

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**FINANCIAL REPORT**

**December 31, 2011**

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**FINANCIAL REPORT**

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**C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	2-4
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Assets	5
Statements of Revenues, Expenses, and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8-16
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Schedule of Funding Progress	17
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	18
Schedule of Findings and Responses	19-21

BOLLAM, SHEEDY, TORANI & CO. LLP  
Certified Public Accountants  
Albany, New York

**INDEPENDENT AUDITOR'S REPORT**

Authority Governing Board  
Saratoga County Water Authority  
Gansevoort, New York

We have audited the accompanying statement of net assets of the Saratoga County Water Authority (Authority) (a component unit of Saratoga County, New York) as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provide a reasonable basis for our 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, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 4 and the Schedule of Funding Progress on page 17 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 the financial reporting for placing the 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 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.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
June 21, 2012

**SARATOGA COUNTY WATER AUTHORITY  
(A Component Unit of Saratoga County, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Introduction**

The accompanying Management's Discussion and Analysis of the Saratoga County Water Authority's (Authority) financial performance has been prepared to provide an overview of the Authority's financial activities for the year ended December 31, 2011. 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 to construct the Saratoga County Water Treatment and Transmission Facilities System (the "System"). The System will 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 and the Luther Forest Technology Park in the Town of Malta. The primary funding for the Authority will be from the users of the System.

**Financial Highlights**

The water treatment portion of the System was substantially complete on January 28, 2010, with the finished water transmission main being substantially completed in 2009. In 2010, two additional segments of transmission main were constructed by others and dedicated over to the Authority. One segment was constructed by NYSDOT as part of the Round Lake Bypass Project (NYS Project ID 1807.01.301). The second segment was constructed by the Towns of Malta and Stillwater as the Luther Forest Technology Campus Site Roadways project. The Authority 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 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 is in the process of completing its connection and anticipates taking water on January 5, 2012. The Authority anticipates providing a connection and service to the Town of Moreau in 2012. The Authority also anticipates increasing the amount of water provided to Global Foundries in 2012 due to Global Foundries commencing production in the latter half of 2012.

The Authority has published its Annual Drinking Water Quality Report, reporting that in 2011 the Authority met all State drinking water health standards, with the exception of halo acetic acids which occurred in the third quarter of 2011 due to extreme weather occurrences and the ensuing turbidity from the water source. The total water produced in 2011 was approximately 1.044 billion gallons.

**SARATOGA COUNTY WATER AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Analysis of the Authority's Financial Position**

The Authority's net assets decreased by \$4 million in 2011 (\$38.2 million in 2010) to \$34.2 million. The decline in non-operating revenues is due to the completion of the water project in 2010 and associated close out and reimbursement from project related grants.

**CONDENSED STATEMENTS OF NET ASSETS**

	<b>December 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2011</b>	<b>2010</b>		
<b>ASSETS</b>				
Current assets	\$ 1,791,254	\$ 3,130,368	\$ (1,339,114)	-42.78%
Restricted assets	3,383,433	4,735,220	(1,351,787)	-28.55%
Property, plant, and equipment, net	77,278,087	79,967,161	(2,689,074)	-3.36%
Other assets	1,779,912	259,010	1,520,902	587.20%
<b>Total assets</b>	<b>\$ 84,232,686</b>	<b>\$ 88,091,759</b>	<b>\$ (3,859,073)</b>	<b>-4.38%</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities	\$ 2,078,071	\$ 2,009,156	\$ 68,915	3.43%
Long-term liabilities	47,804,574	47,818,810	(14,236)	-0.03%
Total liabilities	49,882,645	49,827,966	54,679	0.11%
Net assets invested in capital assets, net of related debt	29,206,457	31,880,286	(2,673,829)	-8.39%
Net assets, restricted	3,383,433	4,735,220	(1,351,787)	-28.55%
Net assets, unrestricted	1,760,151	1,648,287	111,864	6.79%
Total net assets	34,350,041	38,263,793	(3,913,752)	-10.23%
<b>Total liabilities and net assets</b>	<b>\$ 84,232,686</b>	<b>\$ 88,091,759</b>	<b>\$ (3,859,073)</b>	<b>-4.38%</b>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**

