

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Saratoga County Water Authority (the "Authority") (a component unit of Saratoga County, New York), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and change in net position and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saratoga County Water Authority as of December 31, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 and the schedules of proportionate share of net pension liability and employer pension contributions and schedule of and funding progress - other postemployment benefit plan on pages 26 and 27 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 25, 2021

Introduction

The accompanying Management's Discussion and Analysis of the Saratoga County Water Authority's ("SCWA") financial performance has been prepared to provide an overview of the Authority's financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis is only an introduction and should be read in conjunction with the Authority's financial statements, which immediately follow this section.

Organization

The Authority is a corporate governmental agency as defined by the Saratoga County Water Authority Act, Title 8-F of Article 5 of the New York State Public Authorities Law created by an act of the New York Legislature in 1990. The Authority is governed by a governing board of seven members, appointed by the chairperson of the Board of Supervisors of Saratoga County.

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.

The Authority issued revenue bonds in 2008 to construct the Saratoga County Water Treatment and Transmission Facilities System (the "System"). The System does provide safe, reliable and affordable drinking water to residents of Saratoga County by drawing water from the upper Hudson River in the Town of Moreau, treating the water using a membrane filtration system and then transmitting the finished water along an approximately 28 mile line to municipal/commercial users. The primary funding for the Authority is from the users of the System.

Financial Highlights

The water treatment plant was substantially complete on January 28, 2010 with the finished water transmission main being substantially completed in 2009. Two additional segments of transmission main were constructed by others and dedicated over to the SCWA. One segment was constructed by New York State Department of Transportation as part of the Round Lake Bypass Project (NYS Project 1807.01.301). The second segment was constructed by the Towns of Malta and Stillwater as the LFTC Site Roadways project. SCWA obtained New York State Department of Health approval to go into operation, and began serving customers on February 22, 2010. The 5 million gallon tank in the Luther Forest Technology Campus was completed and placed into service on October 13, 2010.

The Authority began serving the Wilton Water & Sewer Authority in February 2010, the Clifton Park Water Authority in June 2010, the Town of Ballston in September 2010 and Global Foundries in the Luther Forest Technology Campus in October 2010. The Village of Stillwater began taking water on January 5, 2012. The Authority began providing water to the Town of Moreau in 2014 and the Town of Stillwater in 2016. The Town of Halfmoon began taking water in 2019.

The Authority will publish its Annual Drinking Water Quality Report by May 1, 2021 as required by state and federal regulations. The total water produced in 2020 was 7.13 mgd, up from 6.12 mgd in 2019.

In 2016, the Authority issued \$41,360,000 of general obligation bonds to provide resource to purchase U.S. Government and State and Local Government Services securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$42,155,000 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 \$6.9 million.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2020 AND 2019

Analysis of the Authority's Financial Position

The Authority's net position increased by \$3.9 million in 2020, to \$27.4 million. The Authority's net position increased by \$252,639 in 2019, to \$23.5 million.

CONDENSED STATEMENT OF NET POSITION

	<u>2020</u>		<u>2020</u>		<u>2019</u>		<u>2019</u>		<u>2018</u>		<u>2018</u>
	Total		%		Total		%		Total		%
ASSETS AND DEFERRED OUTFLOWS											
Current Assets	\$ 11,804,961		15.1		\$ 8,307,364		11.0		\$ 8,815,991		11.6
Restricted Assets	3,192,173		4.0		3,088,310		4.0		2,980,185		3.9
Property, Plant, and Equipment, Net	<u>63,095,744</u>		<u>80.5</u>		<u>64,275,589</u>		<u>84.8</u>		<u>64,101,718</u>		<u>84.3</u>
Total Assets	78,092,878		99.6		75,671,263		99.8		75,897,894		99.8
Deferred Outflows of Resources	<u>297,002</u>		<u>.4</u>		<u>117,584</u>		<u>.2</u>		<u>157,429</u>		<u>.2</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 78,389,880</u>		<u>100.0</u>		<u>\$ 75,788,847</u>		<u>100.0</u>		<u>\$ 76,055,323</u>		<u>100.0</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION											
Current Liabilities	\$ 4,049,919		5.2		\$ 3,605,594		4.7		\$ 2,451,564		3.2
Long-Term Liabilities	<u>46,900,456</u>		<u>59.8</u>		<u>48,633,931</u>		<u>64.2</u>		<u>50,182,491</u>		<u>66.0</u>
Total Liabilities	50,950,375		65.0		52,239,525		68.9		52,634,055		69.2
Deferred Inflows of Resources	27,402		-		64,553		.1		189,139		.3
Net Position	<u>27,412,103</u>		<u>35.0</u>		<u>23,484,768</u>		<u>31.0</u>		<u>23,232,129</u>		<u>30.5</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 78,389,880</u>		<u>100.0</u>		<u>\$ 75,788,847</u>		<u>100.0</u>		<u>\$ 76,055,323</u>		<u>100.0</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	<u>2020</u>		<u>2020</u>		<u>2019</u>		<u>2019</u>		<u>2018</u>		<u>2018</u>
	Total		%		Total		%		Total		%
Operating Revenue	\$ 10,006,419		98.4		\$ 6,477,314		97.1		\$ 6,283,438		99.3
Non-Operating Revenue	<u>160,588</u>		<u>1.6</u>		<u>192,465</u>		<u>2.9</u>		<u>42,847</u>		<u>.7</u>
Total Revenues	<u>10,167,007</u>		<u>100.0</u>		<u>6,669,779</u>		<u>100.0</u>		<u>6,326,285</u>		<u>100.0</u>
Depreciation	2,551,630		25.1		2,735,303		41.0		2,730,516		43.2
Other Operating Expense	1,909,434		18.8		1,858,036		27.9		1,735,398		27.4
Non-Operating Expense	<u>1,778,608</u>		<u>17.5</u>		<u>1,823,801</u>		<u>27.3</u>		<u>1,905,814</u>		<u>30.1</u>
Total Expenses	<u>6,239,672</u>		<u>61.4</u>		<u>6,417,140</u>		<u>96.2</u>		<u>6,371,728</u>		<u>100.7</u>
Change in Net Position	<u>\$ 3,927,335</u>		<u>38.6</u>		<u>\$ 252,639</u>		<u>3.8</u>		<u>\$ (45,443)</u>		<u>(.7)</u>

