

**CAYUGA COUNTY  
WATER AND SEWER AUTHORITY**

**Auburn, New York**

**FINANCIAL REPORT**

**For the Years Ended  
December 31, 2020 and 2019**



# CAYUGA COUNTY WATER AND SEWER AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cayuga County Water and Sewer Authority  
Auburn, New York

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

We have audited the accompanying financial statements of Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, New York, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cayuga County Water and Sewer Authority as of December 31, 2020 and 2019 and the changes in financial position and cash flows thereof for the years then ended in accordance 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, the Schedule of Authority's Contributions and the Schedule of the Authority's Proportionate Share of the Net Pension Liability and related notes, on pages 3-3j and 21-23, 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 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 March 15, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

### **Other Reporting Required by New York State Public Authorities Law**

In accordance with New York State Public Authorities Law, we have also issued our report dated March 15, 2021 on our consideration of the Authority's compliance with §2925(3)(f) of the New York State Public Authorities Law. The purpose of that report is to describe anything that came to our attention that caused us to believe the Authority failed to comply with the Authority's Investment Guidelines, the New York State Comptroller's Investment Guidelines, and §2925(3)(f) of the New York State Public Authorities Law.

Respectfully submitted,



Inero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
March 15, 2021

# ***CAYUGA COUNTY WATER AND SEWER AUTHORITY***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019**

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Cayuga County Water and Sewer Authority's (the Authority) financial position as of December 31, 2020 and 2019, and its results of operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Authority, which directly follow the MD&A.

### **Overview of the Basic Financial Statements**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Authority and the financial activity and results of its operations during the year. A description of these statements follows:

**Statements of Net Position** present information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources on the accrual basis, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**Statements of Revenues, Expenses, and Changes in Net Position** present information showing the change in the Authority's net position during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in these statements include all items resulting in cash received or disbursed in future fiscal periods, for example, the receipt of amounts due from customers, or payment accrued for accumulated vacation days.

**Statements of Cash Flows** provide information on the major sources and uses of cash during the year. Cash flow statements portray net cash provided or used from operating, non-capital financing, capital financing, and investing activities.

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

### Financial Statement Overview

The Statement of Net Position presents the financial position of the Authority as of December 31,:

ASSETS	2020	2019	2018
Current Assets	\$ 2,307,739	\$ 2,239,664	\$ 1,854,501
Restricted Cash	491,161	426,831	370,464
Capital Assets	<u>13,229,395</u>	<u>13,714,052</u>	<u>14,352,303</u>
 Total Assets	 <u>\$ 16,028,295</u>	 <u>\$ 16,380,547</u>	 <u>\$ 16,577,268</u>
DEFERRED OUTFLOWS OF RESOURCES	2020	2019	2018
Pensions	<u>\$ 107,198</u>	<u>\$ 42,725</u>	<u>\$ 63,391</u>
 Total Deferred Outflows of Resources	 <u>\$ 107,198</u>	 <u>\$ 42,725</u>	 <u>\$ 63,391</u>
LIABILITIES	2020	2019	2018
Current Liabilities	\$ 191,708	\$ 194,184	\$ 205,976
Long-term Liabilities	<u>3,483,489</u>	<u>3,484,157</u>	<u>3,560,395</u>
 Total Liabilities	 <u>\$ 3,675,197</u>	 <u>\$ 3,678,341</u>	 <u>\$ 3,766,371</u>
DEFERRED INFLOWS OF RESOURCES	2020	2019	2018
Pensions	<u>\$ 9,061</u>	<u>\$ 23,420</u>	<u>\$ 67,443</u>
 Total Deferred Inflows of Resources	 <u>\$ 9,061</u>	 <u>\$ 23,420</u>	 <u>\$ 67,443</u>
NET POSITION	2020	2019	2018
Net Investment in Capital Assets	\$ 9,781,133	\$ 10,169,358	\$ 10,712,435
Unrestricted	<u>2,670,102</u>	<u>2,552,153</u>	<u>2,094,410</u>
 Total Net Position	 <u>\$ 12,451,235</u>	 <u>\$ 12,721,511</u>	 <u>\$ 12,806,845</u>

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

A summary of operating and nonoperating revenue and expenses follows:

	2020	2019	2018
Operating Revenues	\$ 1,278,345	\$ 1,239,502	\$ 1,315,895
Nonoperating Revenues	392,310	725,635	434,026
Total Revenues	<u>1,670,655</u>	<u>1,965,137</u>	<u>1,749,921</u>
Operating Expenses	1,757,263	1,673,882	1,807,202
Nonoperating Expenses	183,668	376,589	280,791
Total Expenses	<u>1,940,931</u>	<u>2,050,471</u>	<u>2,087,993</u>
<b>Change in Net Position</b>	<b><u>\$ (270,276)</u></b>	<b><u>\$ (85,334)</u></b>	<b><u>\$ (338,072)</u></b>

### Statement of Net Position

Current assets are comprised of cash, accounts receivable, grants receivable, and prepaid expenses. Accounts receivable primarily includes amounts due from water and sewer customers. Current liabilities primarily include accounts payable, accrued liabilities, and the current portion (due within one year) of long-term liabilities. Accounts payable are amounts due to vendors. Accrued liabilities include accrued payroll, payroll taxes, and other payroll related liabilities, such as accumulated vacation.

