

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

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Saratoga County Water Authority as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Saratoga County Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Saratoga County Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Saratoga County Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Saratoga County Water Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-7 and the schedule of changes in the Authority's total other postemployment benefit liability and related ratios and schedule of proportionate share of net pension asset/liability and employer pension contributions on pages 29 and 30 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 reports dated March 29, 2023, on our consideration of Saratoga County Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Saratoga County Water 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 Saratoga County Water Authority's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 29, 2023

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, 2022 and 2021. 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 provides a 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

- Net assets increased by \$2.0 million in 2022 to \$30.6 million and increased by \$1.2 million in 2021 to \$28.6 million.
- The Authority produced 7.61 million gallons per day in 2022 and 7.12 million gallons per day in 2021.
- In 2022, \$7,826,573 of EFC bonds were issued, to repay \$5,237,794 EFC short-term note at December 31, 2021 and fund a capital project to expand the water plant, which was completed in 2022.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2022 AND 2021

Analysis of the Authority's Financial Position

The Authority's net position increased by \$2.0 million in 2022, to \$30.6 million. The Authority's net position increased by \$1.2 million in 2021, to \$28.6 million.

CONDENSED STATEMENT OF NET POSITION

	<u>2022</u>		<u>2022</u>		<u>2021</u>		<u>2021</u>		<u>2020</u>		<u>2020</u>
	Total		%		Total		%		Total		%
ASSETS AND DEFERRED OUTFLOWS											
Current Assets	\$ 11,488,570		13.7		\$ 8,789,974		10.7		\$ 11,804,961		15.1
Restricted Assets	4,074,357		4.9		3,380,215		4.0		3,192,173		4.0
Net Pension Asset	107,078		2		-		-		-		-
Property, Plant, and Equipment, Net	<u>67,629,273</u>		<u>80.9</u>		<u>69,903,265</u>		<u>84.9</u>		<u>63,095,744</u>		<u>80.5</u>
Total Assets	83,299,278		99.7		82,073,454		99.6		78,092,878		99.6
Deferred Outflows of Resources	<u>289,226</u>		<u>.3</u>		<u>362,374</u>		<u>.4</u>		<u>297,002</u>		<u>.4</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 83,588,504</u>		<u>100.0</u>		<u>\$ 82,435,828</u>		<u>100.0</u>		<u>\$ 78,389,880</u>		<u>100.0</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION											
Current Liabilities	\$ 2,404,048		2.9		\$ 4,417,332		5.3		\$ 4,049,919		5.2
Long-Term Liabilities	<u>50,203,814</u>		<u>60.0</u>		<u>49,035,730</u>		<u>59.5</u>		<u>46,900,456</u>		<u>59.8</u>
Total Liabilities	52,607,862		62.9		53,453,062		64.8		50,950,375		65.0
Deferred Inflows of Resources	378,266		.5		388,789		.5		27,402		-
Net Position	<u>30,602,376</u>		<u>36.6</u>		<u>28,593,977</u>		<u>34.7</u>		<u>27,412,103</u>		<u>35.0</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 83,588,504</u>		<u>100.0</u>		<u>\$ 82,435,828</u>		<u>100.0</u>		<u>\$ 78,389,880</u>		<u>100.0</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	<u>2022</u>		<u>2022</u>		<u>2021</u>		<u>2021</u>		<u>2020</u>		<u>2020</u>
	Total		%		Total		%		Total		%
Operating Revenue	\$ 9,256,929		99.2		\$ 7,764,287		99.9		\$ 10,006,419		98.4
Non-Operating Revenue	<u>73,417</u>		<u>.8</u>		<u>6,794</u>		<u>.1</u>		<u>160,588</u>		<u>1.6</u>
Total Revenues	<u>9,330,346</u>		<u>100.0</u>		<u>7,771,081</u>		<u>100.0</u>		<u>10,167,007</u>		<u>100.0</u>
Depreciation	2,793,052		29.9		2,572,966		33.1		2,551,630		25.1
Other Operating Expense	2,742,284		29.4		2,200,861		28.3		1,909,434		18.8
Non-Operating Expense	<u>1,786,611</u>		<u>19.2</u>		<u>1,815,380</u>		<u>23.4</u>		<u>1,778,608</u>		<u>17.5</u>
Total Expenses	<u>7,321,947</u>		<u>78.5</u>		<u>6,589,207</u>		<u>84.8</u>		<u>6,239,672</u>		<u>61.4</u>
Change in Net Position	<u>\$ 2,008,399</u>		<u>21.5</u>		<u>\$ 1,181,874</u>		<u>15.2</u>		<u>\$ 3,927,335</u>		<u>38.6</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2022 AND 2021

