

**ALBANY WATER BOARD AND  
ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
(A Component Unit of the City of Albany, New York)

Combined Financial Statements  
Together with Independent Auditor's Reports

December 31, 2020 and 2019

**Bonadio & Co., LLP**  
Certified Public Accountants

**ALBANY WATER BOARD AND ALBANY MUNICIPAL WATER FINANCE AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**

**Table of Contents**

**December 31, 2020 and 2019**

---

	<b>Page</b>
<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis (Unaudited)</b> .....	3-9
<b>Basic Financial Statements</b>	
Combined Statements of Net Position .....	10
Combined Statements of Revenues, Expenses and Changes in Net Position .....	11
Combined Statements of Cash Flows .....	12
Notes to Combined Financial Statements .....	13-29
<b>Report Required Under <i>Government Auditing Standards</i></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> .....	30-31

## **INDEPENDENT AUDITOR'S REPORT**

May 11, 2021

Members of the Albany Water Board and  
Albany Municipal Water Finance Authority

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

We have audited the accompanying combined financial statements of the Albany Water Board and the Albany Municipal Water Finance Authority (the System), a component unit of the City of Albany, New York, as of and for the years ended December 31, 2020 and 2019, and the related notes to the combined financial statements, which collectively comprise the System's combined financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

(Continued)

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Opinion**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 May 11, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

**ALBANY WATER BOARD AND ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**(A COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020 and 2019**

---

The following Management's Discussion and Analysis (MD&A) of the Albany Water Board and the Albany Municipal Water Finance Authority (System), a component unit of the City of Albany (City) presents a brief narrative of the System's financial performance for the years ended December 31, 2020 and 2019. Management has prepared the combined financial statements and related combined footnote disclosures, along with this MD&A. This information should be read in conjunction with the combined financial statements and accompanying notes.

The Albany Water Board (the Board) and the Albany Municipal Water Finance Authority (the Authority) are governed by a five and seven member board, respectively. The Boards have adopted several policies as required under the Public Authorities Accountability Act ("PAAA") of 2005 and the Public Authorities Reform Act ("PARA") of 2009, enhancing transparency and embracing best governance practices.

The Board's Finance Committee meets on a quarterly basis to provide enhanced project and transactional analysis. On a monthly basis, the Board meets to discuss infrastructure needs, project activity and progress. The Board meets monthly and the Authority meets quarterly to discuss the financial position. In addition, the Board's Audit Committee and the Authority, independently meet with the external auditors to discuss relevant issues and concerns.

In summary, the years ended December 31, 2020 and 2019, reflected generally positive operational and financial results, which were challenged by the effects of the COVID-19 pandemic. The COVID-19 pandemic negatively impacted revenues of the System's largest customers. This was in response to the mandate for state employees and SUNY students to stay in their respective homes.

**Required Financial Statements:**

The combined financial statements of the System are prepared under accounting principles generally accepted in the United States of America (U.S. GAAP) and contain three statements providing information on the System's financial position and results of its operations as of and for the years ended December 31, 2020 and 2019. A description of these combined statements follows:

- The combined statements of net position include all assets, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets), the obligations to creditors (liabilities), and the sales of future revenues (deferred inflows of resources). The combined statements of net position present the financial position of the System at December 31, 2020 and 2019, at the end of its fiscal years.
- The combined statements of revenues, expenses, and changes in net position report all of the years' revenues and expenses and results of operations.
- The combined statements of cash flows provide information about cash receipts and cash payments during the two reporting periods. The combined statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, capital, financing, and investing activities.

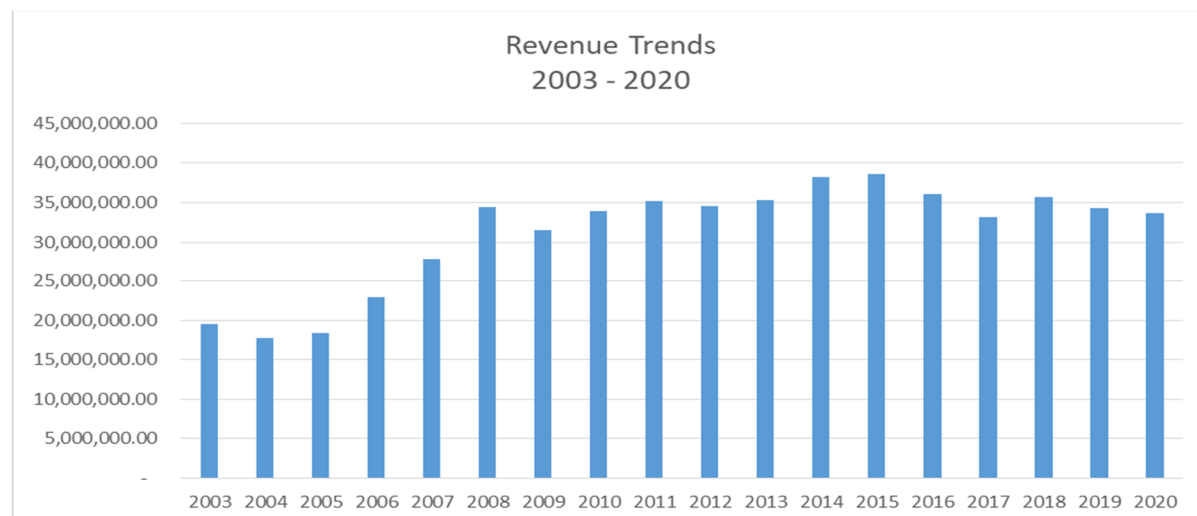
### Summary Financial Statements:

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

	2020	2019	Percent Change 2020-2019	2018	Percent Change 2019-2018
Net Operating Revenues	\$ 33,668,458	\$ 34,354,121	-2%	\$ 35,740,074	-4%
Operating Expenses:					
Operation and maintenance of water system	10,421,509	9,945,168	5%	9,255,242	7%
Operation and maintenance of sewer system	8,247,630	8,244,402	0%	8,167,295	1%
Depreciation	6,897,665	5,207,093	32%	4,589,510	13%
Administration and general	5,574,846	5,136,946	9%	4,641,172	11%
Administrative fee, City of Albany	950,000	1,150,000	-17%	1,150,000	0%
Total operating expenses	32,091,650	29,683,609	8%	27,803,219	7%
Operating income	1,576,808	4,670,512	-66%	7,936,855	-41%
Non-operating items, net	(340,179)	(122,498)	178%	(657,795)	-81%
Other additions and deductions, net	4,500,843	8,438,136	-47%	(999,092)	-945%
Change in net position	5,737,472	12,986,150	-56%	6,279,968	107%
Net Position, beginning of year	69,359,136	56,372,986	23%	50,093,018	13%
Net Position, end of year	\$ 75,096,608	\$ 69,359,136	8%	\$ 56,372,986	23%

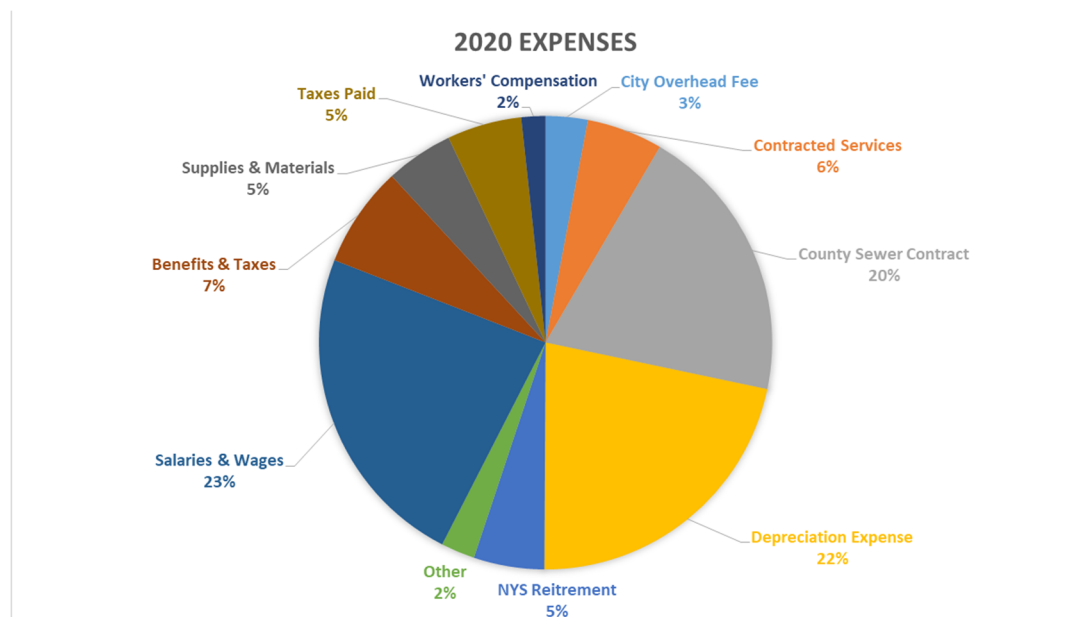
### Operating Revenues:

Operating revenues for 2020 decreased by approximately \$686,000 (or by 2.0%), due to decline in water consumption. Operating revenues failed to meet the budget by approximately \$2,332,000 (or by 6.5%). The deviation of revenue from the budget is due to the results of customers affected by the COVID-19 pandemic.



### Operating Expenses:

Operating expenses for 2020 increased by approximately \$2,400,000 (or by 8.1%). Relating to the water aspect of the system, total costs approximated \$10,417,000, an increase of approximately \$472,000. For sewer operations, total costs approximated \$8,248,000, approximately \$3,000 more of similar costs in 2019. Costs associated with the County Sewer Contract, the System's largest line item cost at approximately \$6,292,000, increased by approximately \$127,000 (or about 2.1%).



### Other Revenue and Expense Items:

Depreciation expense increased approximately \$1,691,000 during 2020. The trend in the increase in depreciation is expected to increase in relation to replacing and maintaining aging infrastructure and work performed under the Long-Term Control Plan. Interest expense decreased by approximately \$55,000, as the Authority continues to amortize revenue bonds. Capital grant contributions have decreased by approximately \$2,789,000 due to timing of grant disbursements related to the Long-Term Control Plan. State and federal agencies recognize the potential catastrophes linked to aging water and sewer infrastructure. In order to assist local municipalities complete necessary improvements, state and federal agencies have made millions of dollars in grants and low (in some cases no) interest financing available.

Summary Financial Statements: (Continued)

	2020	2019	Percent Change 2020-2019	2018	Percent Change 2019-2018
Current assets	\$ 26,355,714	\$ 25,133,769	5%	\$ 37,979,009	-34%
Assets whose use is limited	37,723,973	24,145,062	56%	26,804,846	-10%
Capital assets, net	96,856,672	85,085,522	14%	58,341,415	46%
Total assets	160,936,359	134,364,353	20%	123,125,270	9%
Current liabilities	18,440,136	18,255,267	1%	15,856,865	15%
Noncurrent liabilities	67,199,615	46,549,950	44%	50,882,102	-9%
Total liabilities	85,639,751	64,805,217	32%	66,738,967	-3%
Deferred inflows	200,000	200,000	0%	13,317	1402%
Net position					
Net Investment in capital assets	25,311,512	34,446,985	-27%	32,862,265	5%
Unrestricted	49,785,096	34,912,151	43%	23,510,721	48%
Total net position	\$ 75,096,608	\$ 69,359,136	8%	\$ 56,372,986	23%

Assets:

Capital assets increased from December 31, 2019 to December 31, 2020 by approximately \$11,771,000. Depreciable capital additions to the System approximated \$36,218,000 during 2020; and approximately \$17,550,000 in capital asset additions to construction in process. Cash balances decreased from 2019 to 2020 by approximately \$16,098,000. Receivables, net of allowances, decreased by approximately \$2,017,000.

Liabilities:

During 2020, the System entered into a \$9,000,000 revolving line of credit with Bank of America to assist with funding of the Long-Term Control Plan, specific to the Beaver Creek Clean River Project. Said project is to begin in 2021.

Debt Coverage Ratio:

Under the Bond Resolution, the System is required to maintain rates such that, in each year, revenues (net of operating expenses) are at least 115% of total annual debt service. The System was in compliance with the required ratio for the reported fiscal year.



## Accomplishments:

### *Technology*

The System made several large investments in technology during 2020. These investments are to secure the efficient use of the System's resources, and to take steps into becoming a modern/Smart City.

The System's Operation Manager implemented a computerized maintenance and management system (CMMS) for a more efficient work flow in regards to the System's operation and maintenance. The program unifies work order processing between the System's laborers, operation's management, and inventory control. This program replaces a manual, paper system. This program continued to develop in 2020.

The System implemented the GigaTrak Inventory Management Software over consumable equipment in 2020.

Beginning in the summer of 2019, the System's Vehicle Maintenance Manager implemented a Fleet Maintenance Pro software. This software monitors and records vehicle maintenance history, total cost to maintain vehicles, schedules standard maintenance and provides metrics to assist with analyzing efficiencies with the System's fleet. In 2020, the system became fully operational.

### *Capital Projects and Infrastructure*

During 2020, the System added over \$36 million in depreciable capital assets to the System.

One of the most significant drivers of this spending is the result of beginning construction on major projects scheduled as part of the Long-Term Control Plan (LTCP). In 2018, the System broke ground on the Beaver Creek Clean River Project, beginning major construction on six (6) floatable satellite facilities within the City of Albany. Construction for this project completed in 2020. The purpose of this project is to collect floatable debris and materials associated with combined sewer overflows from the Maiden, Steuben, Orange, Quackenbush, Jackson and Livingston regulator structures. The project totaled \$11,522,000 in expenses.

Other major completed projects with significant costs during 2020 are improvements to the Feura Bush Water Filtration Treatment Plant consisting of employee space and laboratory improvements, work performed on upper Washington Ave and the Harriman State Campus, Mereline Sewer Separation, Beaver Creek Phase 6, CSO, Ramsey Place Green Infrastructure, and the Tivoli Park Stream Daylighting Project.

The treatment facility has not had any major renovations since the 1990's. Said improvements will assist the current staff with working more efficiently and provide safety enhancements.

The System completed construction of the upper Washington Ave water tank and booster pump station. This project will assist with improving pressures in the upper Washington corridor. This affects pressures at the New York State Harriman Campus, SUNY University at Albany, SUNY Polytechnic Institute and various other commercial properties.

At the State's Harriman Campus, the System embarked on a project to separate storm and sanitary sewers, while adding an element of green infrastructure. This project will improve the water quality of the Hudson River by reducing the flow of combined sewers.

## Accomplishments: (Continued)

### *Major Maintenance Activities*

In addition to the large investment in capital projects and infrastructure, the System was actively performing preventative maintenance on existing System infrastructure and assets. Such preventative maintenance activities assist with reducing water and sewer main breaks or other disruptions to the System.

- Completed 2020 Cured in Place Sewer Lining project, with 2 miles of sewer lined
- Cleaned over 300,000 feet (56 miles) of sewer, with over 50,000+ feet (10 miles) of sewer televised
- Performed leak detection on over 500 blocks, 270,000 feet (50 miles) of water distribution system
- Tested and inspected over 1,000 fire hydrants

These types of activities are now performed annually and have been made a part of the System's Asset Management Plan.

### *The Community*

In terms of public health, the System implemented a lead service line replacement program, utilizing a grant from the New York State Department of Health in the amount of \$500,000. This was the first step in the System's "Get the Lead Out 2040" plan, which aims to replace all lead service lines in residential homes by 2040.

In addition to the work done to mitigate health risks with lead, the System's Water Quality Team completed a Cyanotoxin Management Plan, to protect the System's watershed.

### *Sustainability*

During 2020, the System continued a Conservation Easement with the Mohawk Hudson Land Conservancy. This enabled the System to sell voluntary carbon credits associated with the Alcove and Basic Creek watersheds.