Noncurrent assets consist of restricted cash, which is restricted for debt, capital projects, and funds reserved for emergency use by the Authority's Board of Directors. Noncurrent liabilities consist of the long-term portion of bonds and notes payable, incurred to fund capital projects, and the Authority's proportionate share of net pension liability.

### Financial Position Summary 2020

Current assets increased \$68,075 in 2020 primarily due to increases in cash and cash equivalents, coming mainly from net cash provided by operations.

Noncurrent assets decreased \$420,327 as a result of a decrease in capital assets, net of accumulated depreciation and offset by increases in restricted cash and cash equivalents. Capital assets, net of accumulated depreciation, decreased by \$484,657 as a result of normal depreciation of \$648,724 and disposals of \$62,879, offset by capital asset additions of \$226,946. Restricted cash and cash equivalents increased \$64,330 due to an increase in amounts set aside for debt service.

Deferred outflows of resources and deferred inflows of resources decreased as a result of changes in actuarial assumptions related to the NYSLRS pension plan.

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019**

Total noncurrent liabilities decreased \$668 primarily due to repayment of notes and bonds during the year offset by a large increase in the Authority's proportionate share of net pension liability.

Total net position decreased by the excess of expenses over revenues of \$270,276; primarily due to depreciation expense. Depreciation expense resulted in a decrease in net investment in capital assets of \$388,225.

### Financial Position Summary 2019

Current assets increased \$385,163 in 2019 primarily due to increases in cash and cash equivalents, coming mainly from a new contract with the Village of Union Springs. In 2017, the Authority was awarded a matching grant from New York State to develop a regional master plan detailing the efficient delivery of water and sewer services to Cayuga County. Expenses under this grant totaled \$1,634 in 2019. These expenses have been applied against the state and county funds and a grant receivable of \$47,804 has been recognized at December 31, 2019.

Noncurrent assets decreased \$581,884 as a result of a decrease in capital assets, net of accumulated depreciation and offset by increases in restricted cash and cash equivalents. Capital assets, net of accumulated depreciation, decreased by \$638,251 as a result of normal depreciation of \$644,303 and disposals of \$3,414, offset by capital asset additions of \$9,466. Restricted cash and cash equivalents increased \$56,367 due to an increase in amounts set aside for debt service.

Deferred outflows of resources and deferred inflows of resources decreased as a result of changes in actuarial assumptions related to the NYSLRS pension plan.

Current liabilities decreased \$11,792, primarily due to a decrease in accounts payable. Total noncurrent liabilities decreased \$76,238 primarily due to repayment of notes and bonds during the year, offset by an increase in the Authority's proportionate share of net pension liability.

Total net position decreased by the excess of expenses over revenues of \$85,334; primarily due to depreciation expense. Depreciation expense resulted in a decrease in net investment in capital assets of \$543,077.

### Capital Assets, Net

Depreciation expense on capital assets for the years ended December 31, 2020, 2019, and 2018 was \$648,724, \$644,303, and \$664,022, respectively.

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

A summary of changes in capital assets, by major classification, and accumulated depreciation is as follows:

2020				
Category	Balance January 1,	Additions	Deletions/ Reclassifications	Balance December 31,
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in Progress	19,605	176,075	(101,593)	94,087
Water and Sewer Lines	20,667,021		38,714	20,705,735
Machinery and Equipment	131,638	50,871		182,509
<b>Total</b>	<b>\$ 20,823,264</b>	<b>\$ 226,946</b>	<b>\$ (62,879)</b>	20,987,331
Less Accumulated Depreciation at December 31, 2020				<u>(7,757,936)</u>
<b>Net Value of Capital Assets</b>				<b><u>\$ 13,229,395</u></b>

2019				
Category	Balance January 1,	Additions	Deletions/ Reclassifications	Balance December 31,
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in Progress	13,553	9,466	(3,414)	19,605
Water and Sewer Lines	20,667,021			20,667,021
Machinery and Equipment	131,638			131,638
<b>Total</b>	<b>\$ 20,817,212</b>	<b>\$ 9,466</b>	<b>\$ (3,414)</b>	20,823,264
Less Accumulated Depreciation at December 31, 2019				<u>(7,109,212)</u>
<b>Net Value of Capital Assets</b>				<b><u>\$ 13,714,052</u></b>