Capital Improvements

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

	<u>2022</u>	<u>2021</u>
Land and Land Improvements	\$ 3,251,957	\$ 3,249,768
Buildings and Improvements	14,767,987	14,767,987
Infrastructure	72,644,253	70,142,104
Machinery, Equipment and Vehicles	9,454,541	9,443,490
Construction in Progress	<u>40,756</u>	<u>2,037,085</u>
	100,159,494	99,640,434
Accumulated Depreciation	<u>(32,530,221)</u>	<u>(29,737,169)</u>
Capital Assets, Net	<u>\$ 67,629,273</u>	<u>\$ 69,903,265</u>

In 2022, the Authority completed the construction of a \$12 million expansion of the water system. The expansion was funded primarily by a \$93.8 million grant and low interest loan from the NYS Environmental Facilities Corporation.

Debt Administration

A summary of the Authority's long-term debt is as follows:

	<u>December 31,</u> <u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31,</u> <u>2022</u>
2014 Water System Bonds	\$ 500,000	\$ -	\$ 90,000	\$ 410,000
2016 Water System Refunding Revenue Bonds	31,330,000	-	745,000	30,585,000
2020 EFC Drinking Water Statutory Installment Bonds	1,143,680	-	38,680	1,105,000
2022 EFC Drinking Water Statutory Installment Bonds	-	7,826,573	-	7,826,573
2021 Water System Revenue Refunding Bonds	11,360,000	-	145,000	11,215,000
Notes Payable EFC	5,237,794	-	5,237,794	-
Due to Saratoga County IDA	800,000	-	200,000	600,000
	<u>\$ 50,371,474</u>	<u>\$ 7,826,573</u>	<u>\$ 6,456,474</u>	<u>\$ 51,741,573</u>

In 2021 certain portions of the 2014 and 2016 Water System Bonds were refunded. The present value savings of the refunding was \$599,288.

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 2022 or 2021. The obligation to Saratoga County for service fee payments of \$3,855,357 as of December 31, 2020 was repaid in 2021.

