

**SARATOGA COUNTY
WATER AUTHORITY**



2016 ANNUAL REPORT

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Operations and Accomplishments

The Authority is a corporate governmental agency as defined by the Saratoga County Water Authority Act (Act), Title 8-F of Article 5 of the New York State Public Authorities Law. The Authority is charged with providing water services for the public benefit. The Authority is empowered to borrow money and issue notes, bonds or obligations in order to pay the costs of water projects or projects for corporate purposes. Bonds issued by the Authority are not considered debt of the State of New York (the "State") or any municipality thereof. However, the State pledges not to alter or limit the rights of the Authority involving any projects that are being funded through bonds that the Authority had issued. The Authority is empowered to fix rates and collect charges for use of the facilities and services rendered in order to provide revenues for paying the principal and interest of bonds, notes and/or other obligations and for regular operation and maintenance ("O&M") expenses. No public service commission or entity of like character has jurisdiction over the Authority in management and control of operations or in regulation of rates fixed and charges collected.

The Act also states that powers of the Authority are vested in and exercised by a governing board of seven members. The members are appointed by the chairperson of the Board of Supervisors of Saratoga County ("County"). The officers of the Authority (other than the secretary) are required to be members of the Board. In addition to a secretary, officers include a chairperson, vice chairperson, treasurer and deputy treasurer. The officers are elected by the Board.

In 2016 our water system served eight customers; The Town of Moreau, the Wilton Water & Sewer Authority, the Town of Ballston, the Clifton Park Water Authority, the Town of Malta, the Village of Stillwater, Town of Stillwater and Global Foundries. The total water provided to our customers in 2016 was 1,941 million gallons. The daily average water consumption was 5.46 million gallons a day. Our highest monthly daily flow occurred in June and was recorded at 8.97 million gallons per day. In 2016, municipal water customers were charged \$2.209 per 1,000 gallons of water.

PROJECTS UNDERTAKEN BY THE SARATOGA COUNTY WATER AUTHORITY IN 2016

SPDES Outfall Project

This project includes the design and construction of a pipeline for the discharge of treated wastewater from the water filtration process to a location in the Hudson River as approved by the NYS DEC. The SCWA is completing the project to improve water quality and facility reliability. Construction was completed in September 2016.

Projected Cost - \$1,500,000

Actual Cost - \$827,600

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2016 AND 2015

Analysis of the Authority's Financial Position

The Authority's net position increased by \$2.0 million in 2016, to \$24.2 million. The Authority's net position decreased by \$557,000 in 2015, to \$22.1 million.