2018				
Category	Balance January 1,	Additions	Deletions/ Reclassifications	Balance December 31,
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in Progress	9,984	3,569		13,553
Water and Sewer Lines	20,667,021			20,667,021
Machinery and Equipment	105,281	26,357		131,638
<b>Total</b>	<b>\$ 20,787,286</b>	<b>\$ 29,926</b>	<b>\$ -</b>	20,817,212
Less Accumulated Depreciation at December 31, 2018				<u>(6,464,909)</u>
<b>Net Value of Capital Assets</b>				<b><u>\$ 14,352,303</u></b>

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

### Debt

The authority issues debt, primarily to fund capital improvements. A summary of changes in capital debt follows:

CHANGES IN CAPITAL DEBT	1/1/2020	Additions	Deletions	12/31/2020
Bonds and Notes Payable	\$ 3,544,694	\$	\$ (96,432)	\$ 3,448,262
<b>Total Capital Debt</b>	<b>\$ 3,544,694</b>	<b>\$ -</b>	<b>\$ (96,432)</b>	<b>3,448,262</b>
Less Current Portion				<u>(96,702)</u>
<b>Long-Term Portion</b>				<b><u>\$ 3,351,560</u></b>
CHANGES IN CAPITAL DEBT	1/1/2019	Additions	Deletions	12/31/2019
Bonds and Notes Payable	\$ 3,639,868	\$	\$ (95,174)	\$ 3,544,694
<b>Total Capital Debt</b>	<b>\$ 3,639,868</b>	<b>\$ -</b>	<b>\$ (95,174)</b>	<b>3,544,694</b>
Less Current Portion				<u>(96,432)</u>
<b>Long-Term Portion</b>				<b><u>\$ 3,448,262</u></b>
CHANGES IN CAPITAL DEBT	1/1/2018	Additions	Deletions	12/31/2018
Bonds and Notes Payable	\$ 3,728,796	\$	\$ (88,928)	\$ 3,639,868
<b>Total Capital Debt</b>	<b>\$ 3,728,796</b>	<b>\$ -</b>	<b>\$ (88,928)</b>	<b>3,639,868</b>
Less Current Portion				<u>(95,174)</u>
<b>Long-Term Portion</b>				<b><u>\$ 3,544,694</u></b>

Additional information related to the Authority's other long-term liabilities is included in the notes to financial statements.

### **Statement of Revenues, Expenses, and Changes in Net Position**

The net effect of current year revenues and expenses resulted in a decrease of \$270,276 in total net position in 2020, compared to a decrease in total net position of \$85,334 in 2019 and a decrease of \$338,072 in 2018.

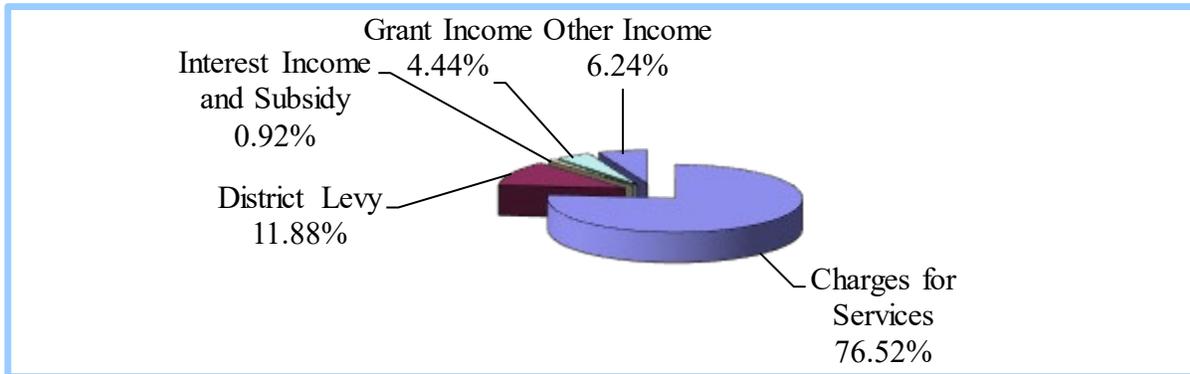
# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

