

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

**FINANCIAL REPORT**

**December 31, 2012 and 2011**

**SARATOGA COUNTY WATER AUTHORITY**  
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**C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-5
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9-18
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Schedule of Funding Progress	19
<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>	20-21
Schedule of Findings and Responses	22

## INDEPENDENT AUDITOR'S REPORT

Authority Governing Board  
Saratoga County Water Authority  
Gansevoort, New York

### Report on the Financial Statements

We have audited the accompanying statements of net position of the Saratoga County Water Authority (Authority) (a component unit of Saratoga County, New York), as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saratoga County Water Authority as of December 31, 2012 and 2011, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 and the schedule of funding progress on page 19 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
March 28, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2012 and 2011**

**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, 2012 and 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 (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. The primary funding for the Authority will be from the users of the System.

**Financial Highlights**

The water treatment plant was substantially completed on January 28, 2010, and the Authority obtained New York State Department of Health approval to go into operation and began serving customers on February 22, 2010. The Authority's primary customers are the Wilton Water & Sewer Authority, the Clifton Park Water Authority, the Town of Ballston, the Village of Stillwater, the Luther Forest Technology Campus, and Global Foundries. The Authority anticipates providing a connection and service to the Town of Moreau in 2013. The Authority will publish its Annual Drinking Water Quality Report by May 1, 2013, as required by state and federal regulations. The total water produced in 2012 and 2011 was 1.411 billion and 1.044 billion gallons, respectively.

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

The Authority's net position decreased by \$4.6 million in 2012, to \$29.7 million. The decline in net position is due to 2012 depreciation expense and the creation of an allowance for doubtful accounts related to a long-term receivable, due to the uncertainty of its collectability. The Authority's net position decreased by \$4 million in 2011, to \$34.2 million.

**SARATOGA COUNTY WATER AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2012 and 2011**

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

**CONDENSED STATEMENTS OF NET POSITION**

	December 31,				
	2012	2012 vs 2011	2011	2011 vs 2010	2010
<b>ASSETS</b>					
Current assets	\$ 1,899,939	6.07%	\$ 1,791,254	-42.78%	\$ 3,130,368
Restricted assets	3,208,835	-5.16%	3,383,433	-28.55%	4,735,220
Property, plant, and equipment, net	74,795,820	-3.21%	77,278,087	-3.36%	79,967,161
Other assets	780,020	-56.18%	1,779,912	587.20%	259,010
<b>Total assets</b>	<b><u>\$ 80,684,614</u></b>	<b>-4.21%</b>	<b><u>\$ 84,232,686</u></b>	<b>-4.38%</b>	<b><u>\$ 88,091,759</u></b>
<b>LIABILITIES AND NET POSITION</b>					
Current liabilities	\$ 1,893,885	-8.86%	\$ 2,078,071	3.43%	\$ 2,009,156
Long-term liabilities	49,069,745	2.65%	47,804,574	-0.03%	47,818,810
Total liabilities	50,963,630	2.17%	49,882,645	0.11%	49,827,966
Net position, net investment in capital assets	25,458,566	-12.83%	29,206,457	-8.39%	31,880,286
Net position, restricted	3,208,835	-5.16%	3,383,433	-28.55%	4,735,220
Net position, unrestricted	1,053,583	-40.14%	1,760,151	6.79%	1,648,287
Total net position	29,720,984	-13.48%	34,350,041	-10.23%	38,263,793
<b>Total liabilities and net position</b>	<b><u>\$ 80,684,614</u></b>	<b>-4.21%</b>	<b><u>\$ 84,232,686</u></b>	<b>-4.38%</b>	<b><u>\$ 88,091,759</u></b>