	<b>Years Ended December 31,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2011</b>	<b>2010</b>		
Operating revenue	\$ 2,845,633	\$ 2,079,927	\$ 765,706	100.00%
Non-operating revenue	97,558	7,141,104	(7,043,546)	-98.63%
Total revenues	2,943,191	9,221,031	(6,277,840)	-68.08%
Depreciation expense	2,584,070	2,084,507	499,563	100.00%
Other operating expense	2,088,870	1,579,412	509,458	100.00%
Non-operating expense	2,149,840	1,799,800	350,040	100.00%
Total expenses	6,822,780	5,463,719	1,359,061	100.00%
<b>CHANGE IN NET ASSETS</b>	<b>(3,879,589)</b>	<b>3,757,312</b>	<b>(7,636,901)</b>	<b>-203.25%</b>
<b>NET ASSETS, beginning net assets</b>	38,263,793	34,450,514	3,813,279	11.07%
Prior period adjustment	(34,163)	55,967	(90,130)	-100.00%
<b>NET ASSETS, beginning net assets, restated</b>	38,229,630	34,506,481	3,723,149	10.79%
<b>NET ASSETS, ending net assets</b>	<b>\$ 34,350,041</b>	<b>\$ 38,263,793</b>	<b>\$ (3,913,752)</b>	<b>-10.23%</b>

**SARATOGA COUNTY WATER AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Debt Administration**

During 2008, the Authority issued \$45,000,000 Water System Revenue Bonds with final maturity in 2048 and bearing interest at rates ranging from 3% to 5%. As of December 31, 2011 and 2010, the outstanding balance was \$44,100,000 and \$44,555,000, respectively. More detailed information about the Authority's long-term obligation is presented in the notes to the financial statements on page 12.

**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 35<sup>th</sup> 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 percent per annum compounded annually, 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.

In 2011, the Authority requested one Service Fee Payment of \$421,328.05 and has budgeted for a \$2.5 million Service Fee payment from the County in 2012. No service fee payments were requested during 2010.

**Contacting 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)**

**STATEMENT OF NET ASSETS**

	<u><b>December 31,</b></u> <u><b>2011</b></u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 1,087,082
Accounts receivable	452,747
Grants receivable	211,765
Prepaid expenses	39,660
Total current assets	<u>1,791,254</u>
<b>RESTRICTED ASSETS</b>	
Cash and cash equivalents with fiscal agent	<u>3,383,433</u>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	
	<u>77,278,087</u>
<b>OTHER ASSETS</b>	
Bond issuance costs, net	702,376
Long-term accounts receivable	1,077,536
	<u>1,779,912</u>
	<u><b>\$ 84,232,686</b></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 651,697
Accrued retainage	232,485
Accrued compensated absences	16,451
Accrued interest payable	707,438
Current installment of revenue bonds	470,000
Total current liabilities	<u>2,078,071</u>
<b>LONG-TERM LIABILITIES</b>	
Due to Saratoga County	3,971,630
Premium on bonds, net	186,934
Revenue bonds, less current installment	43,630,000
Accrued postemployment benefits	16,010
Total long-term liabilities	<u>47,804,574</u>
Total liabilities	<u>49,882,645</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	29,206,457
Restricted	3,383,433
Unrestricted	1,760,151
Total net assets	<u>34,350,041</u>
	<u><b>\$ 84,232,686</b></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SARATOGA COUNTY WATER AUTHORITY**  
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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