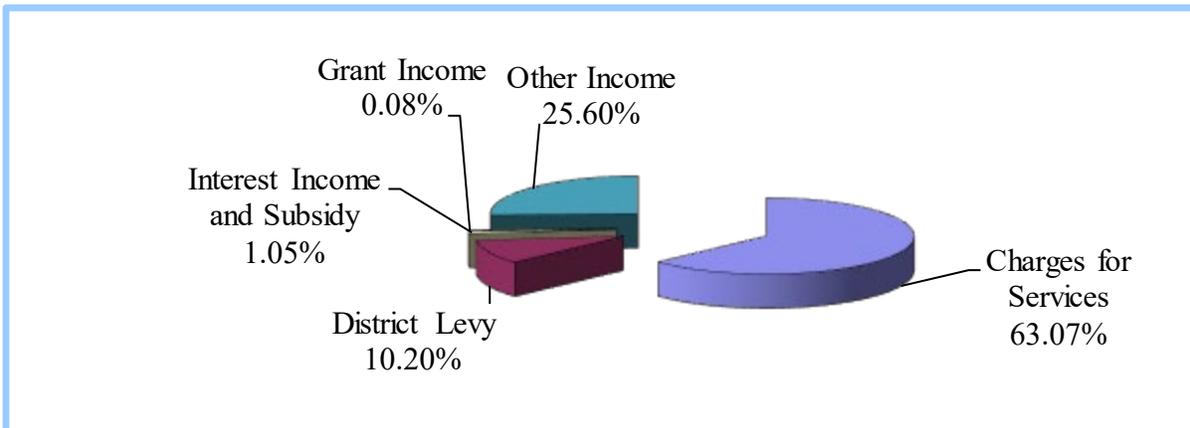
### Revenue Overview

The following charts depict revenue proportion:

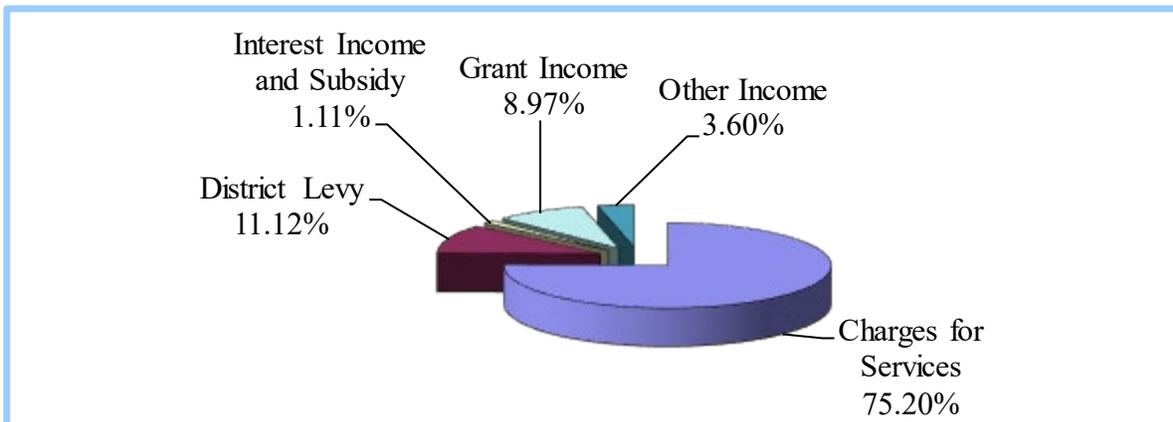
#### 2020 REVENUE



#### 2019 REVENUE



#### 2018 REVENUE



# CAYUGA COUNTY WATER AND SEWER AUTHORITY

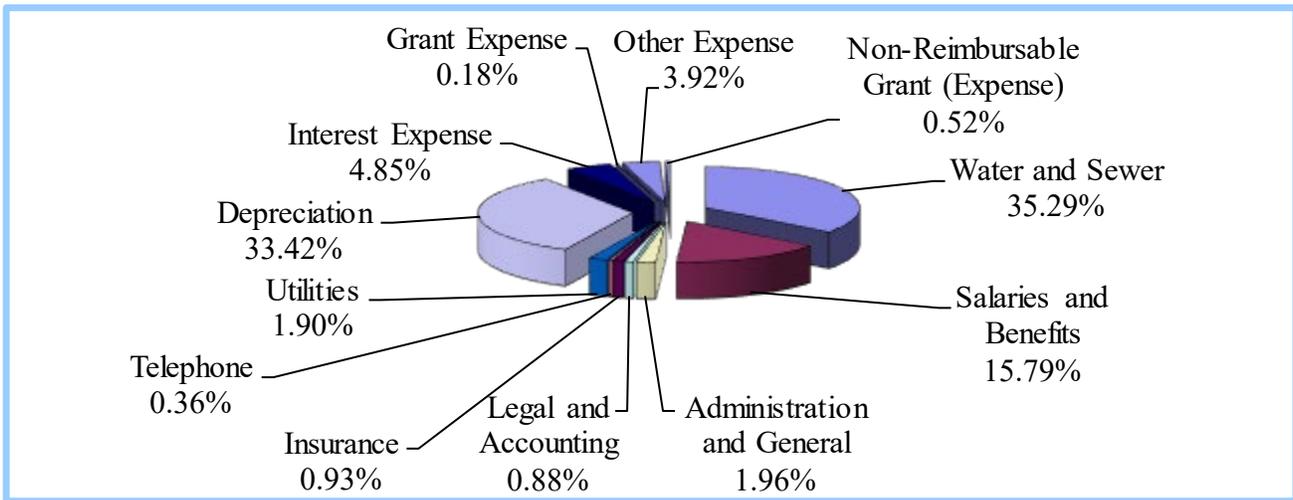
## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

