTOR'S SIDE, INDUSTRY PRACTICE, JUST TO GET A LITTLE COLOR ON THAT CHANGE, SO--

>> I'LL START WITH THAT. WE'LL START, AND MAYBE OMAR AND ME COULD FIGURE OUT, SO DURING THE PANDEMIC, WE WERE CONCERNED ABOUT THE CITY'S CASH FLOWS, SO ALIGNING WITH WHAT WE DO WITH THE TRANSITIONAL FINANCE AUTHORITY, WE STARTED TO TRANSFER THE BOND PROCEEDS TWICE A MONTH, AND WE JUST KEPT WITH THAT, YOU KNOW, WITH THAT PROCESS ALL THROUGH, SO THAT WAS THE REASON WHY.

>> OK, AND WE WOULD ANTICIPATE GO AND DOING THAT GOING FORWARD AS WELL OR AT LEAST HAVING THE OPTION?

>> YEAH. I MEAN, YOU KNOW, IT'S, I THINK, JUST PROCEDUREWISE, YOU KNOW, THE CITY COMPTROLLER REACHES OUT TO US, YOU KNOW, AT THE SAME TIME FOR THE TRANSITIONAL FINANCE AUTHORITY, SO, YOU KNOW, WE THINK THAT IT'S JUST A GOOD IDEA JUST TO LOAN THOSE REQUESTS FOR CASH FOR THE CITY TREASURY TOGETHER, SO WE ANTICIPATE TO KEEP IT THE SAME.

>> PERFECT. THANK YOU.

>> ANY OTHER QUESTIONS CONCERNING THE UPDATED INTERNAL CONTROL POLICIES? HEARING NONE, AGAIN, THIS IS A REVIEW ITEM AND DIDN'T REQUIRE A RESOLUTION. THE NEXT ITEM ON THE AGENDA IS A PRESENTATION OF THE AUDIT PLAN, INCLUDING A DISCUSSION OF ANY NEW ACCOUNTING AND AUDITING STANDARDS. GRANT THORNTON IS HERE TO PRESENT THEIR PLAN, AND THE AUTHORITY'S COMPTROLLER BOB BALDUCCI IS HERE TO INTRODUCE THE AUDITORS, SO I'LL TURN IT OVER TO BOB.

>> THANK YOU, MR. CHAIR, SO WE'RE GOING TO WELCOME BACK GRANT THORNTON AND OUR PARTNER AND THE TEAM THAT WORKED ON THE AUDIT

LAST YEAR. WITH THAT, I'M GOING TO TURN IT OVER TO OUR PARTNER NICK LAZZARUSSO--LAZZARUOLO. NICK?

>> GREAT. THANK YOU, BOB, AND GOOD AFTERNOON, JOINT AUDIT COMMITTEE MEMBERS. IT'S A PLEASURE TO BE WITH YOU TO DISCUSS OUR AUDIT WORK PLAN, AND, IF I MAY, I'M GOING TO ASK MY AUDIT MANAGER KYLE CHUBER, WHO IS JOINING ME, TO SHARE HIS SCREEN SO WE CAN WALK THROUGH THE PRESENTATION TOGETHER, SO, KYLE, IF YOU DON'T MIND...

>> YEP. I THINK I'M SHARING NOW. CAN EVERYONE SEE MY SCREEN?

>> YES, SIR.

>> YES.

>> YES.