Debt Administration

During 2008 the Authority issued \$45,000,000 Water System Revenue Bonds with a final maturity in 2048 and bearing interest at rates ranging from 3% to 5%. These bonds were refunded in 2016. In 2014, the Authority completed the issuance of \$4,340,000 million in revenue bonds to fund upgrades to the water treatment system for the treatment of disinfection by-products (DBPs) in order to meet drinking water regulations. In 2015, the Authority received funding from the Saratoga County IDA of \$1,525,000 million for the construction of a wastewater outfall in the Hudson River downstream of the raw water intake of which \$1.0 million must be repaid. In 2016, the Authority issued \$41,360,000 in Water System Refunding Revenue Bonds to refund the 2008 Water System Revenue Bonds and bearing interest at rates ranging from 3% to 5%. In 2018, the Authority received funding from the NYS Environmental Facilities Corporation to extend water pipelines to the Town of Halfmoon and the City of Mechanicville. The funding totaled \$4.7 million and included a \$3 million grant to be shared with the Town of Halfmoon (SCWA Portion was \$1.8 million), a \$900,000 zero interest 30-year loan and a \$1.8 million loan at 1.73% 30-year loan.

Capital Improvements

In 2016, the Authority completed the construction of a wastewater outfall to the Hudson River downstream of the raw water intake at a cost of \$841,000. No capital improvements were completed in 2017 or 2018. In 2019, the Authority completed construction of a \$4.7 million pipeline to the Town of Halfmoon and the City of Mechanicville. In 2021, the Authority has plans to complete construction of a \$12 million expansion to the existing water treatment plant which will be funded by a \$3.2 million grant and low interest loans through the NYS Environmental Facilities Corporation.

Economic Factors

The Authority entered into a Service Agreement with the County whereby the Authority agrees to operate and maintain the Water System in accordance with good engineering and business practices for an essential public utility. Under the Service Agreement, the County is obligated to pay a Service Fee to the Authority on a quarterly basis so long as any Bonds remain outstanding and the Authority is meeting its performance obligations under the Service Agreement to build and operate the Water System. The amount of the Service Fee will be equal to the amount budgeted by the Authority to be due for operating costs and debt service in the period commencing on the day following that Service Fee payment date and concluding on the next ensuing Service Fee payment date, less the amount of cash held by the Authority or Trustee as of the 35th day before the Service Fee payment date in the Revenue Fund, Operating Fund, and the Bond Redemption and Accumulated Surplus Fund that is expected to be available during the covered period for the payment of debt service and operating costs. The Authority is obligated to repay the County for any and all amounts paid by the County as a Service Fee, with interest at the rate of 4% per annum, but only to the extent that the annual revenues of the Authority from the operation of the System for any fiscal year exceed the total of operating costs, debt service, required deposits and amounts the Authority reasonably considers will be needed to pay for maintenance and repairs in the next fiscal year. The County is required to pay the Authority the Service Fee commencing on the date of issuance of the Series 2008 Bonds and on each quarterly Service Fee Payment Date thereafter.

There were no Service Fee Repayments to Saratoga County in 2020, however a \$2,000,000 payment was made on January 4, 2021. The current outstanding obligation to Saratoga County for service fee payments is \$3,855,357 as of December 31, 2020. In 2021, the Authority anticipates making the final service fee repayment to the County of \$1,855,358.

