

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

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2014 AND 2013*

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

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DECEMBER 31, 2014 AND 2013

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saratoga County Water Authority (the "Authority") (a component unit of Saratoga County, New York), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and change in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saratoga County Water Authority as of December 31, 2014 and 2013, and the changes in its 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 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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* in considering the Authority's internal control over financial reporting and compliance.



**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
March 26, 2015

## **Introduction**

The accompanying Management's Discussion and Analysis of the Saratoga County Water Authority's (the "Authority") financial performance has been prepared to provide an overview of the Authority's financial activities for the years ended December 31, 2014 and 2013. 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. The primary funding for the Authority will be from the users of the System.

## **Financial Highlights**

The water treatment plant was substantially complete on January 28, 2010 with the finished water transmission main being substantially completed in 2009. Two additional segments of transmission main were constructed by others and dedicated over to the 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 LFTC 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 began taking water on January 5, 2012. The Authority began providing water to the Town of Moreau in 2014 and anticipates providing a connection and service to the Towns of Greenfield and Stillwater in the future.

The Authority will publish its Annual Drinking Water Quality Report by May 1, 2015 as required by state and federal regulations. The total water produced in 2014 and 2013 was 1,460 million gallons and 1,447 million gallons, respectively.

The Authority is in the construction phase for process treatment upgrades at the water treatment plant at an estimated project cost of \$4,340,000.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
DECEMBER 31, 2014 AND 2013

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

The Authority's net position decreased by \$3.2 in 2014, to \$22.7 million. The decline in net position is primarily due to 2014 depreciation expense. The Authority's net position decreased by \$3.2 million in 2013, to \$25.8 million.

**CONDENSED STATEMENT OF NET POSITION**

	<b><u>2014</u></b>		<b><u>2014</u></b>		<b><u>2013</u></b>		<b><u>2013</u></b>		<b><u>2012</u></b>		<b><u>2012</u></b>
	<b>Total</b>		<b>%</b>		<b>Total</b>		<b>%</b>		<b>Total</b>		<b>%</b>
<b>ASSETS</b>											
Current Assets	\$ 2,017,744		2.5	\$	1,837,705		2.4	\$	1,899,939		2.4
Restricted Assets	6,219,301		7.8		2,982,756		3.9		3,208,835		4.0
Property, Plant, and Equipment, Net	71,326,177		89.6		72,502,122		93.6		74,795,820		93.5
Other Assets	<u>107,754</u>		<u>.1</u>		<u>107,754</u>		<u>.1</u>		<u>107,754</u>		<u>.1</u>
Total Assets	<u>\$ 79,670,976</u>		<u>100.0</u>		<u>\$ 77,430,337</u>		<u>100.0</u>		<u>\$ 80,012,348</u>		<u>100.0</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>											
Current Liabilities	\$ 1,969,887		2.5	\$	2,016,103		2.6	\$	1,893,885		2.4
Long-Term Liabilities	<u>54,292,797</u>		<u>68.2</u>		<u>49,405,543</u>		<u>63.8</u>		<u>48,890,825</u>		<u>61.1</u>
Total Liabilities	<u>56,292,684</u>		<u>70.7</u>		<u>51,421,646</u>		<u>66.4</u>		<u>50,784,710</u>		<u>63.5</u>
Deferred Inflows of Resources	<u>753,527</u>		<u>.9</u>		<u>171,095</u>		<u>.2</u>		<u>178,920</u>		<u>.2</u>
Net Position	<u>22,654,765</u>		<u>28.4</u>		<u>25,837,596</u>		<u>33.4</u>		<u>29,048,718</u>		<u>36.3</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 79,670,976</u>		<u>100.0</u>		<u>\$ 77,430,337</u>		<u>100.0</u>		<u>\$ 80,012,348</u>		<u>100.0</u>