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, 2022 AND 2021

Assets and Deferred Outflows of Resources

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash	\$ 9,839,660	\$ 7,457,098
Accounts Receivable	1,384,438	1,262,465
Grants Receivable	165,000	-
Prepaid Expenses	<u>99,472</u>	<u>70,411</u>
Total Current Assets	<u>11,488,570</u>	<u>8,789,974</u>
Restricted Assets		
Cash and Cash Equivalents with Fiscal Agent	3,956,467	1,848,866
Investments with Fiscal Agent	<u>117,890</u>	<u>1,531,349</u>
Total Restricted Assets	<u>4,074,357</u>	<u>3,380,215</u>
Net Pension Asset	107,078	-
Capital Assets, Net	<u>67,629,273</u>	<u>69,903,265</u>
Total Assets	<u>83,299,278</u>	<u>82,073,454</u>
Deferred Outflows of Resources		
Pension	228,407	293,832
Postemployment Benefits	<u>60,819</u>	<u>68,542</u>
Total Deferred Outflows of Resources	<u>289,226</u>	<u>362,374</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 83,588,504</u>	<u>\$ 82,435,828</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 493,813	\$ 2,800,969
Accrued Interest Payable	450,235	422,683
Current Portion of Bonds Payable	1,260,000	993,680
Due to Saratoga County IDA	<u>200,000</u>	<u>200,000</u>
Total Current Liabilities	<u>2,404,048</u>	<u>4,417,332</u>
Long-Term Liabilities		
Due to Saratoga County IDA	402,760	603,680
Note Payable - EFC	-	5,237,794
Bonds Payable, Net of Current Portion	49,596,708	43,018,470
Accrued Postemployment Benefits	204,346	174,534
Net Pension Liability	-	<u>1,252</u>
Total Long-Term Liabilities	<u>50,203,814</u>	<u>49,035,730</u>
Total Liabilities	<u>52,607,862</u>	<u>53,453,062</u>
Deferred Inflows of Resources		
Pension	377,851	388,374
Postemployment Benefits	<u>415</u>	<u>415</u>
Total Deferred Inflows of Resources	<u>378,266</u>	<u>388,789</u>
Net Position		
Net Investment in Capital Assets	16,172,565	19,853,321
Restricted	4,074,357	3,380,215
Unrestricted	<u>10,355,454</u>	<u>5,360,441</u>
Total Net Position	<u>30,602,376</u>	<u>28,593,977</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 83,588,504</u>	<u>\$ 82,435,828</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
User Fees	\$ 7,786,510	\$ 7,293,294
Grant Income	1,458,438	461,161
Miscellaneous	<u>11,981</u>	<u>9,832</u>
Total Operating Revenues	<u>9,256,929</u>	<u>7,764,287</u>
Operating Expenses		
Salaries and Wages	429,779	404,509
Employee Benefits	176,314	191,454
Chemicals	537,875	449,272
Contracted Management and Professional Services	213,643	189,187
Depreciation	2,793,052	2,572,966
Insurance	71,478	56,465
Legal	13,202	26,357
Other Supplies and Materials	71,840	72,944
Utilities	935,979	599,879
Water System Maintenance	120,380	73,319
Water Treatment and Distribution	<u>171,794</u>	<u>137,475</u>
Total Operating Expenses	<u>5,535,336</u>	<u>4,773,827</u>
Operating Income	<u>3,721,593</u>	<u>2,990,460</u>
Nonoperating Revenues (Expenses)		
Investment Income	73,417	6,794
Interest Expense	(1,598,555)	(1,576,417)
Bond Issuance Costs	<u>(188,056)</u>	<u>(238,963)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,713,194)</u>	<u>(1,808,586)</u>
Change in Net Position	2,008,399	1,181,874
Net Position, Beginning of Year	<u>28,593,977</u>	<u>27,412,103</u>
Net Position, End of Year	<u>\$ 30,602,376</u>	<u>\$ 28,593,977</u>

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows Provided by (Used in) Operating Activities:		
Received from Customers	\$ 7,664,537	\$ 7,332,356
Grant Income Received	1,293,438	661,714
Miscellaneous Income	11,981	9,832
Paid to Suppliers and Vendors	(2,048,835)	(1,633,762)
Paid to Employees, Including Benefits	(599,803)	(613,853)
	<u>6,321,318</u>	<u>5,756,287</u>
Cash Flows Provided by (Used in) Investing Activities		
Change in Restricted Cash, Cash Equivalents and Investments	(694,142)	(188,042)
Investment Income Received	73,417	6,794
	<u>(620,725)</u>	<u>(181,248)</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities:		
Proceeds Bond Issuance	7,826,573	-
Proceeds, Bond Refunding	-	11,360,000
Proceeds, of EFC Note	-	5,237,794
Payments of EFC Note	(5,237,794)	-
Interest Paid	(1,535,258)	(1,603,841)
Paid to Saratoga County	-	(3,855,357)
Paid to Saratoga County IDA	(200,000)	(200,000)
Payments of Revenue Bond Principal	(1,018,680)	(10,315,000)
Bond Issuance Costs Paid	(188,056)	(184,730)
Bond Requisition in Excess of Carrying Amounts	-	(1,719,870)
Acquisition of Capital Assets	(2,964,816)	(7,013,788)
	<u>(3,318,031)</u>	<u>(8,294,792)</u>
Net Increase (Decrease) in Cash	2,382,562	(2,719,753)
Cash, Beginning of Year	<u>7,457,098</u>	<u>10,176,851</u>
Cash, End of Year	<u>\$ 9,839,660</u>	<u>\$ 7,457,098</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating Income	\$ 3,721,593	\$ 2,990,460
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	2,793,052	2,572,966
(Increase) Decrease in		
Accounts Receivable	(121,973)	(39,062)
Grants Receivable	(165,000)	254,786
Prepaid Expenses	(29,061)	1,386
Increase (Decrease) in		
Accounts Payable and Accrued Liabilities	201,225	272,780
Accrued Postemployment Benefits	29,812	72,534
Net Pension Asset/Liability	(108,330)	(369,563)
	<u>\$ 6,321,318</u>	<u>\$ 5,756,287</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