Contracting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with an overview of the Authority's financial resources and to demonstrate the Authority's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact the Authority's Treasurer at Saratoga County Water Authority, 260 Butler Road, Gansevoort, New York 12831.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

Assets and Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 10,176,851	\$ 7,078,136
Accounts Receivable	1,301,527	1,153,820
Grants Receivable	254,786	-
Prepaid Expenses	<u>71,797</u>	<u>75,408</u>
Total Current Assets	<u>11,804,961</u>	<u>8,307,364</u>
Restricted Assets		
Cash and Cash Equivalents with Fiscal Agent	1,186,860	694,308
Investments with Fiscal Agent	<u>2,005,313</u>	<u>2,394,002</u>
Total Restricted Assets	<u>3,192,173</u>	<u>3,088,310</u>
Capital Assets, Net	<u>63,095,744</u>	<u>64,275,589</u>
Total Assets	<u>78,092,878</u>	<u>75,671,263</u>
Deferred Outflows of Resources		
Pension	260,968	81,550
Postemployment Benefits	<u>36,034</u>	<u>36,034</u>
Total Deferred Outflows of Resources	<u>297,002</u>	<u>117,584</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 78,389,880</u>	<u>\$ 75,788,847</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 481,196	\$ 295,173
Accrued Interest Payable	533,723	545,421
Current Installment of Bonds Payable	835,000	765,000
Due to Saratoga County IDA	200,000	-
Due to Saratoga County	<u>2,000,000</u>	<u>2,000,000</u>
Total Current Liabilities	<u>4,049,919</u>	<u>3,605,594</u>
Long-Term Liabilities		
Due to Saratoga County	1,855,357	1,831,689
Due to Saratoga County IDA	804,600	1,004,600
Notes Payable - EFC	-	2,112,940
Bonds Payable, Less Current Installment	43,767,684	43,510,406
Accrued Postemployment Benefits	102,000	80,307
Net Pension Liability	<u>370,815</u>	<u>93,990</u>
Total Long-Term Liabilities	<u>46,900,456</u>	<u>48,633,931</u>
Total Liabilities	<u>50,950,375</u>	<u>52,239,525</u>
Deferred Inflows of Resources - Pension	<u>27,402</u>	<u>64,553</u>
Net Position		
Net Investment in Capital Assets	14,246,473	13,640,656
Restricted	3,192,173	3,088,310
Unrestricted	<u>9,973,457</u>	<u>6,755,802</u>
Total Net Position	<u>27,412,103</u>	<u>23,484,768</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 78,389,880</u>	<u>\$ 75,788,847</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
User Fees	\$ 7,368,358	\$ 6,287,870
Grant Income	2,627,508	173,121
Miscellaneous	10,553	16,323
Total Operating Revenues	<u>10,006,419</u>	<u>6,477,314</u>
Operating Expenses		
Salaries and Wages	369,625	376,964
Employee Benefits	218,113	173,578
Chemicals	369,498	309,599
Contracted Management and Professional Services	175,069	185,590
Depreciation	2,551,630	2,735,303
Insurance	54,245	52,242
Legal	12,517	14,000
Other Supplies and Materials	67,286	83,679
Utilities	397,862	331,215
Water System Maintenance	89,833	178,587
Water Treatment and Distribution	155,386	136,438
Total Operating Expenses	<u>4,461,064</u>	<u>4,577,195</u>
Operating Income	<u>5,545,355</u>	<u>1,900,119</u>
Nonoperating Revenues (Expenses)		
Investment Income	160,588	192,465
Interest Expense	(1,748,565)	(1,818,401)
Bond Issuance Costs	(30,043)	(5,400)
Loss on Disposal of Assets	-	(16,144)
Total Nonoperating Revenues (Expenses)	<u>(1,618,020)</u>	<u>(1,647,480)</u>
Change in Net Position	3,927,335	252,639
Net Position, Beginning of Year	<u>23,484,768</u>	<u>23,232,129</u>
Net Position, End of Year	<u>\$ 27,412,103</u>	<u>\$ 23,484,768</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows Provided by (Used in) Operating Activities:		
Received from Customers	\$ 7,220,651	\$ 6,129,219
Grant Income Received	2,372,722	300,000
Miscellaneous Income	10,553	16,323
Paid to Suppliers and Vendors	(1,127,577)	(1,269,400)
Paid to Employees, Including Benefits	(510,274)	(555,131)
	<u>7,966,075</u>	<u>4,621,011</u>
Cash Flows Provided by (Used in) Investing Activities		
Proceeds from Sale of Assets	-	12,150
Change in Restricted Cash, Cash Equivalents and Investments	(103,863)	(53,539)
Investment Income Received	160,588	137,878
	<u>56,725</u>	<u>96,489</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities:		
Proceeds, of EFC Bond	1,178,680	2,112,940
Payments of EFC Notes	(2,112,940)	-
Interest Paid	(1,822,997)	(1,829,662)
Paid to Saratoga County	-	(2,000,000)
Payments of Revenue Bond Principal	(765,000)	(725,000)
Bond Issuance Costs Paid	(30,043)	(5,400)
Acquisition of Capital Assets	(1,371,785)	(2,820,499)
	<u>(4,924,085)</u>	<u>(5,267,621)</u>
Net Increase (Decrease) in Cash	3,098,715	(550,121)
Cash, Beginning of Year	<u>7,078,136</u>	<u>7,628,257</u>
Cash, End of Year	<u>\$ 10,176,851</u>	<u>\$ 7,078,136</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating Income	\$ 5,545,355	\$ 1,900,119
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	2,551,630	2,735,303
Loss on Sale of Assets	-	16,144
(Increase) Decrease in		
Accounts Receivable	(147,707)	(158,651)
Grants Receivable	(254,786)	126,879
Prepaid Expenses	3,611	(9,722)
Increase (Decrease) in		
Accounts Payable and Accrued Liabilities	186,023	13,667
Accrued Postemployment Benefits	21,693	-
Net Pension	60,256	(2,728)
	<u>\$ 7,966,075</u>	<u>\$ 4,621,011</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Saratoga County Water Authority (the “Authority”) was created during 1990 as a public benefit corporation under New York State Public Authorities Law, Title 8-F of Article 5. The Authority is a component unit of Saratoga County, New York (the “County”). The Authority is charged with providing water services for public benefit. A governing board of seven members, appointed by the chairperson of the Board of Supervisors of Saratoga County, governs the Authority.