### Looking Ahead:

The System is focused on managing a balanced budget for 2021, continuing to improve the water and sewer infrastructure, controlling operating expenses, and minimizing the impact of future system rate structure changes on City residents. The System continues to monitor and analyze the impacts of the COVID-19 pandemic on the System's water consumption.

On February 24, 2021, the System closed on a \$33,310,000 Revenue Bond issuance. This consisted of \$20,520,000 in new money projects and \$12,790,000 in refunding of the 2011-A Series Revenue Bond Refunding. 2020 annual debt service totaled approximately \$4.5M. After the 2021 refunding, annual debt service declines to approximately \$3M.

To this end, over the past 25 years, the System has expended over \$100 million to fund capital projects. The System continues to seek potential water sales to other municipalities and new commercial customers.

### Looking Ahead: (Continued)

Effective January 1, 2021, the System raised water and sewer rates by 3.5%. This is an effort to maintain adequate cash flow while embarking on large infrastructure projects that improve the quality of life in the City of Albany. This is the third consecutive year of rate increases, with 2020 seeing a 2.5% rate increase. As the System continues to make investments in the City's aging sewer infrastructure as part of the Long-Term Control Plan, the total cost to operate and maintain the system will continue to increase. The Board and the Authority will continue to monitor these costs and assess the need for further rate increases in 2022 and beyond.

All of these actions, along with a commitment to maintain an adequate security environment, position the System to continue an increasing investment in needed infrastructure capital expenditures in future years. Working in concert with the City, the System remains committed to its primary mission: to ensure system users have access to a clean, safe, plentiful, and low cost water supply for many generations.

The challenges for the future are many: budgetary pressures, an aging infrastructure, COVID-19, the requirement of funding over \$50 million in the Hudson River Combined Sewer Overflow Project, the County sewer contract, and water conservation initiatives. Looking ahead, the System remains in a strong financial and operating position with the leadership team and financial resources to appropriately address these challenges in the years ahead.

Questions about this report may be directed to the System at 518-434-5300 or at 10 North Enterprise Drive, Albany, New York 12204.

**ALBANY WATER BOARD AND ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**(A COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**Combined Statements of Net Position**  
**December 31, 2020 and 2019**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,384,783	\$ 1,619,110
Investments	9,578,504	8,817,638
Receivables, net	8,938,103	10,955,359
Due from City, net	2,225,486	-
Due from other municipalities	3,633,568	2,737,594
Prepaid expenses	595,270	1,004,068
Total current assets	<u>26,355,714</u>	<u>25,133,769</u>
<b>NONCURRENT ASSETS</b>		
Assets whose use is limited:		
Cash and cash equivalents	33,306,365	19,796,782
Investments	4,417,608	4,348,280
Capital assets, net	<u>96,856,672</u>	<u>85,085,522</u>
Total noncurrent assets	<u>134,580,645</u>	<u>109,230,584</u>
Total assets	<u>160,936,359</u>	<u>134,364,353</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	8,102,846	7,877,851
Long-term liabilities, current installments	4,345,545	4,088,587
Accrued expenses	2,342,887	2,151,201
Line of credit	50,000	-
Due to City, net	-	2,333,456
Due to other municipalities	<u>3,598,858</u>	<u>1,804,172</u>
Total current liabilities	<u>18,440,136</u>	<u>18,255,267</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term liabilities, less current installments	66,020,087	45,103,142
Premium on bonds, net	<u>1,179,528</u>	<u>1,446,808</u>
Total long-term liabilities	<u>67,199,615</u>	<u>46,549,950</u>
Total liabilities	<u>85,639,751</u>	<u>64,805,217</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Sales of future revenues	<u>200,000</u>	<u>200,000</u>
Total deferred inflows of resources	<u>200,000</u>	<u>200,000</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET POSITION</b>		
Net investment in capital assets	25,311,512	34,446,985
Unrestricted	<u>49,785,096</u>	<u>34,912,151</u>
Total net position	<u><b>\$ 75,096,608</b></u>	<u><b>\$ 69,359,136</b></u>

*The accompanying notes are an integral part of this financial statement.*

**ALBANY WATER BOARD AND ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**(A COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**Combined Statements of Revenues, Expenses and Changes in Net Position**  
**December 31, 2020 and 2019**

	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>NET OPERATING REVENUES</b>	<b>\$ 33,668,458</b>	<b>\$ 34,354,121</b>
<b>OPERATING EXPENSES</b>		
Operation and maintenance of water system:		
Water supply, power and pumping	1,477,736	1,248,157
Water purification	2,678,801	2,665,077
Water transmission and distribution	4,581,763	4,379,366
Taxes paid to municipalities	1,683,209	1,652,568
Operation and maintenance of sewer system:		
Sewer services	1,354,494	1,538,630
Albany County sewer contract	6,292,464	6,165,812
Sewer pumping stations	600,672	539,960
Depreciation	6,897,665	5,207,093
Administration and general	5,574,846	5,136,946
Administrative fee, City of Albany	950,000	1,150,000
Total operating expenses	<u>32,091,650</u>	<u>29,683,609</u>
<b>Operating income</b>	<b><u>1,576,808</u></b>	<b><u>4,670,512</u></b>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest expense	(896,914)	(952,142)
Interest income	583,648	681,773
Realized gain on sale of investments	16,662	86,246
Unrealized gain (loss) on investments	(43,575)	61,625
Total non-operating income (expense)	<u>(340,179)</u>	<u>(122,498)</u>
<b>OTHER ADDITIONS AND DEDUCTIONS</b>		
LTCP capital contributions from other municipalities	3,633,568	2,737,594
LTCP capital contributions to other municipalities	(4,532,280)	(2,488,255)
Capital grants	5,399,555	8,188,797
Total other additions and deductions	<u>4,500,843</u>	<u>8,438,136</u>
<b>CHANGE IN NET POSITION</b>	<b>5,737,472</b>	<b>12,986,150</b>
<b>NET POSITION, beginning of year</b>	<b><u>69,359,136</u></b>	<b><u>56,372,986</u></b>
<b>NET POSITION, end of year</b>	<b><u>\$ 75,096,608</u></b>	<b><u>\$ 69,359,136</u></b>

*The accompanying notes are an integral part of this financial statement.*

**ALBANY WATER BOARD AND ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**(A COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**Combined Statements of Cash Flows**  
**December 31, 2020 and 2019**

	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 28,389,223	\$ 30,696,272
Cash payments to City for payroll, benefits, and administrative costs	(12,817,310)	(12,524,118)
Cash payments to suppliers for goods and services	(8,833,682)	(7,992,127)
Net cash provided by operating activities	<b>6,738,231</b>	<b>10,180,027</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(18,668,815)	(28,679,946)
Proceeds from the issuance of long term debt	25,551,903	-
Proceeds from line of credit	50,000	-
Principal payments on bonds and notes	(4,378,000)	(3,677,268)
Interest paid	(1,144,159)	(1,384,790)
Receipt of capital grant funds	5,399,555	8,188,797
Net cash provided (used) in capital and related financing activities	<b>6,810,484</b>	<b>(25,553,207)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(88,092,827)	(17,888,253)
Proceeds from sales and maturities of investments	87,235,720	30,433,176
Interest earned on investments	583,648	681,773
Net cash provided (used) by investing activities	<b>(273,459)</b>	<b>13,226,696</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,275,256</b>	<b>(2,146,484)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>21,415,892</b>	<b>23,562,376</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 34,691,148</b>	<b>\$ 21,415,892</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 1,576,808	\$ 4,670,512
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities		
Depreciation	6,897,665	5,207,093
Changes in:		
Receivables, net	2,017,256	(670,351)
Prepaid expenses	408,798	(50,367)
Due from City, net	(4,558,942)	863,562
Due from other municipalities	-	-
Accounts payable and accrued expenses	396,646	(27,105)
Deferred inflows - sales of future revenues	-	186,683
Total adjustments	5,161,423	5,509,515
	<b>\$ 6,738,231</b>	<b>\$ 10,180,027</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Change in amounts payable and accrued for acquisition of capital assets	\$ 224,995	\$ 674,323
Change in amounts due from City, net for acquisition of capital assets	\$ (1,358,689)	\$ 5,942,255

*The accompanying notes are an integral part of this financial statement.*

**ALBANY WATER BOARD AND ALBANY MUNICIPAL WATER FINANCE AUTHORITY**  
**(A COMPONENT UNIT OF THE CITY OF ALBANY, NEW YORK)**  
**Notes to Combined Financial Statements**  
**December 31, 2020 and 2019**

---

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

*a. Financial Reporting Entity*

The City of Albany Water and Sewer System (System) provides water supply and distribution, and the collection and disposal of sewage, primarily for the City of Albany (City). The System, as presented in the accompanying combined financial statements, began operations in 1988, and consists of two legally separate, but interdependent, entities: Albany Water Board (Water Board) and Albany Municipal Water Finance Authority (Finance Authority). The System is a component unit of the City of Albany and, as such, is included in the City's financial statements.