>> SO FIRST WANT TO START WITH OUR RESPONSIBILITIES, AND SO WE WILL BE PERFORMING AN AUDIT OF THE COMBINING FINANCIAL STATEMENTS IN ACCORDANCE WITH U.S. GAS AND GOVERNMENT AUDITING STANDARDS, AND AT THE COMPLETION OF OUR AUDIT WORK, WE WOULD THEN BE IN A POSITION TO RENDER AN OPINION ON THOSE COMBINING FINANCIAL STATEMENTS. IN ADDITION TO THAT, WHEN REVIEWING THE COMBINING FINANCIAL STATEMENTS, THERE IS THE MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER REQUIRED SUPPLEMENTARY INFORMATION WHICH WE READ TO ENSURE CONSISTENCY WITH THE INFORMATION CONTAINED WITHIN THE COMBINING FINANCIAL STATEMENTS. WE'RE ALSO REQUIRED TO COMMUNICATE ANY INSTANCES OF FRAUD OR ABUSE THAT MAY COME TO OUR ATTENTION BASED ON THE PROCEDURES THAT WE PERFORM, AND WE ARE ALSO REQUIRED TO COMMUNICATE IN WRITING TO THIS COMMITTEE ANY MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROLS THAT MAY COME AS A RESULT OF OUR FINANCIAL STATEMENT AUDIT PROCEDURES. NOW I AM GOING TO TURN THE PRESENTATION SLIGHTLY OVER TO THE COMMITTEE, AND AS PART OF OUR PROFESSIONAL RESPONSIBILITIES, WE ARE REQUIRED TO ASK THE COMMITTEE, ARE YOU AWARE OF ANY INSTANCES OF FRAUD NONCOMPLIANCE, OR ABUSE THAT MAY HAVE OCCURRED DURING THE PERIOD UNDER AUDIT?

>> THIS IS CARNEY. I AM NOT.

>> AND THIS IS MAX, THE CHAIRMAN. I AM NOT, AS WELL.

>> THANK YOU.

>> MARC SHAW. I HAVE NOT, EITHER.

>> ADAM FREED. NONE.

>> SELVIN SOUTHWELL. NONE.

>> JON GOLDIN. NONE.

>> OK. THANK YOU VERY MUCH. I APPRECIATE THAT. THEN TURNING OVER TO OUR MATERIALITY FOR THE ENGAGEMENT, WE SELECT A BENCHMARK TO DETERMINE WHAT THE MATERIALITY FOR THE AUDIT WILL BE, AND THE BENCHMARK THAT WE HAVE SELECTED ARE TOTAL EXPENSES FOR THE SYSTEM'S COMBINING FINANCIAL STATEMENT, AND THAT BENCHMARK IS CONSISTENT WITH WHAT WE'VE UTILIZED IN PRIOR YEARS, AND WE FEEL THAT THAT IS THE MOST APPROPRIATE AND RELEVANT BENCHMARK TO DETERMINE MATERIALITY.

>> IT'S CARNEY. MAY I ASK A QUESTION? AND IT'S A JUST A CURIOSITY QUESTION, REALLY. I'M FINE WITH THE DETERMINATION OF MATERIALITY THAT--OF MATERIALITY BEING THE TOTAL EXPENSES, BUT WHAT OPTIONS-- AND I'M ALWAYS INTERESTED TO KNOW WHAT OTHER BENCHMARK MIGHT YOU HAVE SETTLED ON.

>> THE OTHER BENCHMARKS THAT WE WOULD POTENTIALLY CONSIDER WOULD BE TOTAL ASSETS AND/OR TOTAL REVENUES, BUT, GIVEN THE NATURE OF THE OPERATIONS OF THE WATER AND SEWER SYSTEM, EXPENSES WAS THE MOST RELEVANT BENCHMARK BASED UPON USERS OF THE FINANCIAL STATEMENTS AS WELL AS TO ENSURE THAT MATERIALITY IS NOT INFLATED.

>> I ACCEPT WITHOUT ANY EQUIVOCATION AT ALL, WITHOUT ANY EXCEPTION, BUT IT IS INTERESTING THAT YOU HAVE TO GO THROUGH AN ANALYSIS OF 3, IN YOUR CASE--IN THIS CASE, 3 DIFFERENT POSSIBILITIES IN ORDER TO DETERMINE THAT TOTAL EXPENSES IS THE RIGHT BENCHMARK FOR MATERIALITY.

>> YES, AND WE WOULD DO THAT FOR ANY ENGAGEMENT TO MAKE SURE THAT WE'RE ADDRESSING THE APPROPRIATE RISKS AND WHAT THE USERS OF THE FINANCIAL STATEMENTS WOULD BE FOCUSING ON IN DETERMINING WHAT THAT SHOULD BE, SO IT'S NOT A PRESCRIPTIVE MEASURE. IT'S BASED UPON SUBJECTIVE INFORMATION ON AN ENGAGEMENT-BY-ENGAGEMENT BASIS.