	<b>Year Ended December 31, 2011</b>
	<u>                    </u>
<b>OPERATING REVENUES</b>	
User fees	\$ 2,841,143
Miscellaneous	4,490
	<u>2,845,633</u>
 <b>OPERATING EXPENSES</b>	
Salaries and wages	558,160
Employee benefits	218,867
Chemicals	141,412
Chief operator	66,232
Depreciation and amortization, net	2,584,070
Engineering	70,937
Insurance	57,389
Legal	189,966
Other professional service contracts	114,191
Other supplies and materials	99,074
Utilities	367,841
Water system maintenance service contract	68,119
Water treatment and distribution	135,782
Miscellaneous	900
	<u>4,672,940</u>
 <b>Operating loss</b>	 <u><b>(1,827,307)</b></u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	7,136
Interest expense	(2,149,840)
Construction grants	90,422
	<u>(2,052,282)</u>
 <b>CHANGE IN NET ASSETS</b>	 <u><b>(3,879,589)</b></u>
 <b>NET ASSETS, beginning of year, as previously reported</b>	 38,263,793
Prior period adjustment	<u>(34,163)</u>
 <b>NET ASSETS, beginning of year, as restated</b>	 <u>38,229,630</u>
 <b>NET ASSETS, end of year</b>	 <u><u><b>\$ 34,350,041</b></u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**STATEMENT OF CASH FLOWS**

	<b>Year Ended December 31, 2011</b>
	<b>2011</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Received from customers	\$ 1,708,950
Paid to suppliers and vendors	(1,366,291)
Paid to employees, including benefits	(541,633)
	<b>(198,974)</b>
 <b>CASH FLOWS PROVIDED BY INVESTING ACTIVITY</b>	
Interest received	7,136
	<b>7,136</b>
 <b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Change in restricted cash and cash equivalents	1,351,787
Interest paid	(2,135,963)
Payments of revenue bond principal	(455,000)
Acquisition of capital assets	(507,434)
Construction grants	230,576
	<b>(1,516,034)</b>
 <b>CASH FLOWS PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Receipt of service fee from Saratoga County	421,328
	<b>421,328</b>
<b>Net decrease in cash</b>	<b>(1,286,544)</b>
<b>CASH, beginning of year</b>	2,373,626
<b>CASH, end of year</b>	<b>\$ 1,087,082</b>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (1,827,307)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation and amortization, net	2,584,070
Increase in accounts receivable	(59,147)
Increase in prepaid expenses	(39,661)
Increase in long-term accounts receivable	(1,077,536)
Increase in accounts payable and accrued liabilities	204,597
Increase in accrued postemployment benefits	16,010
	<b>\$ (198,974)</b>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*a. Organization*

The Saratoga County Water Authority (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 (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 (System). The System is designed to provide safe, reliable, and affordable drinking water to the residents of Saratoga County.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*b. Basis of Accounting*

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (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 assets. Net assets are segregated into restricted and unrestricted components, as follows:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances;
- *Restricted net assets* have constraints placed on use by the Authority's Revenue Bond, and
- *Unrestricted net assets* consists of assets and liabilities that do not meet the definition of "invested in capital assets, net of related debt" or restricted.

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.

*c. 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.

*d. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash deposits and other short-term investments, whether unrestricted or restricted, 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.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*d. Cash and Cash Equivalents - Continued*

Unrestricted cash and cash equivalents 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 and cash equivalents are unsecured.

*e. Accounts 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. Management has deemed that an allowance for doubtful accounts is not necessary at December 31, 2011.

An account receivable is considered to be past due if any portion of the receivable is outstanding for more than thirty days. Interest is charged on the accounts receivable in accordance with the appropriate water service agreement (Note 10) and is recognized as it is charged.

*f. Property, Plant, and Equipment, Net*

Property, plant, and equipment, net, 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 \$1,000 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 expenses incurred during construction of assets are capitalized. Constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) include capitalized interest to the extent that interest cost (including any related financing costs) over the asset construction period exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing.

Depreciation is provided for in amounts to relate 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 circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2011.