CONDENSED STATEMENT OF NET POSITION

	<u>2016</u>		<u>2016</u>		<u>2015</u>		<u>2015</u>		<u>2014</u>		<u>2014</u>
	<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>
ASSETS											
Current Assets	\$ 8,772,554		10.3	\$	4,653,429		5.8	\$	2,017,744		2.5
Restricted Assets	2,935,059		3.5		3,824,607		4.8		6,219,301		7.8
Property, Plant, and Equipment, Net	69,221,429		81.5		71,137,010		89.2		71,326,177		89.6
Other Assets	<u>107,754</u>		<u>.1</u>		<u>107,754</u>		<u>.1</u>		<u>107,754</u>		<u>.1</u>
Total Assets	81,036,796		95.4		79,722,800		99.9		79,670,976		100.0
Deferred Outflows of Resources	<u>3,911,389</u>		<u>4.6</u>		<u>65,351</u>		<u>.1</u>		<u>94,109</u>		<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 84,948,185</u>		<u>100.0</u>	\$	<u>79,788,151</u>		<u>100.0</u>	\$	<u>79,765,085</u>		<u>100.0</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION											
Current Liabilities	\$ 1,385,275		1.6	\$	1,769,821		2.2	\$	1,969,887		2.5
Long-Term Liabilities	<u>54,057,605</u>		<u>63.7</u>		<u>55,187,764</u>		<u>69.2</u>		<u>54,369,018</u>		<u>68.2</u>
Total Liabilities	55,442,880		65.3		56,957,585		71.4		56,338,905		70.7
Deferred Inflows of Resources	5,344,170		6.3		714,993		.9		753,527		.9
Net Position	<u>24,161,135</u>		<u>28.4</u>		<u>22,115,573</u>		<u>27.7</u>		<u>22,672,653</u>		<u>28.4</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 84,948,185</u>		<u>100.0</u>	\$	<u>79,788,151</u>		<u>100.0</u>	\$	<u>79,765,085</u>		<u>100.0</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	<u>2016</u>		<u>2016</u>		<u>2015</u>		<u>2015</u>		<u>2014</u>		<u>2014</u>
	<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>
Operating Revenue	\$ 5,265,112		58.5	\$	6,108,317		99.9	\$	3,830,274		99.0
Non-Operating Revenue	<u>3,731,619</u>		<u>41.5</u>		<u>6,723</u>		<u>.1</u>		<u>39,510</u>		<u>1.0</u>
Total Revenues	<u>8,996,731</u>		<u>100.0</u>		<u>6,115,040</u>		<u>100.0</u>		<u>3,869,784</u>		<u>100.0</u>
Depreciation	2,680,760		29.8		2,626,645		43.0		2,569,204		66.4
Other Operating Expense	1,618,325		18.0		1,602,507		26.2		1,909,046		49.8
Non-Operating Expense	<u>2,652,084</u>		<u>29.5</u>		<u>2,442,968</u>		<u>39.9</u>		<u>2,556,477</u>		<u>66.1</u>
Total Expenses	<u>6,951,169</u>		<u>77.3</u>		<u>6,672,120</u>		<u>109.1</u>		<u>7,034,727</u>		<u>182.3</u>
Change in Net Position	<u>\$ 2,045,562</u>		<u>22.7</u>	\$	<u>(557,080)</u>		<u>(9.1)</u>	\$	<u>(3,164,943)</u>		<u>(82.3)</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
User Fees	\$ 5,256,298	\$ 5,571,507
Miscellaneous	8,814	535,485
	<u>5,265,112</u>	<u>6,106,992</u>
Operating Expenses		
Salaries and Wages	323,277	357,248
Employee Benefits	175,965	165,701
Chemicals	352,284	206,955
Contracted Management and Professional Services	173,332	211,606
Depreciation	2,680,760	2,626,645
Insurance	54,928	68,400
Legal	34,475	55,477
Other Supplies and Materials	59,111	64,897
Utilities	296,786	326,665
Water System Maintenance	45,600	18,870
Water Treatment and Distribution	102,567	126,688
	<u>4,299,085</u>	<u>4,229,152</u>
Operating Income	<u>966,027</u>	<u>1,877,840</u>
Nonoperating Revenues (Expenses)		
Legal Settlement	3,715,274	-
Interest Income	16,345	8,048
Interest Expense	(2,140,143)	(2,442,968)
Bond Issuance Costs	(511,941)	-
Total Nonoperating Income (Expenses)	<u>1,079,535</u>	<u>(2,434,920)</u>
Change in Net Position	2,045,562	(557,080)
Net Position, Beginning of Year	<u>22,115,573</u>	<u>22,672,653</u>
Net Position, End of Year	<u>\$ 24,161,135</u>	<u>\$ 22,115,573</u>

Real Property Transactions

The Saratoga County Water Authority had one real property transaction in 2016 with the acquisition of an easement from National Grid to complete the Outfall Waterline Project.

Personal Property Transactions

Below is a list of all personal property disposals of the Saratoga County Water Authority with a value in excess of \$5,000 during the 2016 fiscal year:

- 2010 Ford F250 Pickup Truck – Sold through public auction for \$10,200
- 2010 Kubota RTV – Sold through public auction for \$11,200

Remaining Debt of the Authority

The Authority currently has two municipal Bond issuances outstanding:

Series 2014 Bonds - \$4.34 million original issuance. Remaining Principal is \$4,195,000 at December 31, 2016. Total Interest Payments to Date are \$473,189.

Series 2016 Refunding Bonds - In 2016, the Authority issued \$41,360,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$42,115,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 32 years by approximately \$11.2 million and resulted in an economic gain of approximately \$6.9 million. In 2016, a principal payment in the amount of \$655,000 and an interest payment was made in the amount of \$539,591.

Saratoga County IDA Loan - \$1 million loan. \$525,000 in grant funding. No principal payments are due on this loan until 2020. One interest payment was made in 2016 in the amount of \$6,900.

Assessment of the Effectiveness of the SCWA's Internal Controls

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. However, based on recognition that the cost of the system should not exceed the benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

Internal control over financial reporting includes maintaining records that, in reasonable detail, accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

SCWA's system of internal accounting controls is evaluated on an ongoing basis by SCWA's internal financial and executive staff. Independent external accountants and auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The SCWA has established an Audit Committee in accordance with the Public Authorities Accountability Act. This committee meets with management and periodically with the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that SCWA's operations are conducted according to management's intentions and to a high standard of business ethics.

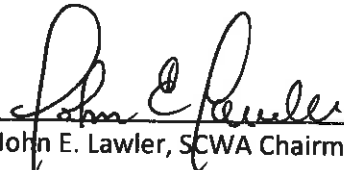
The following are observations and suggestions made by the independent external auditors (Cusack & Company, P.C.) during their most recent audit of the SCWA's internal controls and policies:

In 2016 there were no significant findings on the part of the auditors with regard to the internal controls and policies of the Saratoga County Water Authority.