>> OK, AND, BOB, I ASSUME THAT YOU ACCEPT THIS WITHOUT--THIS IS THE RIGHT BENCHMARK FOR US.

>> RIGHT, SO, I MEAN, SURE. WE SURELY WOULD ACCEPT IT. I MEAN, AN AUDIT, THE PROFESSIONAL STANDARDS GIVES THE AUDITORS-- THEY DID THE ANALYSIS, BUT IT MAKES SENSE, RIGHT? I MEAN, REVENUES REALLY COVERS ONLY ONE PART OF IT. YOU KNOW, THE EXPENDITURES WILL ACTUALLY COVER THE BOND PROCEEDS, WHAT WE USE THE BOND PROCEEDS FOR AND WHICH IS--YOU KNOW, IT'S NOT REALLY JUST REVENUES, SO IT WOULD COVER BOTH THE CAPITAL EXPENDITURES AND BOTH THE OPERATIONAL EXPENDITURES THAT MATCH THE REVENUES AND THE CAPITAL EXPENDITURES THAT MATCH THE PROCEEDS, SO THIS IS REALLY A BIGGER SPECTRUM WHERE THEY'RE COVERING EXPENDITURES, SO THIS SEEMS TO BE APPROPRIATE FOR THE SYSTEM.

>> AND I AGREE, BOB. I JUST WANTED TO GET THAT IN THE RECORD SO THAT PEOPLE LOOKING AT THIS MEETING WILL RECOGNIZE THAT THERE WAS AN EXTRAORDINARY ANALYSIS DONE AND THIS WAS THE RIGHT CONCLUSION. THANK YOU.

>> THANK YOU. IF THERE ARE NO FURTHER QUESTIONS, WE'LL CONTINUE WITH THE PRESENTATION. TURNING TO THE NEXT SLIDE IS THE TIMELINE AND SCOPE OF THE AUDIT, AND SO THE TIMELINE THAT YOU SEE BEFORE YOU IS CONSISTENT WITH THE TIMING OF PRIOR-YEAR AUDITS, SO WE'VE BEGUN OUR PLANNING PROCESS. WE WILL BE PERFORMING OUR INFORMATION TECHNOLOGY AND INTERNAL CONTROL AND INTERIM PROCEDURES DURING THE SUMMER TIME FRAME, AND OUR FINAL FIELD WORK WILL BEGIN IN AUGUST AND CARRY US THROUGH SEPTEMBER, PUTTING US IN A POSITION TO

ISSUE THESE COMBINING FINANCIAL STATEMENTS IN THE OCTOBER TIME FRAME. ON THE NEXT SLIDE, OUR CLIENT SERVICE TEAM REMAINS CONSISTENT WITH THE TEAM THAT HAS SERVED YOU IN THE PAST, SO I'M NICK LAZZARUOLO. I'LL BE YOUR ENGAGEMENT PARTNER. MARLA HUMMEL WILL ALSO SUPPORT ME AS A RELATIONSHIP PARTNER. SHE SERVES AS THE OVERALL CITY OF NEW YORK ENGAGEMENT PARTNER. ON THE INFORMATION TECHNOLOGY SIDE, THAT PORTION OF THE AUDIT WILL BE LED BY OUR PRINCIPAL MATT THOMPSON, AND I WILL BE SUPPORTED BY TWO AUDIT MANAGERS--KYLE CHUBER, WHO JOINS US, AS WELL AS DAVID BRONFMAN, AND SUPPORTING MATT WOULD BE KEVIN MORRIS, AND, AGAIN, THIS IS A CONSISTENT TEAM, SO THE INFORMATION THAT WE'VE GATHERED AND UNDERSTANDING OF THE WATER AND SEWER SYSTEM OVER THE PAST TWO YEARS, THAT INFORMATION IS HELPFUL, THEN, IN US PERFORMING OUR AUDIT THIS YEAR, AS WELL, SO WE WANTED TO MAKE SURE THE COMMITTEE WAS AWARE OF THAT, AND NOW I'M GOING TO TURN THE PRESENTATION OVER TO KYLE, AND HE'S JUST GOING TO WALK THROUGH THE SIGNIFICANT RISKS THAT WE FOCUS ON AS PART OF THE AUDIT, SO, KYLE...