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, 2022 and 2021.

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, 2022 and 2021.

Premium on Bonds, Net

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 29, 2023, 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 indentures, the use of certain Authority assets is restricted for specific purposes as summarized below:

	<u>2022</u>	<u>2021</u>
Construction Fund	\$ 1,492	\$ 9
Debt Service Reserve Fund	3,774,696	3,252,249
Debt Service	<u>298,169</u>	<u>127,957</u>
Total Assets Held with Fiscal Agent	<u>\$ 4,074,357</u>	<u>\$ 3,380,215</u>

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2. RESTRICTED ASSETS (CONTINUED)

As of December 31, 2022, the Authority had the following investments and maturities:

	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
			<u>Less than 1</u>	<u>1-5</u>	<u>Over 10</u>
Money Market Fund	\$ 3,956,467	\$ 3,956,467	\$ 3,956,467	\$ -	\$ -
U.S. Treasury Notes	117,890	117,890	-	-	117,890
Total	<u>\$ 4,074,357</u>	<u>\$ 4,074,357</u>	<u>\$ 3,956,467</u>	<u>\$ -</u>	<u>\$ 117,890</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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 DECEMBER 31, 2022 AND 2021

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, 2022, the Authority's investments are comprised of money market funds with underlying investments of short-term U.S. Treasury securities (97%) and fixed income securities from the U.S. Treasury Notes (3%). 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, 2021	Additions	Deletions	December 31, 2022
Land and Easement	\$ 1,287,799	\$ 2,189	\$ -	\$ 1,289,988
Land Improvements	1,961,969	-	-	1,961,969
Buildings and Improvements	14,767,987	-	-	14,767,987
Infrastructure	70,142,104	2,502,149	-	72,644,253
Machinery and Equipment	9,156,962	11,051	-	9,168,013
Vehicles	200,970	-	-	200,970
Office Equipment and Furniture	85,558	-	-	85,558
Construction in Progress	<u>2,037,085</u>	<u>-</u>	<u>1,996,329</u>	<u>40,756</u>
	99,640,434	2,515,389	1,996,329	100,159,494
Less Accumulated Depreciation	<u>29,737,169</u>	<u>2,793,052</u>	<u>-</u>	<u>32,530,221</u>
Capital Assets, Net	<u>\$ 69,903,265</u>	<u>\$ (277,663)</u>	<u>\$ 1,996,329</u>	<u>\$ 67,629,273</u>
	December 31, 2020	Additions	Deletions	December 31, 2021
Land and Easement	\$ 1,080,409	\$ 207,390	\$ -	\$ 1,287,799
Land Improvements	1,961,969	-	-	1,961,969
Buildings and Improvements	13,526,687	1,241,300	-	14,767,987
Infrastructure	63,884,131	6,257,973	-	70,142,104
Machinery and Equipment	9,402,717	881,805	1,127,560	9,156,962
Vehicles	167,135	33,835	-	200,970
Office Equipment and Furniture	85,558	-	-	85,558
Construction in Progress	<u>1,278,901</u>	<u>2,024,035</u>	<u>1,265,851</u>	<u>2,037,085</u>
	91,387,507	10,646,338	2,393,411	99,640,434
Less Accumulated Depreciation	<u>28,291,763</u>	<u>2,572,966</u>	<u>1,127,560</u>	<u>29,737,169</u>
Capital Assets, Net	<u>\$ 63,095,744</u>	<u>\$ 8,073,372</u>	<u>\$ 1,265,851</u>	<u>\$ 69,903,265</u>

Depreciation expense totaled \$2,793,052 and \$2,572,966 for the years ended December 31, 2022 and 2021, respectively.