### Expense Overview

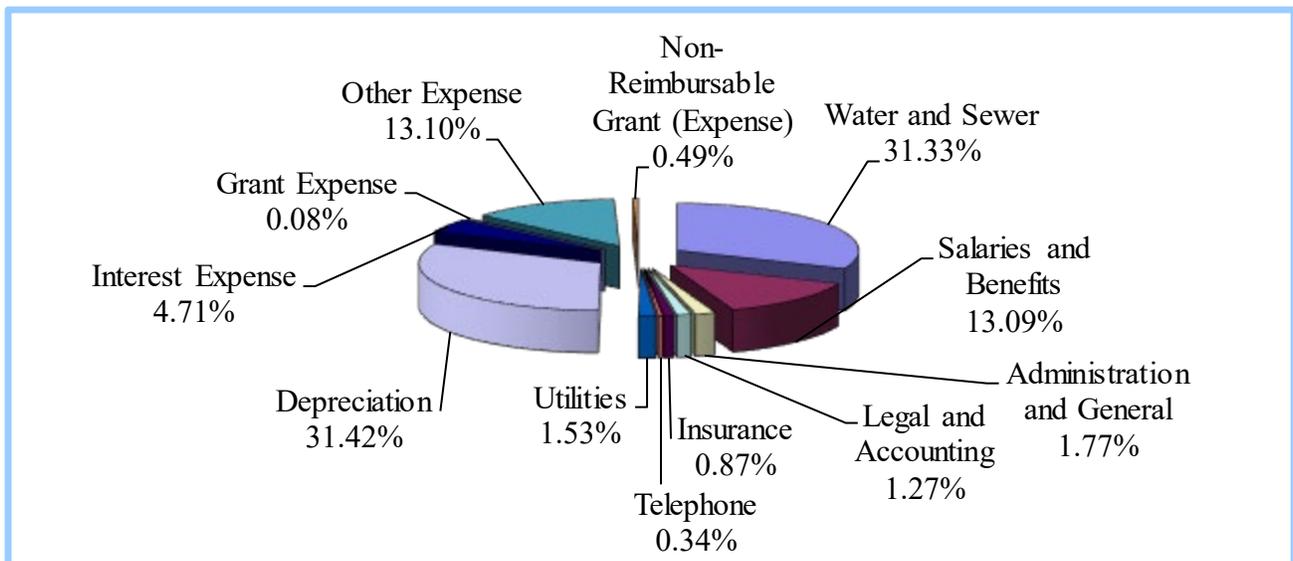
Expenses are displayed in the Statement of Revenues, Expenses, and Changes in Net Position in two categories: operating expenses and non-operating expenses. Interest expense and other expenses are considered non-operating expenses.

The following charts depict expenses by area:

### 2020 EXPENSES



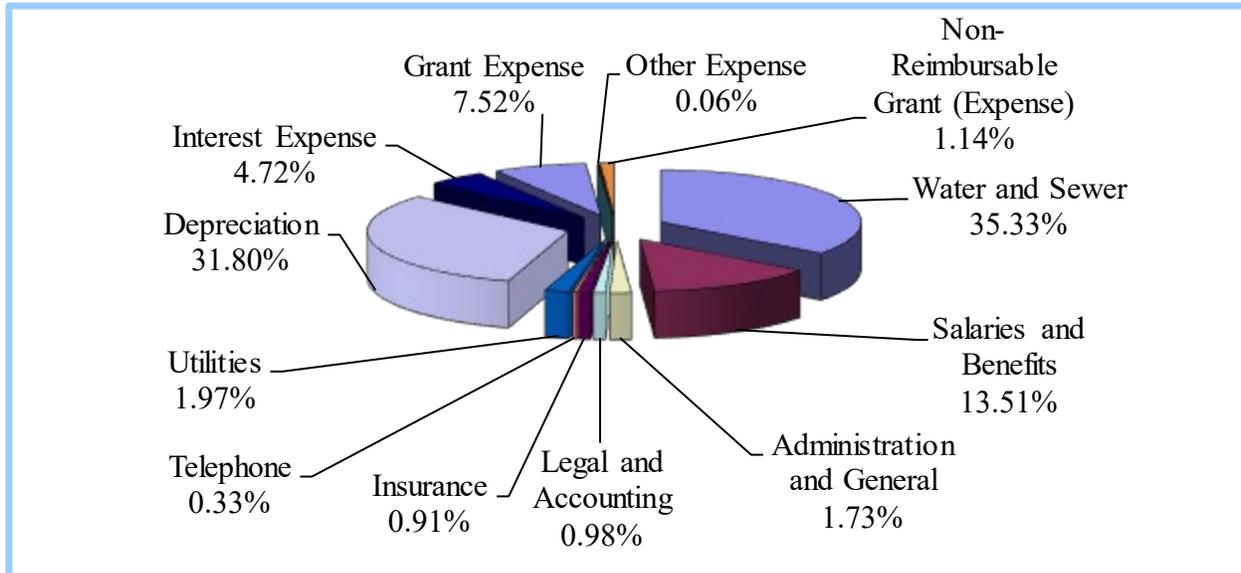
### 2019 EXPENSES



# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019

### 2018 EXPENSES



#### Summary of Operations and Change in Net Position 2020-2019

Charges for services were 3.1% higher in 2020 than in 2019, based on increased demand. Non-operating expenses decreased by 51.2%, primarily due to completion of the Village of Union Springs contract, slightly offset by an increase grant related expenses. Non-operating income decreased by 45.9%, primarily due to completion of the contract with the Village of Union Springs, offset by an increase in grant income of \$72,472.

Operating expenses increased 5.0%. The increase was primarily due to an increase in water and sewer expenses of \$42,450, as well as an increase of salaries and employee benefits expense of \$38,034.

#### Summary of Operations and Change in Net Position 2019-2018

Charges for services were 5.8% lower in 2019 than in 2018, based on lower demand for water due to improvements in wholesale customers' infrastructure. This led to fewer leaks and increases in conservation appurtenances. Nonoperating expenses increased \$95,798 or 34.1%, primarily due to expenses related to the Village of Union Springs contract, slightly offset by a reduction in non-reimbursable and grant related expenses. Nonoperating income increased \$291,609, or 67.2%, primarily due to a new contract with the Village of Union Springs in the amount of \$453,416, offset by a decrease in grant income of \$155,292.

Operating expenses decreased \$133,320 or 7.4%. The decrease was primarily due to a decrease in water and sewer expenses of \$95,213, as well as a decrease of salaries and employee benefits expense of \$13,723 and a reduction in depreciation expense of \$19,719. Water and sewer expenses decreased based on costs for the City of Auburn and Town of Aurelius decreasing from the prior year as well as costs associated with sewer treatment. Salaries and employee benefits expense decreased primarily due to employee turnover.

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019**

### **Activities and Accomplishments**

#### **Water**

- Continued focus on preventative maintenance (hydrant flushing, meters, etc.)
- Maintained compliance with County & NYS Dept. of Health sampling plans and mandated standards to provide safe, potable water.
- Provided operations and maintenance services for Town of Mentz Water District 2.
- Continued to provide supervision and operational support for maintenance to the Town of Springport Water District 1.
- Continued to provide supervision for operations and maintenance support in the Towns of Fleming & Springport Water District 2.
- New residential services installed.
- Ongoing water meter and pit upgrades/replacements throughout water system where deemed necessary.
- Water operations department staff attended training and recertification classes.
- All staff attended safety mandated training with NYS Comp. Insurance.
- Continued work as normal as possible due to COVID-19 restrictions.
- Responded to 200+ DigSafely Requests (combined water/sewer).

#### **Sewer - County Sewer District 2**

- Purchased and installed odor control, chemical feed system at West Bay Road.
- Coordination/inspection of additional sewer connections for rebuilt or new homes/cottages.
- Continued focus on preventative maintenance (sewers cleaned, servicing of generators, etc.). “Smoke” tested the gravity portions of the sewer system to alleviate issues of infiltration of the system. Issues found and resolved.
- Responded to 200+ DigSafely Requests (combined water/sewer).

#### **Sewer - Springport Sewer District 1**

- Provide supervision and operational support of maintenance with Town of Springport.

#### **Miscellaneous**

- Appointments of board members. Training to meet the mandates of the Authority Budget Office was provided and is ongoing; ongoing discussion and education of projects and finances continue.
- CCWSA has approval for use of a garage facility for approximately one more year. The expansion of CCWSA operations and maintenance programs make it necessary to expand our working environment. Our current system of maintenance and repair/rebuilding of grinder pumps and appurtenances at this location is running smoothly. Use of CCWSA manhours is a cost savings to the agency.
- CCWSA is working with the Cayuga County Industrial Development Agency to provide oversight to a new low pressure sewer line in the town of Aurelius, at the Aurelius Industrial Park. The immediate need is a sewer line with higher capacity necessary for the expected growth of the existing industries within the park. The new low pressure sewer line will bypass the existing, older gravity sewer. Both systems will deposit into the public sewer system owned by the City of Auburn. Construction for this system is at the bid stage with expectation to be installed by May 1, 2021. Agreements under discussion for ownership and operations and maintenance.