*g. Premium Issuance Costs, Net*

The Authority incurred certain costs related to the issuance of the \$45,000,000 2008 Water System Revenue Bonds. These costs, totaling \$803,674, are amortized over the life of the bonds using the effective interest rate method.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*h. Premium on Bonds, Net*

The Authority issued the \$45,000,000 2008 Water System Revenue Bonds at an original issue premium of \$213,895. The premium is amortized over the life of the bonds using the effective interest method.

*i. 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 employee and are expensed when paid.

*j. Postemployment Benefits*

The Authority provides for a continuation of medical insurance benefits for eligible retirees that reach age 65 and have 20 years of service. The Authority pays eighty percent of the retiree's medical benefits and contributes toward the cost of eligible spouses during the retiree's lifetime. The spouse is required to pay twenty-five percent of the cost of the benefits following the death of the retired employee. Healthcare benefits are provided through insurance companies whose premiums are based on the benefits provided.

During 2011, the Authority adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB No. 45). GASB No. 45 views a postemployment benefit plan as a deferred compensation agreement, whereby an employer promises to exchange future benefits for employees' current services. GASB No. 45 specifies that accounting for these benefits should be determined under an accrual basis, where the expected value of the benefit is actuarially calculated and recognized as a cost over the working lifetime of employees.

*k. Tax Status*

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

*l. Subsequent Events*

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through June 21, 2012, the date the financial statements were available to be issued.

**NOTE 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. These assets are held in Federated U.S. Treasury cash reserves.

	December 31, 2011
Construction Fund	\$ 749,232
Cost of Issuance	36,038
Debt Service Reserve Fund	2,598,147
Other	16
	<hr/>
Total cash and cash equivalents held with fiscal agent	\$ 3,383,433
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**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 3 - PROPERTY, PLANT AND EQUIPMENT, NET**

A summary of the Authority's property, plant, and equipment, net, is as follows:

	December 31, 2010	Additions	Reclassification	December 31, 2011
Land	\$ 989,573	\$ 23,107	\$ -	\$ 1,012,680
Land improvements	1,753,182	9,149	-	1,762,331
Buildings and improvements	9,257,629	41,726	-	9,299,355
Infrastructure	60,650,522	189,984	(507,310)	60,333,196
Machinery and equipment	9,184,513	96,398	-	9,280,911
Vehicles	139,296	9,038	-	148,334
Office equipment and furniture	76,953	-	-	76,953
	<u>82,051,668</u>	<u>369,402</u>	<u>(507,310)</u>	<u>81,913,760</u>
Less accumulated depreciation	<u>2,084,507</u>	<u>2,561,735</u>	<u>(10,569)</u>	<u>4,635,673</u>
Property, plant and equipment, net	<u>\$ 79,967,161</u>	<u>\$ (2,192,333)</u>	<u>\$ (496,741)</u>	<u>\$ 77,278,087</u>

Depreciation expense totaled \$2,561,735 for the year ended December 31, 2011.

**NOTE 4 - BOND ISSUANCE COSTS, NET**

Future amortization on bond issuance costs is as follows:

For the year ending December 31, 2012	\$ 30,110
2013	29,776
2014	29,427
2015	29,065
2016	28,685
Thereafter	<u>555,313</u>
	<u>\$ 702,376</u>

Amortization expense totaled \$30,435 for the year ended December 31, 2011, with accumulated amortization totaling \$101,298.

**NOTE 5 - DUE TO SARATOGA COUNTY**

Amounts due to the County consist of the following:

	December 31, 2011
Project costs incurred by the County (2003 to 2007), noninterest bearing	\$ 3,246,587
Cash advance, June 2007, interest at 4%	250,000
Accrued interest on June 2007 cash advance	45,288
Service fee, July 2011, interest at 4% (Note 10)	421,328
Accrued interest on service fee (Note 10)	<u>8,427</u>
	<u>\$ 3,971,630</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. As such, these liabilities have been reported as long-term liabilities in these financial statements.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6 - PREMIUM ON BONDS, NET**

Future amortization on the premium on bonds is as follows:

For the year ending December 31, 2012		\$	8,014
2013			7,925
2014			7,832
2015			7,736
2016			7,634
Thereafter			147,793
			<b>\$ 186,934</b>

Amortization charged to income totaled \$8,100 during the year ended December 31, 2011, with accumulated amortization totaling \$26,961.