>> THANK YOU, NICK, AND GOOD AFTERNOON, EVERYONE, SO, AS NICK MENTIONED, THE NEXT FEW SLIDES, WE'LL JUST GO THROUGH THE SIGNIFICANT RISKS AND OTHER AREAS OF FOCUS OF THIS ENGAGEMENT AS WELL AS OUR RESPONSES AND PROCEDURES REGARDING THOSE RISKS, SO THE FIRST MAIN RISK AREA IS BILLED AND UNBILLED REVENUES AND RECEIVABLES, WHICH MAKE UP THE MAJORITY OF OUR REVENUE TESTING, SPECIFICALLY OUR TESTING ON WATER SUPPLY AND DISTRIBUTION REVENUES AND SEWER COLLECTION AND TREATMENT REVENUES, SO IN ORDER TO TEST THESE BALANCES, WE PERFORM A REASONABLENESS TEST ON THESE BALANCES UTILIZING DATA PROVIDED BY THE WATER SYSTEM SUCH AS WATER CONSUMPTION FROM THE YEAR, THE COMBINED WATER AND SEWER RATE, AND OTHER SUPPORTING DOCUMENTATION. WE ALSO SELECT A SAMPLE OF TRANSACTIONS AND AGREE THOSE BALANCES TO SUPPORTING DOCUMENTS SUCH AS INVOICES, CHECK COPIES, METER READS, AND OTHER SUPPORT, AND THEN LASTLY, WE UNDERSTAND RESERVE AMOUNTS INCLUDED WITHIN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS CALCULATION, AND WE RECALCULATE THESE BALANCES AND REVIEW THOSE ASSUMPTIONS TO ENSURE THEY ARE REASONABLE IN THE CURRENT YEAR. OUR NEXT AREA FOCUSES VALUATION INVESTMENTS AND DERIVATIVE INSTRUMENTS, SO OUR TEST EVALUATION OF INVESTMENTS, SPECIFICALLY INVESTMENT-RELATED INCOME, WE UTILIZE OUR PRICING GROUP AND PERFORM FAIR MARKET VALUE TESTING AS WELL AS PURCHASES AND SALES TESTING. WE CONFIRM BALANCES AT YEAR END, AND WE REVIEW STATEMENTS, AS WELL, TO ENSURE PROPER LEVELING WITHIN THE FOOTNOTES OF THE FINANCIAL STATEMENTS. REGARDING DERIVATIVE INSTRUMENTS, WE CONFIRM ALL BALANCES RELATED TO THE INTEREST RATE SWAP AGREEMENTS, AND WE ENGAGE SPECIALIST TO REVIEW THE UNDERLYING ASSUMPTIONS USED IN THE CALCULATION OF THESE BALANCES, AS WELL. OUR NEXT AREA FOCUSES UTILITY PLANT AND SERVICE CONSTRUCTION. IN ORDER TO TEST THESE