The Authority began operations during February 2010 with the substantial completion of the Saratoga County Water Treatment and Transmission Facilities System (the “System”). The System is designed to provide safe, reliable, and affordable drinking water to the residents of Saratoga County.

Basis of Accounting

The Authority’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt balances.
- *Restricted net position* has constraints placed on use by the Authority’s Revenue Bonds.
- *Unrestricted net position* consists of assets, liabilities and deferred outflows and inflows that do not meet the definition of net investment in capital assets, net of related debt or restricted net position.

Revenues are recognized when earned, and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water services. The principal operating revenues of the Authority are charges to customers for user services. Operating expenses include the costs associated with providing those user services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash deposits and other short-term investments with original maturities of three months or less.

Statutes authorize the Authority to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Unrestricted cash deposits with financial institutions are either covered by federal depository insurance or collateralized by securities held by the pledging bank's trust department in the Authority's name, or U.S. Government and/or federal agency securities held by the Trustee. Restricted cash equivalents and investments are held in the Authority's name by their custodial agent and, therefore, not subject to custodial risk. The Authority's restricted cash equivalents are considered investments for cash flow statement purposes.

Accounts and Grants Receivable

Accounts receivable are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines if an allowance for doubtful accounts is needed by identifying troubled accounts and by using historical experience applied to an aging of accounts as well as regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. The allowance for doubtful accounts was \$0 at December 31, 2020 and 2019.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets, Net

Capital assets are recorded at cost, except for contributed property and equipment, which is recorded at fair value or the contributor's net book value if fair value is not readily ascertainable. Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. The Authority uses a capitalization threshold of \$5,000 to analyze expenses for capitalization. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to operations.

Interest expense incurred during the construction of assets is capitalized. Constructed assets financed with the proceeds of tax-exempt debt (if those funds are restricted to finance the acquisition of the assets or used to service the related debt) include capitalized interest to the extent that interest costs over the asset construction period exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings.

Depreciation is provided for in amounts to prorate the cost of depreciable assets to operations over their estimated useful lives, using the straight-line method. The estimated useful lives established to determine depreciation for vehicles, machinery and equipment vary from three to twenty years. Buildings and building improvements are depreciated over thirty years. Land improvements are depreciated over twenty years. Infrastructure is depreciated over forty years.

The Authority evaluated prominent events or changes in circumstances affecting property and equipment to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2020 and 2019.

Premium on Bonds, Net

The Authority issued the \$4,340,000 2014 Water System Revenue Bonds at an original issue premium of \$597,206. Additionally, the Authority issued the \$41,360,000 2016 Water System Refunding Revenue Bonds at an original issue premium of \$4,842,477. The premiums are amortized over the life of the bonds using the effective interest method

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1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences

All full-time employees meeting certain conditions are provided with vacation, sick pay and certain other leave credits based on the terms of employment. Accumulated unpaid vacation and compensatory time are accrued when incurred. Sick pay and other leave credits do not vest with the employees and are expensed when paid.

Tax Status

The Authority is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through March 25, 2021, the date the financial statements were available to be issued. No such events or transactions were identified.