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

	<b><u>2014</u></b>		<b><u>2014</u></b>		<b><u>2013</u></b>		<b><u>2013</u></b>		<b><u>2012</u></b>		<b><u>2012</u></b>
	<b>Total</b>		<b>%</b>		<b>Total</b>		<b>%</b>		<b>Total</b>		<b>%</b>
Operating Revenue	\$ 3,830,274		99.0	\$	3,477,371		99.1	\$	3,139,975		98.3
Non-Operating Revenue	<u>39,510</u>		<u>1.0</u>		<u>31,980</u>		<u>.9</u>		<u>54,225</u>		<u>1.7</u>
Total Revenues	<u>3,869,784</u>		<u>100.0</u>		<u>3,509,351</u>		<u>100.0</u>		<u>3,194,200</u>		<u>100.0</u>
Depreciation	2,569,204		66.4		2,574,979		73.4		2,564,248		80.3
Other Operating Expense	1,926,934		49.8		1,900,135		54.2		3,031,264		94.9
Non-Operating Expense	<u>2,556,477</u>		<u>66.1</u>		<u>2,245,359</u>		<u>63.9</u>		<u>2,197,576</u>		<u>68.8</u>
Total Expenses	<u>7,052,615</u>		<u>182.3</u>		<u>6,720,473</u>		<u>191.5</u>		<u>7,793,088</u>		<u>244.0</u>
Change in Net Position	<u>\$ (3,182,831)</u>		<u>(82.3)</u>		<u>\$ (3,211,122)</u>		<u>(91.5)</u>		<u>\$ (4,598,888)</u>		<u>(144.0)</u>

### **Debt Administration**

During 2008 the Authority issued \$45,000,000 Water System Revenue Bonds with a final maturity in 2048 and bearing interest at rates ranging from 3% to 5%.

During 2014 the Authority issued \$4,340,000 Water System Revenue Bonds with a final maturity in 2044 and bearing interest at 5%.

### **Capital Improvements**

The Authority is in the design phase for the construction of a wastewater outfall project that is estimated to cost \$1,500,000 which may be funded by a lease agreement from the Saratoga County Industrial Development Agency.

The Authority is also in the construction phase for process treatment upgrades at the water treatment plant at an estimated project cost of \$4,340,000.

### **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 2014, the Authority requested one service fee payment totaling \$900,000. In 2013, the Authority requested two service fee payments totaling \$890,000. The Authority has budgeted for a \$500,000 service fee payment from the County in 2015.

### **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 Executive Director at Saratoga County Water Authority, 260 Butler Road, Gansevoort, New York 12831.

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

STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013

**Assets**

	<b><u>2014</u></b>	<b><u>2013</u></b>
Current Assets		
Cash	\$ 904,929	\$ 1,063,380
Accounts Receivable	893,632	579,759
Grants Receivable	171,485	171,485
Prepaid Expenses	<u>47,698</u>	<u>23,081</u>
Total Current Assets	<u>2,017,744</u>	<u>1,837,705</u>
Restricted Assets		
Cash and Cash Equivalents with Fiscal Agent	4,917,409	401,287
Accrued Interest	1,463	9,263
Investments with Fiscal Agent	<u>1,300,429</u>	<u>2,572,206</u>
	<u>6,219,301</u>	<u>2,982,756</u>
Capital Assets, Net	<u>71,326,177</u>	<u>72,502,122</u>
Long-Term Accounts Receivable, Net	<u>107,754</u>	<u>107,754</u>
Total Assets	<u>\$ 79,670,976</u>	<u>\$ 77,430,337</u>

**Liabilities, Deferred Inflows and Net Position**

Current Liabilities		
Accounts Payable	\$ 319,596	\$ 311,876
Construction Contracts in Litigation	314,977	486,462
Accrued Compensated Absences	10,781	16,494
Accrued Interest Payable	707,308	696,271
Unearned Revenue	92,225	-
Current Installment of Revenue Bonds	<u>525,000</u>	<u>505,000</u>
Total Current Liabilities	<u>1,969,887</u>	<u>2,016,103</u>
Long-Term Liabilities		
Due to Saratoga County	7,772,713	6,700,190
Revenue Bonds, Less Current Installment	46,455,000	42,640,000
Accrued Postemployment Benefits	<u>65,084</u>	<u>65,353</u>
Total Long-Term Liabilities	<u>54,292,797</u>	<u>49,405,543</u>
Total Liabilities	<u>56,262,684</u>	<u>51,421,646</u>
Deferred Inflows of Resources		
Premium on Bonds, Net	<u>753,527</u>	<u>171,095</u>
Commitments and Contingencies		
Net Position		
Net Investment in Capital Assets	20,040,775	25,634,152
Restricted	6,219,301	2,982,756
Unrestricted Deficit	<u>(3,605,311)</u>	<u>(2,779,312)</u>
Total Net Position	<u>22,654,765</u>	<u>25,837,596</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 79,670,976</u>	<u>\$ 77,430,337</u>

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
*STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION*  
*FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013*