BALANCES, WE TEST A SAMPLE OF CAPITAL ADDITIONS, INCLUDING CONSTRUCTION IN PROGRESS ADDITIONS, TO ENSURE THEY WERE RECORDED APPROPRIATELY AND WITHIN THE CORRECT PERIOD, AND WE ALSO PERFORM A REASONABLENESS TEST ON DEPRECIATION EXPENSE UTILIZING AVERAGE FIXED VALUES TO ENSURE DEPRECIATION EXPENSE FOR THE YEAR IS REASONABLE, AS WELL. OUR NEXT AREA FOCUSES BONDS AND NOTES PAYABLE. IN ORDER TO TEST THESE BALANCES, WE WILL CONFIRM OUTSTANDING DEBT BALANCES AT YEAR END WITH THE RESPECTIVE INSTITUTIONS. THEY'LL PERFORM A REASONABLENESS TEST ON THE INTEREST EXPENSE RELATED TO THIS DEBT, AND WE'LL ALSO ENSURE THAT THE SYSTEM IS IN COMPLIANCE WITH ALL COVENANTS RELATED TO THE DEBT, AS WELL. MOVING ON, OUR NEXT AREA FOCUSES EXPENSES. IN ORDER TO TEST EXPENSES, WE'LL SELECT A SAMPLE OF EXPENSES AND REVIEW UNDERLYING SUPPORT SUCH AS INVOICES TO ENSURE THAT THEY'RE REASONABLE, AND AS PART OF OUR PROCEDURES, WE'LL ALSO ENSURE EXPENSES FLOW INTO THE APPROPRIATE CATEGORY ON THE FINANCIAL STATEMENTS BASED ON THEIR BUDGET CODE, OUR VIEW OF THE INVOICE, AND OTHER SUPPORT, AS WELL. OUR NEXT AREA FOCUSES ACCOUNTING ESTIMATES AND IS PART OF OUR AUDIT PROCEDURES REQUIRED TO REVIEW KEY MANAGEMENT ESTIMATES TO ENSURE THEIR APPROPRIATENESS FOR THE SYSTEM. THESE ESTIMATES INCLUDE DEPRECIATION EXPENSE, THE ALLOWANCE FOR DOUBTFUL ACCOUNT, THE INTEREST RATE SWAP AGREEMENTS, SO WE JUST ENSURE THESE ESTIMATES TO ENSURE THEIR REASONABLE AND IN LINE WITH THE PRIOR YEAR TO MAKE SURE THERE WERE NO UNUSUAL OR UNEXPECTED CHANGES, AND OUR LAST AREA OF FOCUS IS THE FINANCIAL STATEMENT DISCLOSURES, SO WE ENSURE THAT DISCLOSURE ON THE FINANCIAL STATEMENTS ARE COMPLETE AND ACCURATE BY ENSURING THEY AGREE BACK TO OUR AUDIT-SUPPORTING WORK PAPERS WITHIN OUR AUDIT FILE, AND THEN WE'LL ENSURE IF THERE ARE ANY NEW PRONOUNCEMENTS THAT THEY ARE APPROPRIATELY DISCLOSED AND APPLIED THROUGHOUT THE FINANCIAL STATEMENTS, IF APPLICABLE. I WILL COVER ANY OF THESE PRONOUNCEMENTS THAT MAY BE APPLICABLE LATER ON IN THE PRESENTATION. IF THERE ARE NO QUESTIONS REGARDING THE RISK OR OTHER AREAS OF FOCUS, I'LL TURN IT BACK OVER TO NICK TO DISCUSS OUR I.T. PROCEDURES.

>> ANY QUESTIONS WITH REGARDS TO ANY OF THE AREAS THAT KYLE JUST COVERED?

>> NONE HERE, SIR.

>> NO. SEEMS APPROPRIATE.

>> OK. GREAT. THANK YOU, SO, AS I MENTIONED EARLIER, MATT THOMPSON, WHO IS OUR PRINCIPAL ON THE INFORMATION TECHNOLOGY SIDE, WILL LEAD THAT PORTION OF THE AUDIT. IT'S IMPORTANT TO NOTE THAT WE ARE ONE COMPREHENSIVE TEAM, AND THAT'S WHY THE TECHNOLOGY PORTION OF THE AUDIT IS IMPORTANT FOR US, AND THAT'S WHY IT BEGINS ALSO BEFORE THE FINAL FIELD WORK, BECAUSE OUR INFORMATION TECHNOLOGY AUDITORS WILL COME IN AND ASSESS THE OPERATING. EFFECTIVENESS OF THE FINANCIAL REPORTING CONTROLS WITHIN THE SYSTEMS THAT GENERATE THE