Certification of Audited Financial Reports

Fiscal Year 2016

I, John E. Lawler, Chairman of the Board of Directors, and Thomas K. Cumm, Treasurer of the Board of Directors hereby certify that the Saratoga County Water Authority's Financial Report for the fiscal year 2016, as prepared and presented by Cusack and Company LLC, is accurate, correct, and does not contain any untrue statement of material fact, to the best of my knowledge.



John E. Lawler, SCWA Chairman



Thomas K. Cumm, SCWA Treasurer

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MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Saratoga County Water Authority Governing Board
Gansevoort, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Saratoga County Water Authority (the Authority), as of December 31, 2016, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CUSACK & COMPANY, CPA'S LLC

Latham, New York
February 15, 2017

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

• Material weaknesses identified?

_____ Yes

___X___ No

• Significant deficiency(ies) reported identified that are material weaknesses?

_____ Yes

___X___ No

Noncompliance material to financial statements?

_____ Yes

___X___ None reported

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

None.

SCWA Board Committees

Governance Committee – 3 Members

John Lawler
Tim Szczepaniak
James Smith

Audit Committee – 3 Members

Darren O'Connor
Anita Daly
Arthur Johnson

Finance Committee – 3 Members

Thomas Cumm
Arthur Johnson
John Lawler

Personnel Committee – 3 Members

Thomas Cumm
James Smith
Darren O'Connor

Smart Growth Committee – 3 Members

Anita Daly
Arthur Johnson
Tim Szczepaniak

**Saratoga County Water Authority Performance Measurement Report
Fiscal Year 2016**

Performance Measures	FY2016 Actual Jan. 1, 2016 - Dec. 31, 2016
<p align="center">FINANCIAL</p> <p>a. Annual budget</p> <p>b. Amount of service fee payment</p> <p>c. Quality of SCWA bond rating</p> <p>d. Procurement practice review</p> <p>e. Expansion of customer base</p>	<p>a. Approved Budget: \$4,804,917</p> <p>Budgeted Revenues: \$5,021,747</p> <p>Budgeted Income: \$ 216,831</p> <p>Operating Revenues: \$5,265,112</p> <p>Non-Operating Revenues: \$3,731,619</p> <p>Total Revenues \$8,996,731</p> <p>Actual Expenses: \$4,270,409</p> <p>Depreciation: \$2,680,760</p> <p>Net Income: \$2,045,562</p> <p>b. None</p> <p>c. AA Stable</p> <p>d. Reviewed and Adopted on 08/25/16.</p> <p>e. In 2016, the Authority acquired two new customers: Stewart's Corp. and the City of Mechanicville.</p>
<p align="center">WATER QUALITY</p> <p>a. Annual Drinking Water Report</p>	<p>Annual Water Quality Report has been prepared and is available for viewing at www.saratogacountywaterauthority.com</p>
<p align="center">AUDIT</p> <p>a. Continuing self-audit</p> <p>b. Any applicable review or audit</p>	<p>a. 2016 PARIS Reports authorized, approved and submitted by March 31, 2016.</p> <p>b. Independent Audit for 2016 concluded March 2016.</p>
<p align="center">SAFETY</p> <p>a. Review of accident reports</p>	<p>a. No accident reports were filed for 2016. Task Hazard Analysis system utilized at Facility. Review of Safety Procedures is conducted weekly.</p>
<p align="center">OPERATIONS & MAINTENANCE</p> <p>a. Annual inspections</p> <p>b. Number of water main breaks</p>	<p>a. NYS DEC Bulk Chemical Storage Tank Inspection done in February 2016. Facility Fire Extinguisher Inspections completed July 2016.</p> <p>b. There were no water main breaks in 2016.</p>

SARATOGA COUNTY WATER AUTHORITY

LIST OF REAL PROPERTY

260 Butler Road Water Treatment Plant

Description: Membrane filtration plant on 21.86 acres, located at 260 Butler Road in the Town of Moreau (tax map #62.00-1-12.2).

Potter Road Pump Station

Description: Water pumping station on leased land owned by Brookfield Power Corp.

Luther Forest Water Tank

Description: 5 Million Gallon Water tank and electrical building that houses equipment necessary to maintain the operation of the tank. Tank is located on land owned by the Luther Forest Technology Campus Economic Development Corporation.

Easements

The Saratoga County Water Authority owns a large number of easements for the placement of water main, pressure-reducing vaults, meter pits, ingress/egress to pump stations, and other water supply and distribution equipment.