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

	Years Ended December 31,				
	2012	2012 vs 2011	2011	2011 vs 2010	2010
Operating revenue	\$ 3,276,634	15.15%	\$ 2,845,633	36.81%	\$ 2,079,927
Non-operating revenue	54,165	-44.48%	97,558	-98.63%	7,141,104
Total revenues	3,330,799	13.17%	2,943,191	-68.08%	9,221,031
Depreciation expense	2,594,357	0.40%	2,584,070	23.97%	2,084,507
Other operating expense	3,167,923	51.66%	2,088,870	32.26%	1,579,412
Non-operating expense	2,197,576	2.22%	2,149,840	19.45%	1,799,800
Total expenses	7,959,856	16.67%	6,822,780	24.87%	5,463,719
<b>CHANGE IN NET POSITION</b>	<b><u>(4,629,057)</u></b>	<b>19.32%</b>	<b><u>(3,879,589)</u></b>	<b>-203.25%</b>	<b><u>3,757,312</u></b>
<b>NET POSITION, beginning of year</b>	34,350,041	-10.23%	38,263,793	11.07%	34,450,514
Prior period adjustment	-	-100.00%	(34,163)	-161.04%	55,967
<b>NET POSITION, beginning of year, as restated</b>	34,350,041	-10.15%	38,229,630	10.79%	34,506,481
<b>NET POSITION, end of year</b>	<b><u>\$ 29,720,984</u></b>	<b>-13.48%</b>	<b><u>\$ 34,350,041</u></b>	<b>-10.23%</b>	<b><u>\$ 38,263,793</u></b>

**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%. The Authority is current with all required debt service payments. More detailed information regarding the Authority's long-term obligation is presented in the notes to the financial statements on pages 14 and 15.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2012 and 2011**

**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% 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.

In 2012, the Authority requested two Service Fee payments of \$1.4 million in February and \$250,000 in August. In 2011, the Authority requested one Service Fee payment of \$421,328. The Authority has budgeted for a \$550,000 Service Fee payment from the County in 2013.