2. RESTRICTED ASSETS

In accordance with the terms of the Authority's bond indenture, the use of certain Authority assets is restricted for specific purposes as summarized below:

	<u>2020</u>	<u>2019</u>
Construction Fund	\$ 384,873	\$ 383,467
Debt Service Reserve Fund	2,782,878	2,703,045
Debt Service	<u>24,422</u>	<u>1,798</u>
Total Assets Held with Fiscal Agent	<u>\$ 3,192,173</u>	<u>\$ 3,088,310</u>

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2. RESTRICTED ASSETS (CONTINUED)

As of December 31, 2020, the Authority had the following investments and maturities:

	Investment Maturities (In Years)			
	<u>Cost</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
Money Market Fund	\$ 1,186,860	\$ 1,186,860	\$ 1,186,860	\$ -
U.S. Treasury Notes	1,956,585	2,005,313	435,992	1,569,321
Total	<u>\$ 3,143,445</u>	<u>\$ 3,192,173</u>	<u>\$ 1,622,852</u>	<u>\$ 1,569,321</u>

a. *Credit Risk*

The Authority’s investment policy limits investments to time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by the United States of America, obligations of the State of New York, obligations of certain municipalities, school districts, or other district corporations, obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies that are authorized by State statutes, certifications of participation, and investments with the Federal Home Loan Bank (“FHLB”). The underlying investments of the money market fund consist exclusively of short-term U.S. Treasury securities.

b. *Custodial Credit Risk*

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held either by (a) the counterparty or (b) the counterparty’s trust department or agent but not in the government’s name. All of the Authority’s investments are held under their name with the custodian.

c. *Interest Rate Risk*

The fair value of the Authority’s fixed maturity investments fluctuates in response to changes in market interest rates. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument and other general market conditions. Investments in the U.S. Treasury Notes are being held as restricted assets in accordance with the Authority’s bond indentures. The Authority plans to hold its investments to maturity, which minimizes the occurrence of loss on investments.

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2. RESTRICTED ASSETS (CONTINUED)

d. *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the Authority's investment in single issues. As of December 31, 2020, the Authority's investments are comprised of money market funds with underlying investments of short-term U.S. Treasury securities (37%) and fixed income securities from the U.S. Treasury Notes (63%). Management of the Authority monitors the credit ratings associated with their underlying investments.

3. CAPITAL ASSETS, NET

A summary of the Authority's capital assets, net, is as follows:

	December 31, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2020</u>
Land and Easement	\$ 1,080,409	\$ -	\$ -	\$ 1,080,409
Land Improvements	1,961,969	-	-	1,961,969
Buildings and Improvements	13,526,687	-	-	13,526,687
Infrastructure	61,037,049	2,847,082	-	63,884,131
Machinery and Equipment	9,373,398	29,319	-	9,402,717
Vehicles	167,135	-	-	167,135
Office Equipment and Furniture	85,558	-	-	85,558
Construction in Progress	<u>2,783,517</u>	<u>1,342,466</u>	<u>2,847,082</u>	<u>1,278,901</u>
	90,015,722	4,218,867	2,847,082	91,387,507
Less Accumulated Depreciation	<u>25,740,133</u>	<u>2,551,630</u>	<u>-</u>	<u>28,291,763</u>
Capital Assets, Net	<u>\$ 64,275,589</u>	<u>\$ 1,667,237</u>	<u>\$ 2,847,082</u>	<u>\$ 63,095,744</u>

	December 31, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2019</u>
Land and Easement	\$ 1,080,409	\$ -	\$ -	\$ 1,080,409
Land Improvements	1,961,969	-	-	1,961,969
Buildings and Improvements	13,289,556	274,856	37,725	13,526,687
Infrastructure	61,016,718	20,331	-	61,037,049
Machinery and Equipment	9,350,711	22,687	-	9,373,398
Vehicles	165,503	36,078	34,446	167,135
Office Equipment and Furniture	76,953	8,605	-	85,558
Construction in Progress	<u>208,606</u>	<u>2,631,305</u>	<u>56,394</u>	<u>2,783,517</u>
	87,150,425	2,993,862	128,565	90,015,722
Less Accumulated Depreciation	<u>23,048,707</u>	<u>2,735,303</u>	<u>43,877</u>	<u>25,740,133</u>
Capital Assets, Net	<u>\$ 64,101,718</u>	<u>\$ 258,559</u>	<u>\$ 84,688</u>	<u>\$ 64,275,589</u>

Depreciation expense totaled \$2,551,630 and \$2,735,303 for the years ended December 31, 2020 and 2019, respectively.

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4. NOTES PAYABLE ENVIRONMENTAL FACILITIES CORPORATION (“EFC”)

During 2020, the capital project to expand the water system was in progress. The project was funded by EFC grants and loans and is summarized as follows:

	Estimated Total Project	Incurred Through December 31, 2020
EFC Grant	\$ 3,177,337	\$ 1,127,909
EFC Loan	<u>4,955,492</u>	<u>-</u>
	<u>\$ 8,132,819</u>	<u>\$ 1,127,909</u>

5. BONDS PAYABLE

The 2014 Water System Revenue Bonds were issued at \$4,340,000 to finance costs incurred in connection with the construction of upgrades at the water treatment plant. Interest is payable semi-annually on June 1 and December 1 at 5%. Principal payments range from \$70,000 to \$275,000 and are payable annually on June 1. The bonds are collateralized by future operating revenues of the Authority and mature June 1, 2044.