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020 AND 2019**

### **Engagement/outreach**

- Attendance at County Public Works meetings (virtual). Support of the County Legislature is necessary to continue supporting the infrastructure of the county properties. Approval for funding the Regional Water Project for the county enabled engineering planning for this project.
- Continued efforts to complete the Map, Plan Report for the Regional Water Project with expectation of sending the document to funding agencies and political representatives for funding support.
- Attending various town and village meetings as appropriate to continue supporting safe, potable water services and/or sewer services.
- Ongoing meetings with local community representatives for water.

### **Future Factors**

The Cayuga County Water and Sewer Authority (CCWSA) continues its efforts to provide quality, reliable water and sewer services. With a focus on preventative maintenance to our existing facilities, the Authority continues to look forward to opportunities to assist communities throughout the county. Aging infrastructure, increasing costs, lack of experienced water and wastewater operations personnel continue to present challenges for all public systems.

CCWSA continues to provide assistance as a supervisory component to manage operations and maintenance to existing water and sewer districts outside of our immediate wholesale and residential customer base. The implementation of a collaborative working environment is a pivotal opportunity to combine personnel, equipment, experiences, and knowledge to guarantee that our citizens are provided the most efficient and appropriate critical services, both operationally and administratively.

Throughout 2021, the Authority will continuing cooperation with local municipal and political representatives, engaging them in a system of regionalization that will be more efficient.

CCWSA has plans to extend a public water supply from its existing system to areas that have requested water for commercial and residential use. This may consist of a variety of “districts”, individual and, potentially as combined municipal areas (“county districts”). Additional municipalities have approached the Authority for assistance for upgrades to water systems with the possibility for providing operational and administrative service.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Operations, Cayuga County Water and Sewer Authority, 7413 County House Road, Auburn, New York, 13021 or e-mail [ccwsa@ccwsa.us](mailto:ccwsa@ccwsa.us).

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## STATEMENTS OF NET POSITION DECEMBER 31,

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,035,611	\$ 1,971,186
Accounts Receivable, Net	233,812	197,222
Grants Receivable	20,694	47,804
Prepaid Expenses	17,622	23,452
<b>Total Current Assets</b>	<b>2,307,739</b>	<b>2,239,664</b>
<b>Noncurrent Assets</b>		
Restricted Cash and Cash Equivalents	491,161	426,831
Land and Other Non-Depreciable Capital Assets	99,087	24,605
Capital Assets, Net of Accumulated Depreciation	13,130,308	13,689,447
<b>Total Noncurrent Assets</b>	<b>13,720,556</b>	<b>14,140,883</b>
<b>Total Assets</b>	<b>16,028,295</b>	<b>16,380,547</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	107,198	42,725
<b>Total Deferred Outflows of Resources</b>	<b>107,198</b>	<b>42,725</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	71,987	80,086
Accrued Liabilities	14,002	10,168
Compensated Absences	9,017	7,498
Current Portion of Long-Term Liabilities:		
Notes Payable	30,000	30,000
Bonds Payable	66,702	66,432
<b>Total Current Liabilities</b>	<b>191,708</b>	<b>194,184</b>
<b>Noncurrent Liabilities and Obligations</b>		
Notes Payable, Net of Current Portion	595,000	625,000
Bonds Payable, Net of Current Portion	2,756,560	2,823,262
Net Pension Liability - Proportionate Share	131,929	35,895
<b>Total Noncurrent Liabilities</b>	<b>3,483,489</b>	<b>3,484,157</b>
<b>Total Liabilities</b>	<b>3,675,197</b>	<b>3,678,341</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	9,061	23,420
<b>Total Deferred Inflows of Resources</b>	<b>9,061</b>	<b>23,420</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	9,781,133	10,169,358
Unrestricted	2,670,102	2,552,153
<b>Total Net Position</b>	<b>\$ 12,451,235</b>	<b>\$ 12,721,511</b>