**NOTE 7 - REVENUE BONDS**

The 2008 Water System Revenue Bonds were originally issued at \$45,000,000 to finance costs incurred in connection with the construction of the Saratoga County Waste Treatment and Transmission Facilities System. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 3% to 5%. Principal payments range from \$445,000 to \$2,470,000, and are payable annually on September 1. The bonds are secured by future operating revenues of the Authority and mature September 1, 2048.

A summary of bond transactions is as follows:

	Balance at December 31, 2010	Additions	Payments/ Amortization	Balance at December 31, 2011
Bonds payable	\$ 44,555,000	\$ -	\$ 455,000	\$ 44,100,000
Bond premium	195,034	-	8,100	186,934
	<b>\$ 44,750,034</b>	<b>\$ -</b>	<b>\$ 463,100</b>	<b>\$ 44,286,934</b>

Future debt service payments required on the Revenue Bonds are as follows:

	Principal	Interest	Total
For the year ending December 31, 2012	\$ 470,000	\$ 2,122,313	\$ 2,592,313
2013	485,000	2,108,213	2,593,213
2014	505,000	2,088,813	2,593,813
2015	525,000	2,068,613	2,593,613
2016	550,000	2,042,363	2,592,363
2017 through 2021	3,190,000	9,770,563	12,960,563
2022 through 2026	4,010,000	8,956,763	12,966,763
2027 through 2031	4,970,000	7,991,706	12,961,706
2032 through 2036	6,320,000	6,636,813	12,956,813
2037 through 2041	8,060,000	4,902,825	12,962,825
2042 through 2046	10,195,000	2,768,675	12,963,675
2047 through 2048	4,820,000	364,496	5,184,496
	44,100,000	<b>\$ 51,822,156</b>	<b>\$ 95,922,156</b>
Less current installments	470,000		
Revenue Bonds, less current installments	<b>\$ 43,630,000</b>		

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 8 - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM**

The Authority participates in the New York State and Local Employees' Retirement System (System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. 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 Systems, 110 State Street, Albany, New York 12244.

The System is noncontributory except for (a) employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and (b) employees who join after January 1, 2010, will contribute 3% of their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions.

The required contributions to the System for the current year and two preceding years were:

2011	\$ 124,903
2010	36,710
2009	5,517

The Authority's contributions made to the System were equal to 100% of the contributions required for each year.

**NOTE 9 - ACCRUED POSTEMPLOYMENT BENEFITS**

*Plan Description* - The Authority provides health insurance coverage for certain employees and their spouses. The plan provides for continuation of medical insurance benefits for eligible retirees who reach age 65 and have 20 years of service.

*Funding Policy* - The Authority's benefits are provided through fully insured plans that are sponsored by a regional health insurance group. The Authority pays eighty percent of the retiree's medical benefits depending on the employee group and contributes toward the cost of eligible spouses during the retiree's lifetime, with spouses paying from zero to twenty percent for coverage. The spouse is required to pay twenty-five percent of the cost of the benefits following the death of the retired employee. Currently, the Authority's cost of its postemployment benefits program is determined on a pay-as-you-go basis and is, therefore, unfunded. As of December 31, 2011, there are no retirees.

*Annual OPEB Cost and Net OPEB Obligation* - The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount of premiums actually paid, and changes in the Authority's net OPEB obligation:

Annual required contribution and OPEB expense cost	\$ 16,010
Net OPEB obligation, beginning of year	-
	-
Net OPEB obligation, end of year	\$ 16,010

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 9 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued**

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended December 31, 2011, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	\$ 16,010	0.00%	\$ 16,010

*Funded Status and Funding Progress.* As of February 3, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$350,767 at December 31, 2011, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information at the end of this note, presents whether the actuarial value of plan assets is relative to the actuarial accrued liabilities for benefits.

*Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial computations under GASB No. 45 were provided by the Authority's independent actuaries for the year ended December 31, 2011.

The following simplifying assumptions were made:

*Retirement Age for Active Employees* - Based on the historical average retirement age for the covered group according to the New York State Retirement System schedule, active plan members were assumed to retire as early as age fifty-five.

*Marital Status* - 80% of employees are assumed married, with males spouses assumed to be three years older than female spouse.

*Mortality* - Life expectancies were based on RP 2000 combined mortality tables for Males and Females.

*Termination and Retirement Incidence* - Retirement rates for eligible employees range from 5.52% for employees 55 years old to 100% for employees who are 65 or older. Termination rates for reasons other than death or retirement range from 2.63% for employees who are 35 years old or 1.36% for employees who are 50 years old.

*Healthcare Cost Trend Rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 8% initially, increased to 9% in the next year, and then reduced to an ultimate rate of 5% after four years, was used. The dental trend rate used was 4%.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 9 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued**

*Health Insurance Premiums* - 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Payroll Growth Rate* - No salary increases were assumed since benefits are not based on compensation.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount rate of 4% was used. A percentage unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized on an open basis. The remaining amortization period at December 31, 2011, was twenty-nine years.

**NOTE 10 - RELATED PARTY AGREEMENT**

*Saratoga County Service Agreement*

On September 1, 2008, the Authority entered into a Service Agreement (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%. During 2011, the County made a service fee payment of \$421,328 (Note 5). The Agreement will terminate in 2048, with the maturity of the Authority's revenue bonds.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

*a. Water Service Agreements*

Since its inception, the Authority has entered into water service agreements with five separate customers: Clifton Park Water Authority, Town of Ballston, Wilton Water and Sewer Authority, Luther Forest Technology Economic Development Corporation, and GlobalFoundries US, Inc. Terms of said agreements are for the provision of water services and other services as described by the individual agreements. The terms of each of the agreements were all for ten (10) years subject to various conditions and qualifying events. Eighty-five percent of the Authority's operating revenue in 2011 was comprised of user fees received by the Authority related to two of the water service agreements.

*b. Litigation*

The Authority is involved in various lawsuits relating to the construction of the water plant and transmission line, including contractual claims and property condemnation. The Authority intends to defend all these claims vigorously. A summary of the more significant unrecorded claims is as follows:

- Condemnation claims have been filed concerning ten separate properties. A partial "settlement in principal" was reached regarding one of the properties with payment being made in 2009. In regard to the remaining claims, the Authority expects to prevail since no appraisals were filed by the claimants.
- A real property damage claim was filed by property owners alleging damages to the septic system in the amount of \$18,000,000. By a letter dated January 2011, a settlement offer in the amount of approximately \$428,000 has been presented to the Authority. Although the Authority will continue to negotiate a settlement, the Authority is unable to reasonably estimate the final outcome of this claim as of June 21, 2012. No adjustment has been made to the financial statements for this claim or settlement offer.

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

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 11 - COMMITMENTS AND CONTINGENCIES - Continued**

*c. 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.

*d. Concentration of Credit Risk*

All monies classified as cash and cash equivalents with fiscal agent are not secured by any obligations at December 31, 2011.

**NOTE 12 - PRIOR PERIOD ADJUSTMENT**

During 2011, the Authority reclassified bond issuance costs which were reported as property, plant, and equipment at December 31, 2010. As a result of this reclassification, the Authority reported a prior period adjustment for the amortization of these bond issuance costs for periods prior to 2011. Amortization expense totaling \$34,163 has been reported as a prior period adjustment, resulting in a decrease in net assets as of December 31, 2010.