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	<u>2014</u>	<u>2013</u>
Operating Revenues		
User Fees	\$ 3,826,039	\$ 3,408,811
Miscellaneous	<u>4,235</u>	<u>68,560</u>
	<u>3,830,274</u>	<u>3,477,371</u>
Operating Expenses		
Salaries and Wages	509,953	479,955
Employee Benefits	208,982	229,895
Chemicals	213,071	186,740
Contracted Management and Professional Services	236,440	214,250
Depreciation	2,569,204	2,574,979
Insurance	71,765	75,861
Legal	101,979	102,489
Other Supplies and Materials	85,281	87,595
Utilities	363,283	345,066
Water System Maintenance	21,518	63,777
Water Treatment and Distribution	<u>114,662</u>	<u>114,507</u>
	<u>4,496,138</u>	<u>4,475,114</u>
Operating Loss	<u>(665,864)</u>	<u>(997,743)</u>
Nonoperating Revenues (Expenses)		
Interest Income	11,287	31,980
Interest Expense	(2,258,938)	(2,196,856)
Unrealized Gain (Loss) on Investments	28,223	(48,503)
Bond Issuance Costs	<u>(297,539)</u>	<u>-</u>
Total Nonoperating Expenses	<u>(2,516,967)</u>	<u>(2,213,379)</u>
Change in Net Position	(3,182,831)	(3,211,122)
Net Position, Beginning of Year	<u>25,837,596</u>	<u>29,048,718</u>
Net Position, End of Year	<u>\$ 22,654,765</u>	<u>\$ 25,837,596</u>

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

*STATEMENTS OF CASH FLOWS*

*FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013*

	<u>2014</u>	<u>2013</u>
Cash Flows Provided by Operating Activities:		
Received from Customers	\$ 3,608,626	\$ 3,410,153
Paid to Suppliers and Vendors	(1,312,668)	(1,031,701)
Paid to Employees, Including Benefits	<u>(750,411)</u>	<u>(687,403)</u>
	<u>1,545,547</u>	<u>1,691,049</u>
Cash Flows Provided by (Used in) Investing Activities		
Change in Restricted Cash, Cash Equivalents and Investments	(3,236,545)	177,576
Investment Income Received	<u>39,510</u>	<u>31,980</u>
	<u>(3,197,035)</u>	<u>209,556</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities:		
Interest Paid	(2,090,152)	(2,108,212)
Proceeds of Revenue Bond	4,340,000	-
Payments of Revenue Bond Principal	(505,000)	(485,000)
Premium Received	597,206	-
Acquisition of Capital Assets	(1,451,478)	(281,180)
Cash Paid for Bond Issuance Costs	<u>(297,539)</u>	<u>-</u>
	<u>593,037</u>	<u>(2,874,392)</u>
Cash Flows Provided by Noncapital and Related Financing Activities:		
Receipt of Service Fee from Saratoga County	<u>900,000</u>	<u>890,000</u>
Net Decrease in Cash	(158,451)	(83,787)
Cash, Beginning of Year	<u>1,063,380</u>	<u>1,147,167</u>
Cash, End of Year	<u>\$ 904,929</u>	<u>\$ 1,063,380</u>
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities		
Operating Loss	\$ (651,090)	\$ (989,918)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation and Amortization	2,554,430	2,567,154
Increase in		
Accounts Receivable	(313,873)	(15,692)
Prepaid Expenses	(24,617)	(5,861)
Increase (Decrease) in		
Accounts Payable and Accrued Liabilities	(111,259)	108,584
Accrued Postemployment Benefits	(269)	26,782
Unearned Revenue	<u>92,225</u>	<u>-</u>
	<u>\$ 1,545,547</u>	<u>\$ 1,691,049</u>

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

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

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

*Basis of Accounting*

The Authority's financial statements are prepared using the accrual basis 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.
- *Unrestricted net position* consists of assets, liabilities and deferred inflows that do not meet the definition of net investment in capital assets, net of related debt or restricted net position.

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

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*DECEMBER 31, 2014 AND 2013*

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

*Use of Estimates*

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

*Cash, Cash Equivalents, and Investments*

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

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

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

*Accounts Receivable*

Accounts receivable are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines if an allowance for doubtful accounts is needed by identifying troubled accounts and by using historical experience applied to an aging of accounts as well as regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. The allowance for doubtful accounts was \$0 at December 31, 2014 and 2013.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*DECEMBER 31, 2014 AND 2013*

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

*Capital Assets, Net*

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

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

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

The Authority evaluated prominent events or changes in circumstances affecting property and equipment to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2014 and 2013.