**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)**

**STATEMENTS OF NET POSITION**

	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,147,167	\$ 1,087,082
Accounts receivable, net	564,067	452,747
Grants receivable	171,485	211,765
Prepaid expenses	17,220	39,660
Total current assets	1,899,939	1,791,254
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents with fiscal agent	578,863	3,383,433
Accrued interest	9,263	-
Investments with fiscal agent	2,620,709	-
	3,208,835	3,383,433
<b>CAPITAL ASSETS, net</b>		
	74,795,820	77,278,087
<b>OTHER ASSETS</b>		
Bond issuance costs, net	672,266	702,376
Long-term accounts receivable, net	107,754	1,077,536
	780,020	1,779,912
	<b>\$ 80,684,614</b>	<b>\$ 84,232,686</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 458,694	\$ 651,697
Accrued retainage	232,485	232,485
Accrued compensated absences	14,968	16,451
Accrued interest payable	702,738	707,438
Current installment of revenue bonds	485,000	470,000
Total current liabilities	1,893,885	2,078,071
<b>LONG-TERM LIABILITIES</b>		
Due to Saratoga County	5,707,254	3,971,630
Premium on bonds, net	178,920	186,934
Revenue bonds, less current installment	43,145,000	43,630,000
Accrued postemployment benefits	38,571	16,010
Total long-term liabilities	49,069,745	47,804,574
Total liabilities	50,963,630	49,882,645
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET POSITION</b>		
Net investment in capital assets	25,458,566	29,206,457
Restricted	3,208,835	3,383,433
Unrestricted	1,053,583	1,760,151
Total net position	29,720,984	34,350,041
	<b>\$ 80,684,614</b>	<b>\$ 84,232,686</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)**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<b>Years Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
User fees	\$ 3,249,085	\$ 2,841,143
Miscellaneous	27,549	4,490
	<u>3,276,634</u>	<u>2,845,633</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	478,394	558,160
Employee benefits	212,777	218,867
Bad debts	1,263,696	-
Chemicals	231,495	141,412
Contracted management and professional services	206,057	251,360
Depreciation and amortization, net	2,594,357	2,584,070
Insurance	68,067	57,389
Legal	104,422	189,966
Other supplies and materials	100,602	99,074
Utilities	260,870	367,841
Water system maintenance	38,134	68,119
Water treatment and distribution	203,409	135,782
Miscellaneous	-	900
	<u>5,762,280</u>	<u>4,672,940</u>
<b>Operating loss</b>	<u><b>(2,485,646)</b></u>	<u><b>(1,827,307)</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	27,424	7,136
Interest expense	(2,197,576)	(2,149,840)
Unrealized gain on investments	26,741	-
Construction grants	-	90,422
	<u>(2,143,411)</u>	<u>(2,052,282)</u>
<b>CHANGE IN NET POSITION</b>	<u><b>(4,629,057)</b></u>	<u><b>(3,879,589)</b></u>
<b>NET POSITION, beginning of year</b>	<u>34,350,041</u>	<u>38,229,630</u>
<b>NET POSITION, end of year</b>	<u><b>\$ 29,720,984</b></u>	<u><b>\$ 34,350,041</b></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)**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Received from customers	\$ 2,871,400	\$ 1,708,950
Paid to suppliers and vendors	(1,436,143)	(1,366,291)
Paid to employees, including benefits	(459,045)	(541,633)
	<u>976,212</u>	<u>(198,974)</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITY</b>		
Change in restricted cash, cash equivalents, and investments	210,602	1,351,787
Interest received	18,161	7,136
	<u>228,763</u>	<u>1,358,923</u>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest paid	(2,122,652)	(2,135,963)
Payments of revenue bond principal	(470,000)	(455,000)
Acquisition of capital assets	(248,518)	(507,434)
Construction grants	40,280	230,576
	<u>(2,800,890)</u>	<u>(2,867,821)</u>
<b>CASH FLOWS PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipt of service fee from Saratoga County	<u>1,656,000</u>	<u>421,328</u>
<b>Net increase (decrease) in cash</b>	<b>60,085</b>	<b>(1,286,544)</b>
<b>CASH, beginning of year</b>	<u>1,087,082</u>	<u>2,373,626</u>
<b>CASH, end of year</b>	<u><b>\$ 1,147,167</b></u>	<u><b>\$ 1,087,082</b></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (2,485,646)	\$ (1,827,307)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation and amortization, net	2,594,357	2,584,070
Provision for bad debts	1,263,696	-
(Increase) decrease in		
Accounts receivable	(111,320)	(59,147)
Prepaid expenses	22,440	(39,661)
Long-term accounts receivable	(293,914)	(1,077,536)
Increase (decrease) in		
Accounts payable and accrued liabilities	(35,962)	204,597
Accrued postemployment benefits	22,561	16,010
	<u>976,212</u>	<u>(198,974)</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)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 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 (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 reduced by the net outstanding debt balances;
- *Restricted net position* has constraints placed on use by the Authority's Revenue Bond, and
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of net investment 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, 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.

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**(A Component Unit of Saratoga County, New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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

*d. Cash, Cash Equivalents, and Investments - Continued*

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 custodian and; therefore, not subject to custodial risk. The Authority's restricted cash equivalents are considered investments for cash flow statement purposes.

*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 provided for an allowance of \$1,254,249 at December 31, 2012. Management deemed that an allowance for doubtful accounts was 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 8) and is recognized as it is charged.

*f. Capital Assets, Net*

Capital assets, 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 \$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 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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

*f. Capital Assets, Net - Continued*

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, 2012 or 2011.

*g. Bond 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.

*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 who reach age 65 and have 20 years of service. The Authority pays eighty percent of the retirees' medical benefits and contributes toward the cost of eligible spouses during the retirees' 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.

*k. Tax Status*

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

*l. Reclassification*

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

*m. New Accounting Pronouncements*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Authority adopted GASB Statements No. 62 and No. 63 as of January 1, 2012, and there was no significant impact to the financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

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

*n. Subsequent Events*

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 28, 2013, 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.