**NOTE 13 - SUBSEQUENT EVENT**

The Authority has reflected the amount due from the Luther Forest Technology Campus, Economic Development Corp. (LFTCEDC) as a long-term accounts receivable. As of June 21, 2012, the Authority and LFTCEDC are in the process of drafting and executing a ten-year note receivable from LFTCEDC. No payment of principal or interest will be required for the first two years of the note. Payments of principal and interest will commence in year three and will be amortized over the remaining term of the note. Interest will be calculated based on the one-year LIBOR rate which will be adjusted annually on the date of the note beginning in year three. The note will be secured with lands owned by LFTCEDC within the Luther Forest Technology Campus.

**NOTE 14 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED**

Recently, the GASB issued two new statements, GASB Nos. 63 and 65, that provide guidance for reporting deferred outflows and inflows of resources. In addition, the GASB issued Statement No. 66 that establishes clarification of two recently issued statements. These statements are effective for periods beginning after December 31, 2011. The Authority has not yet adopted these statements. Management has not estimated the extent of potential impact of these statements, if any, on the Authority's current or future financial statements.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**

Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2011	<u>\$ -</u>	<u>\$ 350,767</u>	<u>\$ 350,767</u>	0.00%	<u>\$ 238,886</u>	147%

**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***

Authority Governing Board  
Saratoga County Water Authority  
Gansevoort, New York

We have audited the financial statements of the Saratoga County Water Authority (Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 21, 2012. 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 11-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 11-02 through 11-06.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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

*Bollam Sheedy Torani & Co. LLP*

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2011**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?   X   Yes        No
  - Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported
- Noncompliance material to financial statements?        Yes   X   No

**Section II - Financial Statement Findings**

**11-01. Accounting and Financial Reporting**

*Criteria:* An entity is required to perform accounting duties sufficient to record the activities of the entity and prepare financial statements (both internal and external) for decision making and audit preparation purposes.

*Condition:* During the year ended December 31, 2011, the Authority relied on its external auditors for assistance with adjusting various account balances and with financial reporting in the Authority's external financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

*Cause:* Due to several staffing changes throughout 2011, the individuals who took positions with the Authority during the last quarter of 2011 did not have the opportunity to receive sufficient training regarding the history of the Authority to be able to record all necessary year-end adjustments.

*Effect:* During 2011, the Board was provided with inaccurate and incomplete financial information, which could have lead to inappropriate or ineffective operational or economic decisions.

*Recommendation:* During the fourth quarter of 2011, the Authority hired a new Executive Director and administrative assistant with a financial background and also contracted with an accounting firm for quarterly accounting assistance. This will allow the Authority to prepare and report more accurate accounting information during the year. We encourage regular communications between our Firm, the Board, and management to keep the Authority aware of changes in GAAP, including changes to significant accounting policies, the potential for alternative accounting treatment, and financial reporting requirements.

*View of Responsible Officials and Planned Corrective Actions:* The Authority's Audit Committee, with the assistance from the Authority's management, will meet on a periodic basis to discuss accounting and financial reporting requirements and will also communicate with the auditors as the need arises.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2011**

**Section III - Compliance Findings**

**11-02. Audit Report Filed in the Public Authority Reporting Information System (PARIS)**

*Criteria:* In accordance with Section 2800 of Public Authorities Law, local authorities must file an annual report with the Authority Budget Office within 90 days after the end of the fiscal year. The annual report must be approved by the Board and certified in writing by the Chief Executive Officer and the Chief Financial Officer.

*Condition:* The Authority's December 31, 2011 and 2010, annual reports were not filed with the ABO within 90 days after the end of the fiscal year, and the PARIS submissions were not certified in writing by the Chief Executive Officer.

*Effect:* The Authority was not in compliance with Section 2800 of Public Authorities Law.

*Cause:* The Authority did not upload and certify the report in PARIS in accordance with Section 2800 of Public Authorities Law.

*Recommendation:* The Authority should assign an individual to file the report prior to the ABO deadline.