*Premium on Bonds, Net*

The Authority issued the \$45,000,000 2008 Water System Revenue Bonds at an original issue premium of \$213,895. Additionally, the Authority issued the \$4,340,000 2014 Water System Revenue Bonds at an original issue premium of \$597,206. The premiums are amortized over the life of the bonds using the effective interest method.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

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

*Accrued Compensated Absences*

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

*Tax Status*

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

*Subsequent Events*

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position through March 26, 2015, the date the financial statements were available to be issued. No such events or transactions were identified, other than disclosed in Note 10, Capital Improvements.

**2. RESTRICTED ASSETS**

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

	<u>2014</u>	<u>2013</u>
Construction Fund	\$ 3,196,285	\$ 349,672
Debt Service Reserve Fund	3,009,799	2,623,810
Other	<u>11,754</u>	<u>11</u>
Total Assets Held with Fiscal Agent	6,217,838	2,973,493
Accrued Interest	<u>1,463</u>	<u>9,263</u>
Total Restricted Assets	<u>\$ 6,219,301</u>	<u>\$ 2,982,756</u>

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

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**2. RESTRICTED ASSETS (CONTINUED)**

As of December 31, 2014, the Authority had the following investments and maturities:

<b>Investment Maturities (In Years)</b>					
	<b>Cost</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>
Money Market Fund	\$ 4,917,409	\$ 4,917,409	\$ 4,917,409	\$ -	\$ -
Federal Home Loan Bank Bond	1,293,968	1,300,429	1,300,429	-	-
Total	<u>\$ 6,211,377</u>	<u>\$ 6,217,838</u>	<u>\$ 6,217,838</u>	<u>\$ -</u>	<u>\$ -</u>

a. *Credit Risk*

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

b. *Custodial Credit Risk*

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

c. *Interest Rate Risk*

The fair value of the Authority's fixed maturity investments 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**  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

**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, 2014, the Authority's investments are composed of money market funds with underlying investments of short-term U.S. Treasury securities (79%) and fixed income security from the FHLB (21%). Management of the Authority monitors the credit ratings associated with their underlying investments.

**3. CAPITAL ASSETS, NET**

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

	<b>December 31,</b> <b>2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31,</b> <b>2014</b>
Land and Easement	\$ 1,080,409	\$ -	\$ -	\$ 1,080,409
Land Improvements	1,961,969	-	-	1,961,969
Buildings and Improvements	9,305,404	-	-	9,305,404
Infrastructure	60,341,638	-	42,601	60,299,037
Machinery and Equipment	9,294,722	-	-	9,294,722
Vehicles	148,334	-	-	148,334
Office Equipment and Furniture	76,953	-	-	76,953
Construction in Progress	<u>75,606</u>	<u>1,435,860</u>	<u>-</u>	<u>1,511,466</u>
	82,285,035	1,435,860	42,601	83,678,294
Less Accumulated Depreciation	<u>9,782,913</u>	<u>2,569,204</u>	<u>-</u>	<u>12,352,117</u>
Capital Assets, Net	<u>\$ 72,502,122</u>	<u>\$ (1,133,344)</u>	<u>\$ (42,601)</u>	<u>\$ 71,326,177</u>

	<b>December 31,</b> <b>2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31,</b> <b>2013</b>
Land and Easement	\$ 1,062,680	\$ 17,729	\$ -	\$ 1,080,409
Land Improvements	1,778,774	183,195	-	1,961,969
Buildings and Improvements	9,305,404	-	-	9,305,404
Infrastructure	60,336,887	80,357	-	60,417,244
Machinery and Equipment	9,294,722	-	-	9,294,722
Vehicles	148,334	-	-	148,334
Office Equipment and Furniture	76,953	-	-	76,953
	<u>82,003,754</u>	<u>281,281</u>	<u>-</u>	<u>82,285,035</u>
Less Accumulated Depreciation	<u>7,207,934</u>	<u>2,574,979</u>	<u>-</u>	<u>9,782,913</u>
Capital Assets, Net	<u>\$ 74,795,820</u>	<u>\$ (2,293,698)</u>	<u>\$ -</u>	<u>\$ 72,502,122</u>

Depreciation expense totaled \$2,569,204 and \$2,574,979 for the years ended December 31, 2014 and 2013, respectively.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2014 AND 2013

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**4. LONG-TERM RECEIVABLE**

The Authority has a receivable and accrued interest due from the Luther Forest Technology Campus Economic Development Corporation of \$1,729,382 and \$1,534,739 at December 31, 2014 and 2013, respectively. Management has estimated the net realizable balance of this receivable at \$107,754 at December 31, 2014 and 2013.