The 2016 Water System Refunding Revenue Bonds were issued at \$41,360,000 to refund the 2008 Water System Revenue Bonds. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 3 to 5%. Principal payments range from \$605,000 to \$2,105,000 and are payable annually on September 1. The bonds are secured by the future operating revenues of the Authority and mature September 1, 2048.

The 2020 E.F.C. Drinking Water Statutory Installment Bond was issued at \$1,178,680. Interest is payable semi-annually on April 1 and October 1, at interest rates ranging from .25 to 2.93%. Principal payments range from \$35,000 to \$50,000 and are payable annually on October 1.

A summary of bond transactions is as follows:

	December 31, 2019	Additions	Payments/ Amortization	December 31, 2020
Bonds Payable	\$ 42,875,000	\$ 1,178,680	\$ 765,000	\$ 43,288,680
Bond Premium	4,453,989	-	269,128	4,184,861
Bond Reacquisition Price in Excess of Carrying Amount	<u>(3,053,583)</u>	<u>-</u>	<u>(182,726)</u>	<u>(2,870,857)</u>
	<u>\$ 44,275,406</u>	<u>\$ 1,178,680</u>	<u>\$ 851,402</u>	<u>\$ 44,602,684</u>
Current Installment of Bonds Payable	\$ 765,000			\$ 835,000
Bonds Payable Less Current Installment	<u>43,510,406</u>			<u>43,767,684</u>
	<u>\$ 44,275,406</u>			<u>\$ 47,602,684</u>

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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5. BONDS PAYABLE (CONTINUED)

Future maturities of bonds payable and the related interest amounts are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 835,000	\$ 1,765,630	\$ 2,600,630
2022	873,680	1,729,253	2,602,933
2023	920,000	1,687,277	2,607,277
2024	960,000	1,642,790	2,602,790
2025	1,010,000	1,596,332	2,606,332
2026 through 2030	5,850,000	7,195,659	13,045,659
2031 through 2035	7,425,000	5,618,463	13,043,463
2036 through 2040	8,980,000	4,054,265	13,034,265
2041 through 2045	10,325,000	2,407,293	12,732,293
2046 through 2048	6,110,000	477,869	6,587,869
	<u>\$ 43,288,680</u>	<u>\$ 28,174,831</u>	<u>\$ 71,463,511</u>

6. DUE TO SARATOGA COUNTY

Saratoga County Service Agreement

On September 1, 2008, the Authority entered into a Service Agreement (the “Agreement”) with the County. The Agreement requires the Authority to construct, operate and maintain the Saratoga County Water System. In turn, the Agreement requires the County to pay a service fee, if needed, to the Authority based on the Authority’s annual budget. The Authority is to repay the County for any and all amounts paid by the County as a service fee plus interest at 4%. The Agreement will terminate in 2048 with the maturity of the Authority’s revenue bond.

	<u>2020</u>	<u>2019</u>
Project Costs Incurred by the County (2003 to 2007), non-interest bearing	\$ 3,246,587	\$ 3,246,587
Cash Advance, June 2007, Interest at 4%	250,000	250,000
Service Fees	4,117,328	4,117,328
Accrued Interest	1,241,442	1,217,774
Repayment	<u>(5,000,000)</u>	<u>(5,000,000)</u>
	<u>\$ 3,855,357</u>	<u>\$ 3,831,689</u>

Although these liabilities are due on demand, it is the intent of the County and the Authority to have these amounts paid over a period of time, after the Authority has commenced significant operations. The Authority anticipates that it will repay \$2,000,000 to the County in 2021, and therefore that amount has been reflected as current and the remainder as long-term.

7. DUE TO SARATOGA COUNTY IDA

In May 2015, the Authority leased the acquisition and construction of an outfall structure and diffuser system from the Saratoga County IDA for \$1,525,000. The terms of the lease require annual payments of interest only at .69% through 2020 and principal payments of \$200,000 plus interest at .69% in 2021 through 2025. \$525,000 was not required to be repaid and has been reflected in miscellaneous income in prior years. The outstanding balance at both December 31, 2020 and 2019 is \$1,004,600, which includes \$4,600 in accrued interest.

8. PENSION PLANS

General Information

The Authority participates in the New York State and Local Employees' Retirement System ("ERS"). The System is a cost sharing multiple-employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Description and Benefits Provided. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the System. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined the System 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 must contribute 3% 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.

Contributions for the current year and two preceding years were equal to 100% of the contributions required as follows:

2020	\$ 52,208
2019	\$ 52,555
2018	\$ 48,654

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8. PENSION PLANS (CONTINUED)

General Information (Continued)

Chapter 260 of the laws of the State of New York allows local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ended March 31, 2005 through 2008. Chapter 57 of the laws of the State of New York allows local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ended March 31, 2011 and forward.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. The Authority has not bonded or amortized any portion of their retirement obligations.