The Water Board, a corporate municipal instrumentality, was established in 1986 with the power to set and collect water and sewer fees in amounts sufficient to pay the debt service on the bonds of the Authority, as well as to provide for the costs of the operation and maintenance of the System. The primary responsibility of the Water Board is to charge, collect, and enforce rates and other charges for the System. The Water Board consists of five members who are appointed by the Mayor of the City.

The Authority, a public benefit corporation, was established in 1986 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the System. Among its powers, the Finance Authority may borrow money, issue debt, and require that the Water Board charge and collect sufficient rates to pay the costs of operating and financing the System. The Finance Authority consists of seven members, two members of whom are appointed by the Governor of New York State and five members of whom are appointed by the Mayor of the City.

The Water Board is a party to an Operating Agreement with the City whereby the City provides the Water Board with certain management and administrative personnel, and certain services, supplies, and equipment for the operation and maintenance of the System. Direct costs under this agreement, including substantially all operation, maintenance, payroll, and payroll related costs of the department are charged to the Water Board (by the City) as incurred. Revenues and expenses relating to the City's use of the System, which have not been quantified and recorded in the combined financial statements, are not believed to be significant relative to the total operations of the System.

The City, Water Board, and Finance Authority are parties to a financing agreement which, in 1988, authorized the issuance of bonds by the Finance Authority to finance the purchase of the System (from the City). The financing agreement requires the Water Board to maintain a rate structure which adequately funds debt service (Note 11), requires the Water Board to provide for the monthly transfer of revenues to the Finance Authority for debt service payments, and stipulates other administrative requirements for the Water Board, Finance Authority, and City. The financing agreement also requires the Water Board to prepare an annual budget for the funding of debt service costs of the Finance Authority and the operation and maintenance costs of the System.

*b. Basis of Accounting and Presentation of Combined Financial Statements*

The accompanying combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *b. Basis of Accounting and Presentation of Combined Financial Statements - Continued*

Activities of both the Water Board and the Finance Authority are accounted for similarly to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenue recorded when earned and expenses recorded at the time liabilities are incurred. For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of providing water and sewer services are reported as operating revenues and operating expenses. Non-operating activities relating to interest on debt obligations and income recognized on investment activities are presented below operating income. All other additions and subtractions, consisting of the System's participation in the Long-Term Control Plan and the relating contributions received and distributed to and from other communities in the Long-Term Control Plan program, are reported below non-operating activities.

The Water Board and Finance Authority, as fiscally interdependent entities, are combined for financial reporting purposes. Additionally, both the Water Board and the Finance Authority are included in the City's financial statements as a discretely presented component unit of the City.

### *c. Bond Resolutions*

The System has entered into five Water and Sewer System General Revenue Bond Resolutions: the 1988 General Revenue Bond Resolution, the 2003 Second General Revenue Bond Resolution, the 2011 Third General Revenue Bond Resolution, the 2012 Fourth General Revenue Bond Resolution, and 2020 Fifth General Revenue Bond Resolution. These resolutions provide that the System pledge, for the payment of the bonds, all System revenues, the proceeds from the sale of bonds, and all monies and securities in any funds and accounts. Additionally, the Bond Resolutions provide for the assignment and transfer of all of the System's rights and interests relative to the collection of revenues and the payment of debt service to an authorized trustee. Certain restricted funds and accounts (Note 6) have been established with the trustee to assure the System's compliance with the Bond Resolutions.

### *d. Net Position*

Net position is classified 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 externally placed constraints on use. The System does not have any restricted net position because restricted assets are offset by related liabilities.
- *Unrestricted net position* consists of assets, deferred inflows and liabilities that do not meet the definition of restricted net position or net investment in capital assets.

The System's policy is to first utilize available restricted, and then unrestricted, resources when an expense is incurred for which both restricted and unrestricted net position are available.

### *e. Cash, Cash Equivalents, and Investments*

Cash equivalents include all highly liquid investments with original maturities of three months or less when purchased.

Investments are carried at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.



## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *f. Revenues and Receivables*

Net receivables include all unpaid customer bills for System related services and also include estimated amounts earned for unbilled usage which relate to billing cycles which end subsequent to December 31 of each year. The Water Board records estimated unbilled revenue based on historic billing trends and, when applicable, considers the effect of rate structure changes which may have been implemented during the year. In November of each year, substantially all metered delinquent accounts are transferred to the City and placed on the City's general property tax rolls. These accounts are subject to the City's collection procedures (which subsequently provide for full collection by the County of Albany).

The Water Board maintains an allowance for doubtful accounts to reflect potentially uncollectible receivables that may not be subject to the City's or County's collection procedures. The allowance for doubtful accounts, which is reflected as a contra-receivable for financial reporting purposes, approximated \$77,000 at both December 31, 2020 and 2019.

The principal revenues of the System include all water and sewer user charges billed to customers, including penalties relating to late payments, service income, and connection and repair charges. The System had approximately 28,000 water and sewer customer accounts at both December 31, 2020 and 2019. Over 90% of the customer base is comprised of residential customers, substantially all of which are within the City of Albany. Water services are billed based on meter readings or at flat rate charges; sewer charges are generally billed at 100% of water charges. Approximately 46% of operating revenue is derived from the System's 50 largest customers, which also include certain inter-municipality agreements.

From time to time, the System receives grants from New York State and the federal government. Revenue from grants (including capital grants) is recognized when all eligibility requirements, including time requirements, are met. Grants may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue.

### *g. Due to and from other municipalities*

Amounts due to and from other municipalities result from costs incurred under the Long-Term Control Plan (Note 12) that are to be reimbursed by other municipalities or are to be paid by the System to other municipalities.

### *h. Capital Assets*

Capital assets, acquired through either purchase or construction, are recorded at cost. Depreciation is computed using the straight-line method based upon estimated useful lives as follows:

Buildings	20-40 Years
Water supply and waste water treatment systems	5-50 Years
Water distribution and sewage collection systems	5-50 Years
Equipment, furniture, fixtures and vehicles	3-10 Years

Maintenance and repairs are charged to current operations. Major replacements and improvements, including all costs associated with the System's capital plan, are capitalized as capital assets.

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

*i. Impairment of Long-Lived Assets*

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No impairment charges to long-lived assets were recorded for the years ended December 31, 2020 and 2019.

*j. Deferred Inflows of Resources*

In addition to liabilities, the combined financial statements of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent unearned revenues that do not meet both the measurable and available criteria for recognition in the current year. The Water Board has one item that qualifies for reporting in this category. The System received funds in advance of expenditure of allowable costs under the agreement, these amounts are recognized as deferred inflows of resources until such time as allowable costs are incurred.

*k. Employee Benefit Plans*

Certain employee benefit plans are provided by the City for System employees and reimbursed (by the Water Board) under the operation agreement. In this regard, employees earn vacation time credits as they provide service. Pursuant to collective bargaining agreements, they may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination, or death, may be compensated for such accumulated time. In addition, substantially all full-time employees of the City are members of the New York State and Local Employees' Retirement System, a multi-employer defined benefit pension plan. Under the operation agreement, all employee benefits are recorded in the combined financial statements at the time they are incurred. Substantially all System employees may become eligible for post-retirement health care benefits. The cost of providing the post-retirement health care benefits are paid by the City and are not charged to the System under the operations agreement. The City recognizes in its financial statements the long-term liabilities of such employee benefits.