**5. 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 \$900,000 and \$890,000 during the years ended December 31, 2014 and 2013, respectively. The Agreement will terminate in 2048, with the maturity of the Authority's revenue bond.

	<u>2014</u>	<u>2013</u>
Project Costs Incurred by the County (2003 to 2007), non-interest bearing	\$ 3,246,587	\$ 3,246,587
Cash Advance, June 2007, Interest at 4%	250,000	250,000
Accrued Interest, 2007 to 2012	133,339	133,339
Service Fees, 2011 and 2012	2,077,328	2,077,328
Service Fee, 2013	890,000	890,000
Accrued Interest, 2013	102,936	102,936
Service Fee, 2014	900,000	-
Accrued Interest, 2014	172,523	-
	<u>\$ 7,772,713</u>	<u>\$ 6,700,190</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.

**6. 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 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.

**SARATOGA COUNTY WATER AUTHORITY**  
**( A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK )**  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

**6. REVENUE BONDS (CONTINUED)**

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

A summary of bond transactions is as follows:

	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Payments/</u> <u>Amortization</u>	<u>December 31,</u> <u>2014</u>
Bond Payable	\$ 43,145,000	\$ 4,340,000	\$ 505,000	\$ 46,980,000
Bond Premium	<u>171,095</u>	<u>597,206</u>	<u>14,774</u>	<u>753,527</u>
	<u>\$ 43,316,095</u>	<u>\$ 4,937,206</u>	<u>\$ 519,774</u>	<u>\$ 47,733,527</u>

	<u>December 31,</u> <u>2012</u>	<u>Additions</u>	<u>Payments/</u> <u>Amortization</u>	<u>December 31,</u> <u>2013</u>
Bond Payable	\$ 43,630,000	\$ -	\$ 485,000	\$ 43,145,000
Bond Premium	<u>178,920</u>	<u>-</u>	<u>7,825</u>	<u>171,095</u>
	<u>\$ 43,808,920</u>	<u>\$ -</u>	<u>\$ 492,825</u>	<u>\$ 43,316,095</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 525,000	\$ 2,281,862	\$ 2,806,862
2016	620,000	2,254,913	2,874,913
2017	655,000	2,225,663	2,880,663
2018	680,000	2,193,737	2,873,737
2019	715,000	2,159,613	2,874,613
2020 through 2024	4,135,000	10,242,162	14,377,162
2025 through 2029	5,135,000	9,243,056	14,378,056
2030 through 2034	6,495,000	7,881,313	14,376,313
2035 through 2039	8,295,000	6,081,187	14,376,187
2040 through 2044	10,530,000	3,849,788	14,379,788
2045 through 2048	<u>9,195,000</u>	<u>1,177,250</u>	<u>10,372,250</u>
	<u>\$ 46,980,000</u>	<u>\$ 49,590,544</u>	<u>\$ 96,570,544</u>

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*DECEMBER 31, 2014 AND 2013*

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**7. 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 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 System, 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, who contribute 3% of their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions.

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

2014	\$	94,109
2013	\$	91,171
2012	\$	68,026

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

**8. 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 at retirement. Upon the death of a retiree, the surviving spouse may continue coverage in the health insurance plan by making a contribution of 25%. Currently, the Authority's cost of its postemployment benefits program is unfunded. As of December 31, 2014 and 2013, there are no retirees.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

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**8. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)**

Accrued *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:

	<u>2014</u>	<u>2013</u>
Annual required contribution and OPEB expense cost	\$ (269)	\$ 26,782
Net OPEB obligation, beginning of year	<u>65,353</u>	<u>38,571</u>
Net OPEB obligation, end of year	<u>\$ 65,084</u>	<u>\$ 65,353</u>

The annual required contribution and OPEB expense cost is substantially different in 2014 as compared to 2013 due to a substantial labor force reduction in 2014.