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

During 2020, the capital project to expand the water system was started and substantially completed in 2021. The project is funded by EFC grants and loans and is summarized as follows:

	Estimated Total Project	Incurred Through December 31, 2021
EFC Grant	\$ 1,588,668	\$ 1,588,668
EFC Loan	<u>8,012,707</u>	<u>5,237,794</u>
	<u>\$ 9,601,375</u>	<u>\$ 6,826,462</u>

During 2022, the short-term EFC loan of \$5,237,794 was converted to long-term.

5. BONDS PAYABLE

Bonds payable consist of the following:

	<u>2022</u>	<u>2021</u>
2014 Water System Revenue Bonds (original issue \$4,340,000) of which \$3,365,000 were refunded in 2021. Interest at 5%, matures in December 2026.	\$ 410,000	\$ 500,000
2016 Water System Refunding Revenue Bonds (original issue \$41,360,000) of which \$6,115,000 were refunded in 2021. Interest at rates ranging from 3.0% to 5.0%, maturing in December 2048.	30,585,000	31,330,000
2020 Environmental Facilities Corporation Drinking Water Statutory Installment Bond. Interest at rates ranging from .26% to 2.69%, maturing in December 2048.	1,105,000	1,143,680
2021 Water System Revenue Refunding Bonds. Interest at rates ranging from .68% to 3.02%, maturing in June 2044.	11,215,000	11,360,000
2022 Environmental Facilities Corporation Drinking Water Statutory Installment Bond Interest at rates ranging from 3.07% to 4.91%.	<u>7,826,573</u>	<u>-</u>
	51,141,573	44,333,680
Unamortized Bond Premium	2,782,092	2,961,627
Bond Refunding Price in Excess of Carrying Amount	(3,066,957)	(3,283,157)
Current Portion of Bonds Payable	<u>(1,260,000)</u>	<u>(993,680)</u>
Bonds Payable, Net of Current Portion	<u>\$ 49,596,708</u>	<u>\$ 43,018,470</u>

In 2021, \$11,360,000 of bonds were issued to refund \$9,480,000 of existing bonds. The present value savings of the refunding was \$599,288.

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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>
2023	\$ 1,260,000	\$ 1,945,750	\$ 3,205,750
2024	1,246,573	1,917,099	3,163,672
2025	1,295,000	1,862,426	3,157,426
2026	1,355,000	1,811,333	3,166,333
2027	1,405,000	1,754,428	3,159,428
2028 through 2032	7,910,000	7,992,285	15,902,285
2033 through 2037	9,740,000	6,976,071	16,716,071
2038 through 2042	10,695,000	5,680,990	16,375,990
2043 through 2047	12,290,000	3,956,596	16,246,596
2048 through 2052	3,945,000	2,391,069	6,336,069
	<u>\$ 51,141,573</u>	<u>\$ 36,288,047</u>	<u>\$ 87,429,620</u>

6. 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, 2022 and 2021 is \$602,760 and \$803,680, which includes accrued interest of \$2,760 and \$3,680 at December 31, 2022 and 2021, respectively.

7. 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:

2022	\$ 46,382
2021	\$ 60,859
2020	\$ 52,208

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7. 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, 2022 and 2021, the Authority reported an asset of \$107,078 and a liability of \$1,252, respectively, for its proportionate share of the net pension asset/liability. The 2022 net pension liability was measured as of March 31, 2022, 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, 2022, the Authority's proportion was .001309% percent.