*l. Estimates and Assumptions*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The application of these accounting principles involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The System periodically evaluate estimates and assumptions used in the preparation of the combined financial statements and make changes on a prospective basis when adjustments are necessary. Significant estimates made by the System in the accompanying combined financial statements include certain estimates and assumptions related to the allowance for doubtful accounts and the calculation of the unbilled accounts receivable and the estimated useful lives of its depreciable capital assets.

## NOTE 2 - RECEIVABLES, NET

Receivables, net consist of the following:

	December 31,	
	2020	2019
Billed	\$ 4,197,841	\$ 6,000,598
Unbilled	4,817,456	5,032,002
	9,015,297	11,032,600
Allowance for doubtful accounts	(77,194)	(77,241)
Receivables, net	<u>\$ 8,938,103</u>	<u>\$ 10,955,359</u>

## NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Guidelines issued by the New York State Office of the State Comptroller (OSC) establish the criteria for permissible investments of the Water Board and Finance Authority. Additionally, the Water Board and Finance Authority have combined investment policies which incorporate provisions of the Bond Resolutions and the OSC's guidelines.

Under these policies, the Water Board and Finance Authority may invest in obligations of the U.S. Government and its agencies, obligations of the State of New York, certificates of deposit (issued by a New York State commercial bank) and repurchase agreements (which are collateralized by obligations of the federal government).

Generally, it is the Water Board's and Finance Authority's policy to purchase U.S. Government agency obligations with the intent of holding them until maturity. All such obligations are registered and held by the Water Board's or Finance Authority's custodian in the Water Board's or Finance Authority's name.

Cash, cash equivalents, and investments (at fair value) comprise the following:

	December 31,	
	2020	2019
Non-interest bearing accounts:		
Cash accounts	\$ 34,021,444	\$ 17,928,088
Interest bearing and money market accounts:		
U.S. Treasury Fund money market	669,704	3,487,804
	<u>34,691,148</u>	<u>21,415,892</u>
Investments:		
U.S. Treasury Notes and Securities	12,747,899	13,094,899
Certificates of Deposit	1,248,213	71,019
	<u>13,996,112</u>	<u>13,165,918</u>
Total	<u>\$ 48,687,260</u>	<u>\$ 34,581,810</u>

### **NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

#### *a. Credit Risk*

The System's investment policy limits investments to time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by the United States of America, obligations of the State of New York, obligations of certain municipalities, school districts, or other district corporations, obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies that are authorized by State statutes, certifications of participation, and investments with agencies of the Federal government. All of the System's fixed income investments have a credit rating of AA or higher by major rating agencies.

#### *b. Custodial Credit Risk*

All of the System's deposits with financial institutions were either insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized by authorized investments of the pledging financial institution at December 31, 2020 and 2019.

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 System's investments are held under its name with the custodian.

#### *c. Interest Rate Risk*

The fair value of the System's fixed maturity investments varies in response to changes in market interest rates. Fair values of interest rate-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument, and other general market conditions. The System intends to hold its restricted investments to maturity, which minimizes the occurrence of loss on investments.

#### *d. Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the System's investment in single issues. As of December 31, 2020, and 2019, the System had approximately 91% and 99% of its investment portfolio in U.S. Treasury Obligations, respectively. No other issuer makes up greater than 5% of the System's investment portfolio. The System holds certificates of deposit with several institutions, all of which are fully collateralized. Management of the System monitors the credit ratings associated with its underlying investments.

#### *e. Fair Value Hierarchy*

The System categorizes its fair value measurements into the fair value hierarchy established by U.S. GAAP. The three levels of inputs used to measure fair value are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the System has the ability to access.

### NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

#### e. Fair Value Hierarchy (Continued)

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the investments held by the System at December 31, 2020 and 2019, are considered to be Level 1 and are based on quoted prices for identical assets in an active market.

### NOTE 4 - CAPITAL ASSETS

Capital assets, including additions, deletions, and related transfers comprise the following:

	January 1, 2020	Additions	Deletions	December 31, 2020
Capital assets not being depreciated				
Land	\$ 19,680	\$ -	\$ -	\$ 19,680
Construction in progress	33,396,188	7,858,080	(25,408,322)	15,845,946
Total Capital assets, not being depreciated	33,415,868	7,858,080	(25,408,322)	15,865,626
Capital assets being depreciated				
Water supply, distribution, and collection systems	25,726,845	-	-	25,726,845
Water and sewer system, capital improvements, equipment, furniture and fixtures, and vehicles	109,171,978	36,219,057	-	145,391,035
Six Mile waterworks ground lease	7,210,000	-	-	7,210,000
Total capital assets, being depreciated	142,108,823	36,219,057	-	178,327,880
Less accumulated depreciation for:				
Water supply, distribution, and collection systems	25,229,471	211,273	-	25,440,744
Water and sewer systems, capital improvements, equipment, furniture and fixtures, and vehicles	63,209,215	6,519,685	-	69,728,900
Six Mile waterworks ground lease	2,000,483	166,707	-	2,167,190
Total accumulated depreciation	90,439,169	6,897,665	-	97,336,834
Total capital assets being depreciated, net	51,669,654	29,321,392	-	80,991,046
Capital assets, net	\$ 85,085,522	\$ 37,179,472	\$ (25,408,322)	\$ 96,856,672

#### NOTE 4 - CAPITAL ASSETS (Continued)

	January 1, 2019	Additions	Deletions	December 31, 2019
Capital assets not being depreciated:				
Land	\$ 19,680	\$ -	\$ -	\$ 19,680
Construction in progress	<u>10,654,938</u>	<u>33,396,188</u>	<u>(10,654,938)</u>	<u>33,396,188</u>
Total Capital Assets, not being depreciated	<u>10,674,618</u>	<u>33,396,188</u>	<u>(10,654,938)</u>	<u>33,415,868</u>
Capital assets being depreciated				
Water supply, distribution, and collection systems	25,726,845	-	-	25,726,845
Water and sewer system, capital improvements, equipment, furniture and fixtures, and vehicles	99,962,029	9,209,949	-	109,171,978
Six Mile Waterworks ground lease	<u>7,210,000</u>	<u>-</u>	<u>-</u>	<u>7,210,000</u>
Total Capital Assets, being depreciated	<u>132,898,874</u>	<u>9,209,949</u>	<u>-</u>	<u>142,108,823</u>
Less Accumulated Depreciation for				
Water supply, distribution, and collection systems	25,018,198	211,273	-	25,229,471
Water and sewer system, capital improvements, equipment, furniture and fixture, and vehicles	58,380,103	4,829,112	-	63,209,215
Six Mile Waterworks ground lease	<u>1,833,776</u>	<u>166,707</u>	<u>-</u>	<u>2,000,483</u>
Total Accumulated Depreciation	<u>85,232,077</u>	<u>5,207,092</u>	<u>-</u>	<u>90,439,169</u>
Total Capital Assets being depreciated, net	<u>47,666,797</u>	<u>4,002,857</u>	<u>-</u>	<u>51,669,654</u>
Capital Assets, net	<u>\$ 58,341,415</u>	<u>\$ 37,399,045</u>	<u>\$ (10,654,938)</u>	<u>\$ 85,085,522</u>

Costs incurred through December 31, 2020 and 2019 related to the Long-Term Control Plan (Note 12), including costs incurred on behalf of other municipalities who are parties to the Plan, have been classified as construction in process until the associated projects are complete.

In December 2002, the Water Board and the City entered into a fifty-year ground lease under which the City conveyed to the Water Board a leasehold interest in certain real property, including Six Mile Waterworks (Rensselaer Lake), an emergency facility. The total cost of this lease, including certain related financing costs, was recorded as a capital asset and is being amortized over the 50-year term of the lease.