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions

At December 31, 2020 and 2019, the Authority reported a liability of \$370,815 and \$93,990, respectively, for its proportionate share of the net pension liability. The 2020 net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2020, the Authority's proportion was .0014003% percent.

At December 31, 2020 and 2019, the Authority reported deferred outflows of resources related to pensions from the following sources:

	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 21,824	\$ 18,509
Changes in assumptions	7,466	23,625
Net difference between projected and actual earnings on pension plan investments	190,098	-
Changes in proportion and differences between employer contributions and proportionate share of contributions subsequent to the measurement date	3,661	-
Employer contribution subsequent to the measurement date	37,919	39,416
	<u>\$ 260,968</u>	<u>\$ 81,550</u>

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8. PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions (Continued)

At December 31, 2020 and 2019, the Authority reported deferred inflows of resources related to pensions from the following sources:

	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ -	\$ 6,309
Changes in assumptions	6,447	-
Net difference between projected and actual earnings on pension plan investments	-	24,123
Changes in proportion and differences between employer contributions and proportionate share of contributions subsequent to the measurement date	20,955	34,121
	<u>\$ 27,402</u>	<u>\$ 64,553</u>

The net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31, 2021	\$ 64,445
December 31, 2022	46,911
December 31, 2023	66,547
December 31, 2024	55,663
	<u>\$ 233,566</u>

ERS Actuarial Assumptions. The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions.

Interest rate	6.8%
Salary increase	4.2%
Inflation rate	2.5%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period August 1, 2010 - March 31, 2015.

8. PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions (Continued)

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 for ERS were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	4.05%
International equity	6.15%
Private equity	6.75%
Real estate	4.95%
Absolute return strategies	3.25%
Opportunistic portfolio	4.65%
Real assets	5.95%
Bonds and mortgages	.75%
Cash	- %
Inflation-indexed bonds	.50%

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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8. PENSION PLANS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the Authority's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ <u>(680,551)</u>	\$ <u>(370,815)</u>	\$ <u>(85,548)</u>

Pension Plan Fiduciary Net Position

The components of the net pension liability of the employer as of March 31, 2020 was as follows (in thousands):

	<u>ERS</u>
Employer's total pension liability	\$ (194,596,261)
Fiduciary net position	<u>168,115,682</u>
Employer's net pension liability	<u>\$ (26,480,579)</u>
Ratio of fiduciary net position to the employer's total pension liability	<u>86.39%</u>

9. ACCRUED POSTEMPLOYMENT BENEFITS

Plan Description

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Revenues, Expenses and Change in Net Position when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

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 DECEMBER 31, 2020 AND 2019

9. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

The Authority provides postemployment healthcare benefits for certain eligible retirees.

The Authority provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans.

Employees Covered by Benefit Terms

As of January 1, 2020, the following employees were covered by the benefit terms:

<i>Inactive employees or beneficiaries currently receiving benefits payments</i>	-
<i>Inactive employees entitled to but not yet receiving benefit payments</i>	-
<i>Active employees</i>	<u>7</u>
<i>Total Participants covered by OPEB Plan</i>	<u><u>7</u></u>

Total OPEB Liability

The Authority's total OPEB liability of \$102,000 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.74%
Healthcare Cost Trend Rates:	
2019 Trend (Pre 65/Post 65)	6.67%/3.00%
2020 Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2029
Salary Increases	2.00%

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9. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligations Index*, based on the 20 year AA municipal bond rate as of December 31, 2019.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006).

Changes in the Total OPEB Liability

	<u>2020</u>	<u>2019</u>
OPEB Liability, Beginning of Year	\$ 80,307	\$ 22,617
Changes for the Year:		
Service Cost	19,493	18,973
Interest	2,200	1,636
Assumption Changes and Differences Between Actual and Expected Experience	<u>-</u>	<u>37,081</u>
OPEB Liability, End of Year	<u>\$ 102,000</u>	<u>\$ 80,307</u>

At December 31, 2020, the Authority reported deferred outflows of resources related to postemployment benefits of \$36,034 (\$11,355 as a result of actual vs. expected expense and \$24,679 as a result of assumption changes).

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The January 1, 2020 valuation was prepared using a discount rate of 2.74%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower as well as the current discount rate.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 2.74%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 134,641</u>	<u>\$ 102,000</u>	<u>\$ 77,269</u>

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9. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The January 1, 2020 valuation was prepared using the trend rate of 6.67%/3.00%. The following presents the total OPEB liability using a healthcare cost trend rate 1% higher and 1% lower as well as the current healthcare cost trend rate.