*View of Responsible Officials and Planned Corrective Actions:* During the 2011 audit period, the Executive Director retired after getting the Water Plant operational, and the Administrative Assistant resigned. In the fourth quarter of 2011, the Authority entered into an agreement with an engineering firm to serve in the capacity of Executive Director and hired an administrative assistant with a stronger financial background. The new Executive Director and Administrative Assistant are committed to filing all PARIS reports prior to the Authorities Budget Office deadlines.

**11-03. Budget Report Filed in the Public Authorities Reporting Information System (PARIS)**

*Criteria:* In accordance with Section 2801 of Public Authorities Law, local authorities must file a budget report 60 days prior to the start of the fiscal year.

*Condition:* The Authority's budget information was not available to the public when required.

*Effect:* The Authority was not in compliance with Section 2801 of Public Authorities Law.

*Cause:* The Authority did not update and certify the budget in PARIS prior to the deadline.

*Recommendation:* The Authority should timely post its budget and assign an individual to file the report prior to the ABO deadline.

*View of Responsible Officials and Planned Corrective Actions:* During the 2011 audit period, the Executive Director retired after getting the Water Plant operational, and the Administrative Assistant resigned. In the fourth quarter of 2011, the Authority entered into an agreement with an engineering firm to serve in the capacity of Executive Director and hired an administrative assistant with a stronger financial background. The new Executive Director and Administrative Assistant are committed to filing all PARIS reports prior to the Authorities Budget Office deadlines. As of June 1, 2012, all requirements have been met.

**11-04. Board Training**

*Criteria:* In accordance with Section 2824 of Public Authorities Law, individuals appointed to the Board are to participate in state approved training regarding their legal fiduciary, financial, and ethical responsibilities within one year of appointment to the Board.

*Condition:* One of the Authority's Board members has not attended the required training.

*Effect:* The Authority was not in compliance with Section 2824 of Public Authorities Law.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A Component Unit of Saratoga County, New York)**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2011**

**Section III - Compliance Findings - Continued**

**11-04. Board Training - Continued**

*Cause:* Certain Authority Board members may not be aware of their responsibilities to participate in these training programs.

*Recommendation:* The Authority should ensure that all Board members attend the required training.

*View of Responsible Officials and Planned Corrective Actions:* The Authority will provide the Board member with the necessary information relating to the required training opportunities.

**11-05. Posting and Maintaining Reports and Policies on Public Authority Website**

*Criteria:* The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to The Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

*Condition:* Required Authority reports and policies are currently not available to the public through the internet.

*Effect:* The Authority is not in compliance with PARA requirements.

*Cause:* The Authority did not oversee proper maintenance of the website.

*Recommendation:* Using available ABO guidance, the Authority should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

*View of Responsible Officials and Planned Corrective Actions:* During the 2011 audit period, the Executive Director retired after getting the Water Plant operational, and the Administrative Assistant resigned. In the fourth quarter of 2011, the Authority entered into an agreement with an engineering firm to serve in the capacity of Executive Director and hired an administrative assistant with a stronger financial background. The new Executive Director and Administrative Assistant are committed to updating the Authority's website and performing periodic maintenance in a timely manner in accordance with PARA requirements.

**11-06. Annual Investment Report**

*Criteria:* In accordance with Section 2925 of Public Authorities Law, local authorities must prepare and approve an investment report on an annual basis.

*Condition:* The Authority's annual investment report was not available to the public.

*Effect:* The Authority was not in compliance with Section 2925 of Public Authorities Law.

*Cause:* The Authority did not prepare an annual investment report.

*Recommendation:* The Authority should assign an individual to prepare the annual investment report.

*View of Responsible Officials and Planned Corrective Actions:* During the 2011 audit period, the Executive Director retired after getting the Water Plant operational, and the Administrative Assistant resigned. In the fourth quarter of 2011, the Authority entered into an agreement with an engineering firm to serve in the capacity of Executive Director and hired an administrative assistant with a stronger financial background. The new Executive Director and Administrative Assistant are committed to posting all required documents in a timely manner. As of June 1, 2012, all requirements have been met.