## NOTE 5 – LONG-TERM LIABILITIES

Long-term liability balances and activity for the years ended December 31, 2020 and 2019 are summarized below:

	January 1, 2020	Additions	Deletions	December 31, 2020	Due within One Year
General revenue bonds					
Series 2011-A	\$ 21,005,000	\$ -	\$ 3,515,000	\$ 17,490,000	\$ 3,665,000
EFC revenue bonds					
Series 2012-B	1,180,000	-	145,000	1,035,000	85,000
Series 2020-B	-	581,366	-	581,366	20,000
EFC notes					
Series 2017-A	5,039,786	-	42,500	4,997,286	166,577
Series 2017-B	3,914,000	689,744	35,500	4,568,244	127,233
Series 2017-C	874,140	-	-	874,140	23,314
Series 2017-D	1,854,160	-	-	1,854,160	49,451
Series 2018-A	4,269,970	-	-	4,269,970	35,000
Series 2018-B	7,505,905	-	-	7,505,905	60,000
Series 2018-C	640,000	-	640,000	-	-
Series 2020-C	-	6,676,793	-	6,676,793	-
Series 2020	-	17,604,000	-	17,604,000	-
Bonds and notes payable	<u>46,282,961</u>	<u>25,551,903</u>	<u>4,378,000</u>	<u>67,456,864</u>	<u>4,231,575</u>
LTCP - IMA Debt	<u>2,908,768</u>	<u>-</u>	<u>-</u>	<u>2,908,768</u>	<u>113,970</u>
Unamortized bond premium	<u>1,446,808</u>	<u>-</u>	<u>267,280</u>	<u>1,179,528</u>	
Bonds and notes payable, net	<u>\$ 50,638,537</u>	<u>\$ 25,551,903</u>	<u>\$ 4,645,280</u>	<u>\$ 71,545,160</u>	<u>\$ 4,345,545</u>

	January 1, 2019	Additions	Deletions	December 31, 2019	Due Within One Year
General revenue bonds					
Series 2011-A	\$ 24,355,000	\$ -	\$ 3,350,000	\$ 21,005,000	\$ 3,515,000
EFC revenue bonds					
Series 2010-C	25,000	-	25,000	-	-
Series 2012-B	1,280,000	-	100,000	1,180,000	110,000
EFC notes					
Series 2017-A	5,083,286	-	43,500	5,039,786	87,000
Series 2017-B	3,962,500	-	48,500	3,914,000	97,000
Series 2017-C	874,140	-	-	874,140	23,314
Series 2017-D	1,854,160	-	-	1,854,160	49,451
Series 2018-A	4,269,970	-	-	4,269,970	35,000
Series 2018-B	7,505,905	-	-	7,505,905	60,000
Series 2018-C	640,000	-	-	640,000	-
Bonds and notes payable	<u>49,849,961</u>	<u>-</u>	<u>3,567,000</u>	<u>46,282,961</u>	<u>3,976,765</u>
LTCP - IMA Debt	<u>3,019,036</u>	<u>-</u>	<u>110,268</u>	<u>2,908,768</u>	<u>111,822</u>
Unamortized bond premium	<u>1,767,803</u>	<u>-</u>	<u>320,995</u>	<u>1,446,808</u>	
Bonds and notes payable, net	<u>\$ 54,636,800</u>	<u>\$ -</u>	<u>\$ 3,998,263</u>	<u>\$ 50,638,537</u>	<u>\$ 4,088,587</u>

## NOTE 5 - LONG-TERM LIABILITIES (Continued)

### a. Revenue Bonds

During June 2011, the Finance Authority issued \$52,120,000 of Series 2011-A Water and Sewer System Revenue Bonds for the purpose of providing the Finance Authority with the funds required to refund (higher interest rate) all of the previously outstanding 2003 A and Series 2003 B Revenue Bonds.

The Series 2011-A Revenue Bonds comprise both Serial and Term Bonds, with varying rates and maturities, as follows:

Type	Rate	Maturity	Total Issued
Serial Bonds/Series A	2.00% to 5.00%	2012 to 2022	\$ 42,440,000
Term Bonds/Series A	5.00%	2023 to 2033	9,680,000
			<u>\$ 52,120,000</u>

Interest on both the Serial and Term Bonds is payable semi-annually. The Series A Term Bonds require sinking fund installments, beginning in the year 2023, through the year 2033, of amounts ranging from \$665,000 to \$1,135,000, annually. The Term Bonds are callable at the option of the Finance Authority, in whole or in part, beginning December 2023, at a redemption price of par, plus accrued interest.

Under the financing agreement, the Water Board granted a security interest and mortgage in the System to the Finance Authority. The Revenue Bonds are direct obligations of the Finance Authority, secured by a pledge of revenues and funds established under the Bond Resolutions.

### b. New York State Environmental Facilities Corporation (EFC) Revenue Bonds

During 2012, certain previously outstanding pooled borrowing notes were refunded and reissued, resulting in one new EFC pooled borrowing note: The 2012 B EFC Bond requires serial installments, with an interest rate of approximately 4%. Final maturity dates extend through 2028. Interest is payable semi-annually. During 2020, previously outstanding notes with the Environmental Facilities Corporation were converted into long-term bonds. The 2020 B EFC Bond requires serial bond installment, with an interest rate of 6%. Final maturity dates extend through 2050.

The Finance Authority receives a subsidy credit toward its annual debt service cost from, and is charged an annual administrative fee by, the New York State Environmental Facilities Corporation.

### c. New York State Environmental Facilities Corporation (EFC) Notes

The Finance Authority issued four Second Resolution Series 2017 Notes (2017 Notes), three Second Resolution Series 2018 Notes, and two Second Resolution Series 2020 Notes for the purpose of providing interim funding for the System's share of capital costs, net of related grant and other funding for the Albany Pool - Long-Term Control Plan (LTCP) (2017-A, 2018-B, 2020), other Board capital projects (2017-B, C, D and 2018-A and C, and 2020-C). The 2017, 2018 and 2020 Notes were purchased by New York State Environmental Facilities Corporation, pursuant to project finance agreements with the Finance Authority. The proceeds from the Notes are held by EFC and drawn upon by the System after eligible costs are incurred. The 2017, 2018, and 2020 Notes provide for a zero rate of interest (except for \$2.9 million of 2018-B notes which have an interest rate of 1.73% and \$6.7 million of 2020-C notes which have an interest rate of 1.02%) and require annual principal reduction payments beginning two years after the first drawdown of funds equal to 2.667 percent of the total amount drawn on the two-year anniversary. The 2017, 2018, and 2020 Notes are expected to be converted to long-term bonds at the time of maturity. The 2017, 2018 and 2020 Notes are payable from and secured by a pledge of the System's revenues on parity with all other Finance Authority bonds.



## NOTE 5 - LONG-TERM LIABILITIES – (Continued)

### c. New York State Environmental Facilities Corporation (EFC) Notes (Continued)

A summary of the terms of the Series 2017, 2018 and 2020 EFC Notes are as follows:

Series	Maturity	Total Issued	Amount Drawn
2017-A	March 16, 2022	\$ 5,083,286	\$ 3,230,493
2017-B	April 6, 2022	\$ 4,652,244	\$ 4,187,160
2017-C	December 14, 2022	\$ 874,140	\$ 874,140
2017-D	December 14, 2022	\$ 1,854,160	\$ 1,854,160
2018-A	June 14, 2023	\$ 4,269,970	\$ 4,269,970
2018-B	September 27, 2023	\$ 7,505,905	\$ 1,034,229
2020-C	May 21, 2025	\$ 6,676,792	\$ 435,022
2020	March 19, 2025	\$ 17,604,000	\$ -

### d. Long Term Control Plan – Inter Municipal Agreement Debt

In 2018, the System entered into an Inter-Municipal Agreement (IMA) with the long-term control plan communities (Note 12) to provide for pro rata contributions to the debt service payments (principal and interest) of bonds issued by the Cities of Cohoes and Rensselaer to finance a portion of the LTCP. The System's share of the total debt service payments is 58.68%.