	Healthcare Cost Trend Rates		
	<u>1% Decrease</u>	<u>Baseline 6.67%/3.00%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>71,407</u>	\$ <u>102,000</u>	\$ <u>145,682</u>

10. NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consists of the following:

	<u>2020</u>	<u>2019</u>
Capital Assets, Net	\$ 63,095,744	\$ 64,275,589
Revenue Bonds	(44,602,684)	(44,275,406)
Notes Payable EFC	-	(2,112,940)
Due to Saratoga County - Non Service Fee Balance	(3,246,587)	(3,246,587)
Due to Saratoga County IDA	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>\$ 14,246,743</u>	<u>\$ 13,640,656</u>

11. COMMITMENTS AND CONTINGENCIES

Water Supply Contracts

The Authority has entered into water service agreements with ten separate customers: Clifton Park Water Authority, Town of Ballston, Town of Malta, Town of Moreau, Town of Halfmoon, Town of Stillwater, Wilton Water and Sewer Authority, Village of Stillwater, Stewart's Corporation and Global Foundries US, Inc. Terms of said agreements are for the provision of water services as described by the individual agreements. The terms of each of the agreements are for ten (10) years subject to various conditions and qualifying events. 84% and 83% of the Authority's operating revenue in 2020 and 2019, respectively, was comprised of user fees received by the Authority related to three of the water service agreements.

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Authority is also involved in suits and claims (possible actions) arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such possible actions would not result in losses that would materially affect the net position of the Authority or the results of its operations.

Environmental Risks

Certain facilities are subject to federal, state and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Authority expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Authority. The Authority believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state and local requirements.

12. UNCERTAINTY

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Authority and its future financial position and results of operations is not presently determinable.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND EMPLOYER PENSION CONTRIBUTIONS
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net pension liability	.0014003%	.0013266%	.0014876%	.0016183%	.001661%
Authority's proportionate share of the net pension liability	\$ 370,815	\$ 93,990	\$ 48,011	\$ 152,062	\$ 267,419
Authority's covered payroll	\$ 369,625	\$ 376,964	\$ 373,891	\$ 352,022	\$ 323,277
Authority's proportionate share of the net pension liability as a percentage of its covered - employee payroll	100.3%	24.9%	12.8%	43.1%	82.7%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.7%	90.6%
Contractually required contribution	\$ 52,208	\$ 52,555	\$ 48,654	\$ 44,155	\$ 55,622
Contributions in relation to the contractually required contribution	\$ 52,208	\$ 52,555	\$ 48,654	\$ 44,155	\$ 55,622
Contribution deficiency (excess)	-	-	-	-	-
Authority's overall payroll	\$ 369,625	\$ 376,964	\$ 373,891	\$ 352,022	\$ 323,277
Contributions as a percentage of covered payroll	14.1%	13.9%	13.0%	12.5%	17.2%

The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPEB Liability, Beginning of Year	\$ 80,307	\$ 22,617	\$ 14,308	\$ 7,049	\$ 4,257
Changes for the Year:					
Service Cost	19,493	18,973	5,777	5,664	834
Interest	2,200	1,636	541	266	170
Assumption Changes and Differences Between Actual and Expected Experience	<u>-</u>	<u>37,081</u>	<u>1,991</u>	<u>1,329</u>	<u>1,453</u>
OPEB Liability, End of Year	<u>\$ 102,000</u>	<u>\$ 80,307</u>	<u>\$ 22,617</u>	<u>\$ 14,308</u>	<u>\$ 6,714</u>
Covered Payroll	<u>\$ 369,625</u>	<u>\$ 376,964</u>	<u>\$ 366,221</u>	<u>\$ 359,040</u>	<u>\$ 351,859</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>\$ 27.60%</u>	<u>\$ 21.30%</u>	<u>\$ 6.18%</u>	<u>\$ 3.99%</u>	<u>\$ 1.91%</u>

Note: 10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

**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, 2020, and the related statement of revenues, expenses and change 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 March 25, 2021.

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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 25, 2021

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2020

SECTION I — SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:		<u>Unmodified</u>
Internal control over financial reporting:		
• Material weaknesses identified?	_____ Yes	___ <u>X</u> ___ No
• Significant deficiency(ies) reported identified that are material weaknesses?	_____ Yes	___ <u>X</u> ___ No
Noncompliance material to financial statements?	_____ Yes	___ <u>X</u> ___ None reported

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

None.

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MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS RELATED TO INVESTMENT
GUIDELINES FOR PUBLIC AUTHORITIES**

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, the financial statements of the Saratoga County Water Authority Governing Board (the "Authority", a New York State public benefit corporation), which comprise the statement of net position as of December 31, 2020, and the related statements of revenue, expenses and change in net position and cash flows for the year ended and the related notes to the financial statements, and have issued our report thereon dated March 25, 2021.

We conducted our audit 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.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the Authority's own investment policies as well as applicable laws, regulations, and the State Comptroller's Investment Guidelines. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced requirements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management of the Authority, the Governing Board, and the New York State Comptroller and is not intended to be and should not be used by anyone other than those specified parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 25, 2021