	December 31,	
	2012	2011
Construction Fund	\$ 558,125	\$ 749,232
Debt Service Reserve Fund	2,641,436	2,598,147
Other	11	36,054
Total assets held with fiscal agent	<b>\$ 3,199,572</b>	<b>\$ 3,383,433</b>

As of December 31, 2012, the Authority had the following investments and maturities:

Investment Type	Investment Maturities (In Years)				
	Cost	Fair Value	Less than 1	1 - 5	6 - 10
Money Market Fund	\$ 578,863	\$ 578,863	\$ 578,863	\$ -	\$ -
Federal Home Loan Bank Bond	1,293,968	1,301,287	-	1,301,287	-
Federal Home Loan Bank Term Note	1,300,000	1,319,422	-	-	1,319,422
Total	<b>\$ 3,172,831</b>	<b>\$ 3,199,572</b>	<b>\$ 578,863</b>	<b>\$ 1,301,287</b>	<b>\$ 1,319,422</b>

*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, schools 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 participations, and investments with the Federal Home Loan Bank. The underlying investments of the money market fund consist exclusively of short-term U.S. Treasury securities. As of December 31, 2012, the money market fund had a credit rating of AAAM and AAA-mf from Standard & Poor's and Moody's, respectively. The Authority's investments in the Federal Home Loan Bank Bond and Federal Home Loan Bank Term Note (FHLB securities) received a credit rating of AA+ from Standard & Poor's as of December 31, 2012.

*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 fluctuate 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 FHLB 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 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, 2012, the Authority's investments are composed of money market funds with underlying investments of short-term U.S. Treasury securities (18%) and fixed income securities from the Federal Home Loan Bank (82%). Management of the Authority monitors the credit ratings associated with their underlying investments.

The Authority's 2011 restricted cash equivalents are comprised of a money market fund that invests exclusively in short-term U.S. Treasury securities.

**NOTE 3 - CAPITAL ASSETS, NET**

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

	December 31, 2011	Additions	Reclassifications	December 31, 2012
Land and easements	\$ 1,012,680	\$ 50,000	\$ -	\$ 1,062,680
Land improvements	1,762,331	16,443	-	1,778,774
Buildings and improvements	9,299,355	6,049	-	9,305,404
Infrastructure	60,333,196	3,691	-	60,336,887
Machinery and equipment	9,280,911	13,811	-	9,294,722
Vehicles	148,334	-	-	148,334
Office equipment and furniture	76,953	-	-	76,953
	<u>81,913,760</u>	<u>89,994</u>	<u>-</u>	<u>82,003,754</u>
Less accumulated depreciation	<u>4,635,673</u>	<u>2,572,261</u>	<u>-</u>	<u>7,207,934</u>
Capital assets, net	<u>\$ 77,278,087</u>	<u>\$ (2,482,267)</u>	<u>\$ -</u>	<u>\$ 74,795,820</u>

  

	December 31, 2010	Additions	Reclassifications	December 31, 2011
Land and easements	\$ 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>
Capital assets, net	<u>\$ 79,967,161</u>	<u>\$ (2,192,333)</u>	<u>\$ (496,741)</u>	<u>\$ 77,278,087</u>

Depreciation expense totaled \$2,572,261 and \$2,561,735 for the years ended December 31, 2012 and 2011, respectively.

During 2011, the Authority reclassified bond issuance costs that were reported in capital assets, net, as of December 31, 2010.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 4 - DUE TO SARATOGA COUNTY**

*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%. The County made service fee payments of \$1,656,000 and \$421,328 during the years ended December 31, 2012 and 2011, respectively (Note 5). The Agreement will terminate in 2048, with the maturity of the Authority's revenue bonds.

Amounts due to the County consist of the following:

	December 31,	
	2012	2011
Project costs incurred by the County (2003 to 2007), noninterest bearing	\$ 3,246,587	\$ 3,246,587
Cash advance, June 2007, interest at 4%	250,000	250,000
Accrued interest on June 2007 cash advance	55,288	45,288
Service fee, July 2011, interest at 4% (Note 10)	421,328	421,328
Accrued interest on service fee	25,280	8,427
Service fee, February 2012, interest at 4% (Note 10)	1,406,000	-
Accrued interest on service fee	48,864	-
Service fee, August 2012, interest at 4% (Note 10)	250,000	-
Accrued interest on service fee	3,907	-
	\$ 5,707,254	\$ 3,971,630

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.