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, 2014 and 2013 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2014	\$ (269)	0.00%	\$ 65,084
December 31, 2013	\$ 26,782	0.00%	\$ 65,353

*Funded Status and Funding Progress.* As of December 23, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,191 at December 31, 2014, 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.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2014 AND 2013

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**8. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)**

*Healthcare Cost Trend Rate* - The expected rate of increase in healthcare insurance premiums was based on projections of 9% for 2015, 8% for 2016, 7% for 2017, 6% for 2018 and 5% thereafter.

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, 2014, was twenty-six years.

**9. NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets consists of the following:

	<u>2014</u>	<u>2013</u>
Capital Assets, Net	\$ 71,326,177	\$ 72,502,122
Revenue Bonds	(46,980,000)	(43,145,000)
Premium on Bonds, Net	(753,527)	(171,095)
Due to Saratoga County - Non Service Fee Balance	<u>(3,551,875)</u>	<u>(3,551,875)</u>
	<u>\$ 20,040,775</u>	<u>\$ 25,634,152</u>

**10. COMMITMENTS AND CONTINGENCIES**

Water Supply Contracts

The Authority has entered into water service agreements with eight separate customers: Clifton Park Water Authority, Town of Ballston, Town of Malta, Town of Moreau, Wilton Water and Sewer Authority, Village of Stillwater, Luther Forest Technology Economic Development Corporation and Global Foundries US, Inc. Terms of said agreements are for the provision of water services as described by the individual agreements. The terms of each of the agreements are for ten (10) years subject to various conditions and qualifying events. Seventy-eight and seventy-one percent of the Authority's operating revenue in 2014 and 2013, respectively, was comprised of user fees received by the Authority related to two of the water service agreements.

## 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### Water Supply Contracts (Continued)

In October 2013, the Town of Ballston stopped taking water as a result of high levels of disinfection byproducts in their water. In November 2013, the Clifton Park Water Authority also stopped taking water seemingly for the same reason. Both customers returned in May 2014 and have continued to meet their contractual obligations. The Authority is in the process of making improvements to its system to ensure that such disinfection byproducts will not prove to be an issue in the future.

### 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:

- The Authority was previously involved in litigation arising out of construction of the Saratoga County Water Treatment and Transmission Facilities Project commenced by landowners claiming damage to several septic systems. The Authority was one of four named defendants. Defendants all moved Supreme Court for dismissal of all claims based upon myriad legal arguments. Supreme Court granted that motion and plaintiffs appealed to the Appellate Division. The Appellate Division upheld the Supreme Court's Orders and the matter has now been finally resolved in the Authority's favor by dismissal of all claims against the Authority in the action.
- A second legal claim arising from construction of the Saratoga County Water Treatment and Transmission Facilities Project is still pending. In that action, landowners claim that the Authority and/or its agents installed its water line on their property rather than in the easement obtained over the neighboring property. This matter is still in discovery and, although settlement has been discussed, no progress has been made.

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.

### *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.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
*NOTES TO FINANCIAL STATEMENTS (CONTINUED)*  
*DECEMBER 31, 2014 AND 2013*

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**10. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Capital Improvements*

The Authority is in the construction phase for the construction of a wastewater outfall project that is estimated to cost \$1,500,000 which may be funded by a lease agreement from the Saratoga County Industrial Development Agency.

The Authority is also in the construction phase for process treatments upgrades at the water treatment plant at an estimated project cost of \$4,340,000.

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
*SCHEDULE OF FUNDING PROGRESS*  
*DECEMBER 31, 2014 AND 2013*

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**Schedule of Funding Progress for the Retiree Health Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll c</b>	<b>UAAL as a Percentage of Covered Payroll (b-a)/c</b>
December 31, 2014	\$ -	\$ 2,191	\$ 470,000	0.00%	\$ 470,000	.5%
December 31, 2013	\$ -	\$ 537,842	\$ 537,842	0.00%	\$ 316,886	170%
December 31, 2012	\$ -	\$ 470,883	\$ 470,883	0.00%	\$ 277,886	169%

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Saratoga County Water Authority (the Authority), as of December 31, 2014, 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 26, 2015.

**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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
March 26, 2015

**SARATOGA COUNTY WATER AUTHORITY**  
**(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)**  
*SCHEDULE OF FINDINGS AND RECOMMENDATIONS*  
*DECEMBER 31, 2014*

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**SECTION I — SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No
- Significant deficiency(ies) reported identified that are material weaknesses? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No
- Noncompliance material to financial statements? \_\_\_\_\_ Yes \_\_\_X\_\_\_ None reported

**Section II - Financial Statement Findings**

None.

**Section III - Compliance Findings**

None.