Future principal payments required on all outstanding revenue bonds (excluding Series 2017, 2018 and 2020 EFC Notes) are as follows:

Year Ending December 31	EFC Revenue Bonds			LTCP IMA	
	2011-A	2012-B	2020-B		Total
2021	\$ 3,665,000	\$ 85,000	\$ 20,000	\$ 113,970	\$ 3,883,970
2022	4,145,000	120,000	16,366	113,701	4,395,067
2023	-	130,000	15,000	113,432	258,432
2024	1,370,000	130,000	15,000	115,154	1,630,154
2025	-	160,000	15,000	114,879	289,879
2026-2030	4,070,000	410,000	75,000	783,048	5,338,048
2030-2035	4,240,000	-	95,000	555,667	4,890,667
2036-2040	-	-	100,000	477,631	577,631
2041-2045	-	-	100,000	-	100,000
2046-2050	-	-	130,000	521,286	651,286
	<u>\$ 17,490,000</u>	<u>\$ 1,035,000</u>	<u>\$ 581,366</u>	<u>\$ 2,908,768</u>	<u>\$ 22,015,134</u>

Future interest payments required on all outstanding revenue bonds are as follows:

Year Ending December 31	EFC Revenue Bonds			LTCP IMA	
	2011-A	2012-B	2020-B		Total
2021	\$ 874,500	\$ 64,859	\$ 9,276	\$ 38,373	\$ 987,008
2022	691,250	57,651	11,165	37,538	797,604
2023	484,000	50,205	11,123	36,614	581,942
2024	484,000	42,229	11,082	35,604	572,915
2025	415,500	34,192	11,038	34,497	495,227
2026-2030	1,648,250	43,534	54,042	151,580	1,897,406
2030-2035	636,000	-	49,186	106,775	791,961
2036-2040	-	-	38,378	68,280	106,658
2041-2045	-	-	24,834	-	24,834
2046-2050	-	-	10,360	26,338	36,698
	<u>\$ 5,233,500</u>	<u>\$ 292,670</u>	<u>\$ 230,484</u>	<u>\$ 535,599</u>	<u>\$ 6,292,253</u>

## NOTE 6 – ASSETS WHOSE USE IS LIMITED AND OTHER FUNDS

Substantially all cash, cash equivalents, and investments of the Finance Authority are held by a Trustee or the New York State Environmental Facilities Corporation in accordance with the provisions of the Bond Resolutions and/or the Financing Agreements and are considered to be assets whose use is limited. Other funds included cash and investments held by the Water Board for ongoing projects and funds held in cash accounts for operating purposes.

	December 31, 2020			December 31, 2019
	Cash and Cash Equivalents	Investments	Total	Total
<b>Assets Whose Use Is Limited:</b>				
Authority Funds				
1999 Debt Service Reserve Fund (b)	\$ -	\$ 38,933	\$ 38,933	\$ 38,820
2003-C and 2012-B EFC Debt Service Reserve Fund (b)	133,349	246,145	379,494	374,619
2011-A Debt Service Reserve Fund (b)	461,616	4,100,398	4,562,014	5,870,186
2011-A Debt Service Fund (a)	73,777	-	73,777	1,544,976
2020-A EFC DW Reserve Fund	-	32,132	32,132	-
Other Funds	2,300	-	2,300	2,300
Note proceeds held by EFC	32,635,322	-	32,635,322	16,314,160
Total Authority Funds	<u>33,306,364</u>	<u>4,417,608</u>	<u>37,723,972</u>	<u>24,145,061</u>
<b>Other Funds:</b>				
Board Funds				
Ongoing Projects Account (c)	22,020	9,578,504	9,600,524	8,850,772
Lockbox and Other Accounts	1,362,764	-	1,362,764	1,585,977
Total Board Funds	<u>1,384,784</u>	<u>9,578,504</u>	<u>10,963,288</u>	<u>10,436,749</u>
Total	<u>\$ 34,691,148</u>	<u>\$ 13,996,112</u>	<u>\$ 48,687,260</u>	<u>\$ 34,581,810</u>

- (a) Debt Service Funds: These accounts, which are held by a Trustee, provide for the monthly funding of semi-annual debt service payments. The revenues from the Water Board are utilized to fund these accounts on a priority basis.
- (b) Debt Service Reserve Funds: These accounts, which are held by a Trustee, were originally funded with deposits from the proceeds of various bond issues in amounts approximating the maximum annual debt service payments. In accordance with the Bond Resolution (or, as applicable, the SRF note agreements), these funds may only be applied to debt service payments to the extent other funds are not available.
- (c) Ongoing Projects Account: This account provides for the funding of special, non-recurring capital projects as approved by the Water Board.

## NOTE 7 - ACCRUED EXPENSES

Accrued expenses comprise the following:

	Years Ended December 31,	
	2020	2019
Albany County Sewer Contract obligation	\$ 2,182,586	\$ 2,010,935
Accrued interest	<u>160,301</u>	<u>140,266</u>
Total	<u>\$ 2,342,887</u>	<u>\$ 2,151,201</u>

## NOTE 8 - LINE OF CREDIT

In 2020, the System entered into a revolving line of credit with Bank of America. The revolving line of credit series has a principal balance not to exceed \$9,000,000. The facility will be used to supplement the cash flow under the Beaver Creek Clean River Project for timing differences in receipts from the Environmental Facilities Corporation and project expenses incurred.

The revolving line of credit has an applicable interest rate of the sum of 80% of LIBOR Daily Floating Rate plus 0.9% on the used portion of the facility. The unused portion of the facility will incur interest at the rate of 0.40% per annum, payable quarterly.

In 2020, the System has drawn \$50,000 of the facility, the mandatory initial draw amount. Project costs are expected to begin in 2021. The facility matures July 8, 2022.

## NOTE 9 - TRANSACTIONS WITH THE CITY OF ALBANY

Amounts due from/to the City of Albany are as follows:

	Years Ended December 31,	
	2020	2019
Due from the City of Albany	\$ 25,471,143	\$ 22,270,890
Due to the City of Albany	(23,245,657)	(24,604,346)
Due from (to) the City of Albany, net	<u>\$ 2,225,486</u>	<u>\$ (2,333,456)</u>

Pursuant to the Operating Agreement, the City is entitled to water and sewer services without charge in exchange for providing the Water Board with services described in the agreement. Certain indirect costs, including certain legal services and accounting and engineering support incurred by the City, are charged to the Water Board on an annual basis. Indirect costs charged to the Water Board were \$950,000 and \$1,150,000 for the years ended December 31, 2020 and 2019, respectively, and have been classified as Administrative fee, City of Albany, in the accompanying combined statements of revenues, expenses, and changes in net position.

## NOTE 10 - RETIREMENT PLAN

As noted in Note 1a, the System reimburses the City for all personnel costs, including the costs associated with the retirement system. All personnel who perform work for the System are employees of the City. Furthermore, the System does not make a direct contribution to the New York State and Local Employees' Retirement System (ERS) but rather reimburses the City for a portion of their ERS costs as stipulated in the operation agreement. As the System is considered a non-employer and does not make direct contributions to the ERS, the System is not required to report a net pension liability or asset, or any related deferred inflows of resources or deferred outflows of resources.

The System is a member of the ERS and makes contributions on behalf of one Authority board member who is eligible for compensation under New York State regulations. These contributions, and any resulting net pension liability, are immaterial to these combined financial statements.