**NOTE 5 - 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, 2011	Additions	Payments/ Amortization	Balance at December 31, 2012
	Bonds payable			\$ 44,100,000
Bond premium	186,934	-	8,014	178,920
	\$ 44,286,934	\$ -	\$ 478,014	\$ 43,808,920

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 5 - REVENUE BONDS - Continued**

	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
	<u>\$ 44,750,034</u>	<u>\$ -</u>	<u>\$ 463,100</u>	<u>\$ 44,286,934</u>

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

	Principal	Interest	Total
For the year ending December 31, 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	580,000	2,014,863	2,594,863
2018 through 2022	3,345,000	9,611,063	12,956,063
2023 through 2027	4,180,000	8,787,131	12,967,131
2028 through 2032	5,210,000	7,753,588	12,963,588
2033 through 2037	6,635,000	6,320,813	12,955,813
2038 through 2042	8,450,000	4,512,488	12,962,488
2043 through 2047	10,695,000	2,268,400	12,963,400
2048	2,470,000	123,500	2,593,500
	<u>43,630,000</u>	<u>\$ 49,699,848</u>	<u>\$ 93,329,848</u>
Less current installments	485,000		
Revenue Bonds, less current installments	<u>\$ 43,145,000</u>		

**NOTE 6 - 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 supplemental 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 6 - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM - Continued**

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

2012	\$ 68,026
2011	124,903
2010	36,710

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

**NOTE 7 - 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 retirees' medical benefits depending on the employee group and contributes toward the cost of eligible spouses during the retirees' 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, 2012 and 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	\$ 22,561
Net OPEB obligation, beginning of year	<u>16,010</u>
Net OPEB obligation, end of year	<u><u>\$ 38,571</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years ended December 31, 2012 and 2011, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	\$ 22,561	0.00%	\$ 38,571
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 \$470,883 and \$350,767 at December 31, 2012 and 2011, all of which was unfunded.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 7 - ACCRUED POSTEMPLOYMENT BENEFITS - Continued**

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 years ended December 31, 2012 and 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%.

*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, 2012, was twenty-eight years.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

*a. Water Service Agreements*

Since its inception, the Authority has entered into water service agreements with six separate customers: Clifton Park Water Authority, Town of Ballston, Wilton Water and Sewer Authority, Village of Stillwater, 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 are for ten (10) years subject to various conditions and qualifying events. Seventy-one and eighty-five percent of the Authority's operating revenue in 2012 and 2011, respectively, was comprised of user fees received by the Authority related to two of the water service agreements.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 8 - COMMITMENTS AND CONTINGENCIES - Continued**

*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. A motion to dismiss the claim was granted by the Supreme Court. The Plaintiff’s appeal is currently pending. No adjustment has been made to the financial statements for this claim or settlement offer.
- A real property dispute/damage claim was filed by property owners alleging that the Authority constructed the water line on their property as opposed to property which the Authority obtained through easements granted by adjacent property owners. These property owners also have alleged that they are suffering property damages as a result of the proximity of the water line to their property but have not quantified these damages. Although settlement has been discussed, no progress has been made to date.

The Authority is also involved in other 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 financial position of the Authority or the results of its operations.

*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.

**NOTE 9 - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED**

The GASB has issued Statement No. 65 that provides guidance for reporting deferred outflows and inflows of resources and Statement No. 66 that establishes clarification of two recently issued statements. These statements are effective for periods beginning after December 15, 2012. In addition, Statements No. 67 and No. 68 have been issued that provide guidance for reporting for pensions. These statements are effective for periods beginning after June 15, 2013 and June 15, 2014, respectively. 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, 2012	\$ -	\$ 470,883	\$ 470,883	0.00%	\$ 277,886	169%
December 31, 2011	-	350,767	350,767	0.00%	238,886	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, 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 (Authority), as of December 31, 2012, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 12-01.

### **The Authority's Response to Findings**

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
March 28, 2013

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2012**

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

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes      X   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**

None.

**Section III - Compliance Findings**

**12-01. 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, annual report was not filed with the ABO within 90 days after the end of the fiscal year.

*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:* The Authority has assigned an individual to file the report prior to the ABO deadline. However, for the year ended December 31, 2011, the Authority was still determining the economic impact of a material item to the financial statements. Therefore, the Authority made a conscious decision to file late.