At December 31, 2022 and 2021, the Authority reported deferred outflows of resources related to pensions from the following sources:

	<u>2022</u>	<u>2021</u>
Differences between expected and actual experience	\$ 8,109	\$ 15,287
Changes in assumptions	178,702	230,155
Changes in proportion and differences between employer contributions and proportionate share of contributions subsequent to the measurement date	6,810	2,746
Employer contribution subsequent to the measurement date	34,786	45,644
	<u>\$ 228,407</u>	<u>\$ 293,832</u>

SARATOGA COUNTY WATER AUTHORITY
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7. PENSION PLANS (CONTINUED)

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

At December 31, 2022 and 2021, the Authority reported deferred inflows of resources related to pensions from the following sources:

	<u>2022</u>	<u>2021</u>
Differences between expected and actual expense	\$ 10,518	\$ -
Changes in assumptions	3,015	4,341
Net difference between projected and actual earnings on pension plan investments	350,637	359,575
Changes in proportion and differences between employer contributions and proportionate share of contributions subsequent to the measurement date	13,681	24,458
	<u>\$ 377,851</u>	<u>\$ 388,374</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, 2023	\$ 3,367
December 31, 2024	(41,444)
December 31, 2025	(93,538)
December 31, 2026	(17,829)
	<u>\$ (149,444)</u>

ERS Actuarial Assumptions. The total pension liability at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuation used the following actuarial assumptions.

Interest rate	5.9%
Salary increase	4.4%
Inflation rate	2.7%
Cost of living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period August 1, 2015 - March 31, 2020.

7. 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, 2022 for ERS were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	3.30%
International equity	5.85%
Private equity	6.50%
Real estate	5.00%
Opportunistic portfolio	4.10%
Real assets	5.58%
Cash	(1.00%)

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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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 DECEMBER 31, 2022 AND 2021

7. 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 5.9 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>ERS</u>	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Employer's proportionate share of the net pension asset (liability)	\$ <u>(275,619)</u>	\$ <u>107,078</u>	\$ <u>427,186</u>

Pension Plan Fiduciary Net Position

The components of the net pension liability of the employer as of March 31, 2022 was as follows (in thousands):

	<u>ERS</u>
Employer's total pension liability	\$ (223,874,888)
Fiduciary net position	<u>232,049,473</u>
Employer's net pension liability	<u>\$ 8,174,585</u>
Ratio of fiduciary net position to the employer's total pension liability	<u>103.65%</u>

8. 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, 2022 AND 2021

8. 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, 2022, 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 \$204,346 (\$174,534 at December 31, 2021) was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2022 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	2.06%
Healthcare Cost Trend Rates:	
2022 Trend	4.10/4.24%
Ultimate Trend (Pre 65/Post 65)	4.10/4.24%
Year Ultimate Trend is Reached	2089
Salary Increases	8%

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8. 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, 2021.

Mortality rates were based on the Pub-2010 General Employees Headcount - weighted monthly fully generated using Scale MP-2021 (Base Rate 2006).

Changes in the Total OPEB Liability

	<u>2022</u>	<u>2021</u>
OPEB Liability, Beginning of Year	\$ 174,534	\$ 102,000
Changes for the Year:		
Service Cost	26,217	25,687
Interest	3,595	3,003
Assumption Changes and Differences Between Actual and Expected Experience	<u>-</u>	<u>43,844</u>
OPEB Liability, End of Year	<u>\$ 204,346</u>	<u>\$ 174,534</u>

At December 31, 2022, the Authority reported deferred outflows of resources related to postemployment benefits of \$60,819.

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

The January 1, 2022 valuation was prepared using a discount rate of 2.06%. 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 2.06%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 261,254</u>	<u>\$ 204,346</u>	<u>\$ 159,975</u>

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8. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The January 1, 2022 valuation was prepared using the trend rate of 4.20%/4.24%. 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 4.20%/4.24%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>144,775</u>	\$ <u>204,346</u>	\$ <u>289,837</u>

OPEB Expense

For the year ended December 31, 2022 and 2021, the Authority recognized an OPEB expense as follows:

	<u>2022</u>	<u>2021</u>
Service Cost	\$ 26,217	\$ 25,687
Interest	3,595	3,004
Amortization of Deferred Charges:		
Difference Between Expected and Actual Expenses	1,877	1,877
Changes of Assumptions or Other Inputs	<u>5,846</u>	<u>5,846</u>
Net OPEB Expense	<u>\$ 37,535</u>	<u>\$ 36,414</u>
Covered Payroll	<u>\$ 400,204</u>	<u>\$ 388,548</u>