## NOTE 11 – CAPITAL GRANTS

The System is recipient of capital grant funding; which relates to funding the improvement of water infrastructure, unrelated to the Long-Term Control Plan (Note 12) and capital grants for the Long-Term Control Plan. Capital grant revenue recognized for the year ended December 31, 2020 and 2019 was as follows:

Grantor	Grant Name	Project	2020	2019
Department of Environmental Conservation	Water Quality Improvement Project	Beaver Creek	-	\$ 4,548,288
Department of Environmental Conservation	Water Quality Improvement Project	Tivoli Day Lighting	-	750,000
Environmental Facilities Corporation	Clean Water Improvement Act	Water Filtration Plant Upgrades	385,395	114,524
Environmental Facilities Corporation	Green Innovation Grant Program	Tivoli Lake	55,000	1,045,000
Environmental Facilities Corporation	Water Infrastructure Improvement Act	Albany/Colonie Water Interconnection	252,898	480,000
Environmental Facilities Corporation	Water Infrastructure Improvement Act	Beaver Creek	-	1,250,985
Environmental Facilities Corporation	Integrated Solutions Construction	Hansen/Ryckman CSO Abatement	400,000	-
Environmental Facilities Corporation	New York State Water Grant	Upper Washington Pressure Zone	1,144,504	-
Environmental Facilities Corporation	Water Infrastructure Improvement Act	Upper Washington Pump Station	1,423,324	-
Environmental Facilities Corporation	Water Infrastructure Improvement Act	Water Comprehensive Plan Phase I	1,500,000	-
Town of Colonie	Latham Share	Albany/Colonie Interconnection	198,848	-
New York State Archives	LGRMG Local Government Records Management Grant	Local Government Records Management	28,222	-
Department of Health	DOH Lead Line Replacement	Lead Line Replacement Program	11,364	-
			<u>\$ 5,399,555</u>	<u>\$ 8,188,797</u>

## NOTE 12 - COMMITMENTS AND CONTINGENCIES

### *a. Litigation*

The System is a party to various legal actions typically associated with water and sewer utility operations, the aggregate effect of which is not expected to be material to the future financial condition of the System.

### *b. Agreements with Other Governments*

In 2018, the Water Board entered into a new 10-year agreement with the Town of Guilderland (Town). The agreement calls for the Water Board to provide the Town with 35 million gallons of water per month but shall be a minimum of 70 million gallon per year in aggregate at the prevailing residential rate. The Town is required to prepay in January of each year for the 70 million gallon minimum. Town usage in excess of 70 million gallons is billed to the Town at the prevailing residential rate. 2020 prepayment totaled approximately \$260,000.

In 2004, the Water Board entered into a 20-year agreement with the Town of Bethlehem (Bethlehem). The agreement requires an annual minimum purchase each year, ranging from 250 million gallons to 500 million gallons. The initial rate of the agreement is \$2.42 per thousand gallons is subject to the same percentage increases as metered residential customers receive within the City limits. 2020 revenue from this contract totaled approximately \$2,000,000.

In 2017, the Water Board entered into an Intermunicipal Water Supply Agreement with the Town of Colonie (Colonie). The agreement was made following the installation of a water interconnection between the Board and Colonie. Water traded between the entities is billed at a rate of a percentage of the cost to deliver water consumed by the supplying party. There was no revenue generated from this contract in 2020.

### *c. Commitments for Capital Projects*

At December 31, 2020, unexpended commitments for capital projects totaled \$5,266,490.

### *d. Rebate on Interest Earnings*

In accordance with the Tax Reform Act of 1986, the Water Board and Finance Authority are required to rebate to the Federal government the net interest earned on certain restricted funds under the bond issues in excess of the interest expense on the bonds. During 2016, the Finance Authority made the required 90% payment of the arbitrage liability which amounted to \$260,486 for its 2011-A Bonds. As a result, there was no outstanding arbitrage rebate at December 31, 2020 and 2019. Any future amounts to be rebated are not expected to be material to the System.

### *e. Albany County Sewer Contract*

The City, along with certain other municipalities, entered into an agreement with the Albany County Water Purification District (District) which was subsequently assumed by the Water Board. The District maintains and operates the County sewer system and waste treatment plants. Under the agreement, the District bills the Water Board its share of the debt service on County sewer obligations and related operating expenses. The Water Board is liable for its allocable share of debt service whether or not the City's sewer system remains connected to the County system.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES – (Continued)

### *f. Rate Covenants*

Under the Bond Resolution (Note 1), the Water Board has agreed to establish rates sufficient in each year so that budgeted revenues are at least equal to 115% of the sum of budgeted annual aggregate debt service. The Water Board has also agreed that operating revenues collected for each fiscal year be at least equal to 100% of operating and Authority expenses and 100% of the amount necessary to pay the required deposits for debt service reserve and other funds from revenue sources.

For fiscal year 2020 and 2019, the minimum debt coverage ratio was achieved. For fiscal year 2020 and 2019, operating revenues collected were at least 100% of operating and Authority expenses. For fiscal year 2020 and 2019, operating revenues collected were at least 100% of required deposits made to the Debt Service Reserve Fund.

## NOTE 13 – ALBANY POOL – LONG-TERM CONTROL PLAN

The Water Board, on behalf of the City of Albany, along with six other Capital Region municipalities, is a party to an agreement known as the Albany Pool - Long-Term Control Plan (LTCP). The LTCP project, which was developed under a consent order with the New York State Department of Environmental Conservation, is intended to address the combined sewer overflow discharges into the Hudson River and improve overall water quality. Construction projects associated with the LTCP began in 2015 and are expected to be completed by 2027. The Albany CSO Pool Communities Corporation (Pool Communities Corporation) was established to provide a mechanism to jointly manage the development and implementation of LTCP projects, oversight of program consultants and administrators, and reconcile program finances. Each municipality is responsible for a share of the Pool Communities Corporation operating costs.

Total expected project costs, for all communities under the program, are anticipated to total approximately \$100 million. Approximately 59% will be the funding responsibility of the System. The total allocation by participating municipality is as follows:

<u>Municipality</u>	<u>Allocation %</u>
Albany	58.68%
Troy	34.76%
Cohoes	2.74%
Rensselaer	2.13%
Watervliet	1.16%
Green Island	0.53%

Although the System contributes 58.68% of project costs to the other municipalities' projects, the System only capitalizes project costs that reside within the System's jurisdiction. Contributions from the other municipalities for the remaining 41.32% of LTCP project costs that reside within the System's jurisdiction will be recognized as capital contributions (revenues) from the other municipalities which totaled \$3,633,568 and \$2,737,594 for the years ended December 31, 2020 and 2019, respectively. Likewise, capital contributions to other municipalities for LTCP projects outside the jurisdiction of the System will be recognized as capital contributions (expenses) to the other municipalities which totaled \$0 and \$29,017 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 13 – ALBANY POOL – LONG-TERM CONTROL PLAN – (Continued)**

The capital contribution to and from municipalities have not yet been settled in cash and are carried as due from and due to other municipalities in the statement of net position. Amounts due to and from other municipalities are as follows:

<u>Municipality</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
Cohoes	\$ 317,791	\$ 476,470	\$ 258,378	\$ 423,730
Green Island	61,471	18,988	49,978	14,641
Rensselaear	247,042	25,086	200,856	25,086
Troy	2,872,724	2,085,834	2,118,996	439,126
Watervliet	134,540	189,454	109,386	195,260
Pool Communities Corporation	-	803,026	-	706,329
Total	<u>\$ 3,633,568</u>	<u>\$ 3,598,858</u>	<u>\$ 2,737,594</u>	<u>\$ 1,804,172</u>

**NOTE 14 – SUBSEQUENT EVENT**

On February 24, 2021, the System closed on a \$33,310,000 Revenue Bond issuance. This consisted of \$20,520,000 in new money projects and \$12,790,000 in refunding of the 2011-A Series Revenue Bond Refunding. 2020 annual debt service totaled approximately \$4.5 million. After the 2021 refunding, annual debt service declines to approximately \$3 million.

**NOTE 15 – COVID-19 PANDEMIC**

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

**REPORT REQUIRED UNDER *GOVERNMENT AUDITING STANDARDS***



**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**

May 11, 2021

Members of the Albany Water Board and  
Albany Municipal Water Finance Authority

We have audited, in accordance with the 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 combined financial statements of the Albany Water Board and the Albany Municipal Water Finance Authority (System), as of and for the year ended December 31, 2020, and the related notes to the combined financial statements, which collectively comprise the System's combined financial statements, and have issued our report thereon dated May 11, 2021.

**Internal Control Over Financial Reporting**

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

6 Wembley Court  
Albany, New York 12205  
p (518) 464-4080  
f (518) 464-4087

www.bonadio.com

(Continued)

**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**  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.