FINANCIAL REPORTS AND THE SCHEDULES THAT WE RELY UPON TO ENABLE US TO EXECUTE THE AUDIT PLAN THAT KYLE JUST DISCUSSED, AND SO IF THERE WERE ANY WEAKNESSES THAT WERE IDENTIFIED FROM A SYSTEMS STANDPOINT, THAT WOULD BE INCLUDED AS PART OF THE REQUIRED COMMUNICATIONS THAT WE WOULD DISCLOSE TO THIS COMMITTEE AS PART OF THE AUDIT, AND THEN LAST, AS KYLE MENTIONED, IS A LISTING OF RELEVANT STANDARDS, AND THE CITY OF NEW YORK IS ADOPTING THE FIRST 4 STANDARDS THAT YOU SEE BEFORE YOU. THE ONLY STANDARD OF THESE THAT COULD BE APPLICABLE TO THE WATER AND SEWER SYSTEM WOULD BE GASB 93, AND THAT HAS TO DO WITH THE FACT THAT LIBOR CEASED AT THE END OF 2021, AND NOW IT IS RECOMMENDED TO USE A DIFFERENT REFERENCE RATE, AND SO THE SYSTEM IS EVALUATING THE IMPACT THAT THAT MAY HAVE ON THE DEBT AND CORRESPONDING SWAPS WITHIN THE COMBINING FINANCIAL STATEMENTS, AND WITH THAT, THAT CONCLUDES OUR FORMAL REMARKS BUT HAPPY TO ANSWER ANY QUESTIONS ANY OF THE COMMITTEE MEMBERS MAY HAVE.

>> THANK YOU VERY MUCH. NO QUESTIONS HERE.

>> NOR HERE.

>> IF THERE ARE NO FURTHER QUESTIONS FOR THE AUDITORS, I BELIEVE THAT WAS THE LAST ITEM ON OUR AGENDA, AND, IN WHICH CASE, I WOULD ENTERTAIN A MOTION TO ADJOURN.

>> I'LL MOVE.

>> MR. CHAIRMAN, SO MOVED. FUNNY, AND THEN I'LL SECOND IT, BUDDY. HA HA HA!

>> GREAT MINDS.

>> HA HA HA! THANKS, JON.

>> ALL RIGHT. IF I COULD HAVE, THEN, A VOTE, MR. CARNEY, HOW DO YOU VOTE?

>> TO APPROVE. HEH. TO ADJOURN.

>> MR. GOLDIN?

>> TO ADJOURN.

>> MR. SOUTHWELL?

>> TO ADJOURN.

>> MR. SHAW?

>> TO APPROVE ADJOURNMENT.

>> MR. FREED?

>> TO ADJOURN.

>> AND I TOO VOTE IN FAVOR OF ADJOURNMENT. THANKS TO EVERYONE FOR YOUR PARTICIPATION, AND THANKS VERY MUCH TO THE AUDITORS FOR THEIR PRESENTATION AND EVERYONE ON THE STAFF. THIS MEETING IS NOW ADJOURNED.

>> THANK YOU.

>> I'D LIKE TO SAY A SPECIAL THANKS TO MS. COHEN, WHO PULLED ALL THIS TOGETHER, SENT US ALL THE INFORMATION. THIS IS NOT AN EASY TASK FOR STAFF, BUT DEBORAH COHEN DOES A GREAT JOB, AND I THINK SHE NEEDS TO HEAR THAT FROM US. THANK YOU.

>> WELL, THANK YOU. I APPRECIATE THAT.
>> AMEN TO THAT.
>> YEAH. THANK YOU FOR SAYING THAT, MUCH APPRECIATED.
>> DEB DOES A LOT FOR US--HA HA HA!--EVEN IN ADDITION TO THIS.
>> I'M SURE. THERE'S NO QUESTION IN MY MIND THAT THAT'S TRUE. I DON'T
WANT TO HEAR THE LIST. WE DON'T--
>> IT'S A LONG ONE. HA HA HA!
>> I'M SURE IT IS. I'M SURE IT IS.
>> THANK YOU ALL. HAVE A GOOD NIGHT.
>> ALL RIGHT.
>> THANK YOU.
>> THANK YOU.