At December 31, 2022, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
Differences between expected and actual expenses	\$ 13,028	\$ (415)
Change in assumptions	<u>47,791</u>	<u>-</u>
	<u>\$ 60,819</u>	<u>\$ (415)</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2022 AND 2021

8. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

December 31, 2023	\$	7,723
December 31, 2024		7,723
December 31, 2025		7,723
December 31, 2026		7,407
December 31, 2027		7,407
Thereafter		<u>22,421</u>
	\$	<u>60,404</u>

9. NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consists of the following:

	<u>2022</u>	<u>2021</u>
Capital Assets, Net	\$ 67,629,273	\$ 69,903,265
Revenue Bonds	(50,856,708)	(44,012,150)
Notes Payable EFC	-	(5,237,794)
Due to Saratoga County IDA	<u>(600,000)</u>	<u>(800,000)</u>
	<u>\$ 16,172,565</u>	<u>\$ 19,853,321</u>

10. COMMITMENTS AND CONTINGENCIES

Water Supply Contracts

The Authority has entered into water service agreements with 11 separate customers: Clifton Park Water Authority, City of Mechanicville, 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 78% of the Authority's user fee revenue in 2022 and 2021, respectively, was comprised of user fees received by the Authority related to three of the water service agreements.

10. 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.

11. 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 CHANGES IN THE AUTHORITY'S TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPEB Liability, Beginning of Year	\$ 174,534	\$ 102,000	\$ 80,307	\$ 22,617	\$ 14,308	\$ 7,049	\$ 4,257
Changes for the Year:							
Service Cost	26,217	25,687	19,493	18,973	5,777	5,664	834
Interest	3,595	3,003	2,200	1,636	541	266	170
Assumption Changes and Differences Between Actual and Expected Experience	<u>-</u>	<u>43,844</u>	<u>-</u>	<u>37,081</u>	<u>1,991</u>	<u>1,329</u>	<u>1,788</u>
OPEB Liability, End of Year	<u>\$ 204,346</u>	<u>\$ 174,534</u>	<u>\$ 102,000</u>	<u>\$ 80,307</u>	<u>\$ 22,617</u>	<u>\$ 14,308</u>	<u>\$ 7,049</u>
Covered Payroll	<u>\$ 429,779</u>	<u>\$ 388,548</u>	<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>47.5%</u>	<u>44.91%</u>	<u>27.60%</u>	<u>21.30%</u>	<u>6.18%</u>	<u>3.99%</u>	<u>2.00%</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.

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

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSET/LIABILITY AND EMPLOYER PENSION CONTRIBUTIONS
DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net pension liability	0013099%	.0012571%	.0014003%	.0013266%	.0014876%	.0016183%	.001661%
Authority's proportionate share of the net pension (asset) liability	\$ (107,078)	\$ 1,252	\$ 370,815	\$ 93,990	\$ 48,011	\$ 152,062	\$ 267,419
Authority's covered payroll	\$ 397,938	\$ 381,138	\$ 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	26.9%	0.3%	100.3%	24.9%	12.8%	43.1%	82.7%
Plan fiduciary net position as a percentage of the total pension liability	103.7%	99.5%	86.39%	96.27%	98.24%	94.7%	90.6%
Contractually required contribution	\$ 46,382	\$ 60,859	\$ 52,208	\$ 52,555	\$ 48,654	\$ 44,155	\$ 55,682
Contributions in relation to the contractually required contribution	\$ 46,382	\$ 60,859	\$ 52,208	\$ 52,555	\$ 48,654	\$ 44,155	\$ 55,622
Contribution deficiency (excess)		-	-	-	-	-	-
Authority's overall payroll	\$ 397,938	\$ 381,138	\$ 369,625	\$ 376,964	\$ 373,891	\$ 352,022	\$ 323,277
Contributions as a percentage of covered payroll	11.7%	15.9%	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.

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**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, 2022, 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 29, 2023.

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) as a basis for designing 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 financial statements. 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 29, 2023

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**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, 2022, 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 29, 2023.

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 29, 2023