*See Notes to Financial Statements*

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31,**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>		
Charges for Services - Water	<b>\$ 886,362</b>	<b>\$ 839,659</b>
Charges for Services - Sewer	<b>391,983</b>	<b>399,843</b>
<b>Total Operating Revenues</b>	<b>1,278,345</b>	<b>1,239,502</b>
<b>OPERATING EXPENSES</b>		
Water and Sewer	<b>684,924</b>	<b>642,474</b>
Salaries and Employee Benefits	<b>306,464</b>	<b>268,430</b>
Administration and General	<b>38,071</b>	<b>36,361</b>
Legal and Accounting	<b>17,176</b>	<b>26,058</b>
Insurance	<b>18,015</b>	<b>17,939</b>
Telephone	<b>7,061</b>	<b>6,878</b>
Utilities	<b>36,828</b>	<b>31,439</b>
Depreciation	<b>648,724</b>	<b>644,303</b>
<b>Total Operating Expenses</b>	<b>1,757,263</b>	<b>1,673,882</b>
(Loss) from Operations	<b>(478,918)</b>	<b>(434,380)</b>
<b>NONOPERATING INCOME (EXPENSE)</b>		
District Levy	<b>198,486</b>	<b>200,530</b>
Interest Income	<b>2,059</b>	<b>7,028</b>
Interest Subsidy	<b>13,228</b>	<b>13,546</b>
Interest (Expense)	<b>(94,176)</b>	<b>(96,492)</b>
Other Income	<b>104,431</b>	<b>502,897</b>
Other (Expense)	<b>(75,832)</b>	<b>(268,320)</b>
Grant Income	<b>74,106</b>	<b>1,634</b>
Grant (Expense)	<b>(3,516)</b>	<b>(1,634)</b>
Non-Reimbursable Grant (Expense)	<b>(10,144)</b>	<b>(10,143)</b>
<b>Total Nonoperating Income (Expense)</b>	<b>208,642</b>	<b>349,046</b>
Change in Net Position	<b>(270,276)</b>	<b>(85,334)</b>
Total Net Position, Beginning of Year	<b>12,721,511</b>	<b>12,806,845</b>
<b>Total Net Position, End of Year</b>	<b>\$ 12,451,235</b>	<b>\$ 12,721,511</b>

*See Notes to Financial Statements*

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Cash Received from Providing Services - Water	\$ 846,945	\$ 835,420
Cash Received from Providing Services - Sewer	<u>394,810</u>	<u>403,166</u>
Cash Payments to Suppliers of Goods and Services	<u>(800,510)</u>	<u>(775,831)</u>
Cash Payments for Employees and Benefits	<u>(287,743)</u>	<u>(272,438)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>153,502</u>	<u>190,317</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Proceeds from Other Income	<u>292,773</u>	<u>693,284</u>
Proceeds from Nonoperating Grants	<u>101,216</u>	<u>22,407</u>
Other Contractual Disbursements	<u>(75,832)</u>	<u>(268,320)</u>
Grant Disbursements	<u>(3,516)</u>	<u>(1,634)</u>
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>314,641</u>	<u>445,737</u>
<b>Cash Flows From Capital Financing Activities</b>		
Principal Payments on Long-term Debt	<u>(96,432)</u>	<u>(95,174)</u>
Interest Payments on Debt	<u>(80,948)</u>	<u>(82,946)</u>
Acquisition of Capital Assets, Net of Disposals	<u>(164,067)</u>	<u>(6,052)</u>
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<u>(341,447)</u>	<u>(184,172)</u>
<b>Cash Flows From Investing Activities</b>		
Interest Income Received	<u>2,059</u>	<u>7,028</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>2,059</u>	<u>7,028</u>
Net Change in Cash and Cash Equivalents	<u>128,755</u>	<u>458,910</u>
Cash and Cash Equivalents, January 1	<u>2,398,017</u>	<u>1,939,107</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 2,526,772</u>	<u>\$ 2,398,017</u>
<b>Reconciliation of (Loss) From Operations to Net Cash Provided (Used) by Operating Activities</b>		
(Loss) from Operations	<u>\$ (478,918)</u>	<u>\$ (434,380)</u>
Adjustment to Reconcile Loss from Operations to Net Cash Provided (Used) by Operating Activities:		
Depreciation	<u>648,724</u>	<u>644,303</u>
(Increase) Decrease in Accounts Receivable	<u>(36,590)</u>	<u>(916)</u>
(Increase) Decrease in Prepaid Expenses	<u>5,830</u>	<u>(2,477)</u>
Increase (Decrease) in Accounts Payable	<u>(8,099)</u>	<u>(9,574)</u>
Increase (Decrease) in Accrued Liabilities	<u>3,834</u>	<u>(2,631)</u>
Increase (Decrease) in Compensated Absences	<u>1,519</u>	<u>(845)</u>
Increase (Decrease) in Net Pension Liability - Proportionate Share and Related Deferred Inflows and Outflows	<u>17,202</u>	<u>(3,163)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 153,502</u>	<u>\$ 190,317</u>

*See Notes to Financial Statements*

# ***CAYUGA COUNTY WATER AND SEWER AUTHORITY***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019**

### ***Note 1* Summary of Significant Accounting Policies**

#### **Reporting Entity**

Cayuga County Water and Sewer Authority (the Authority) is a public benefit corporation organized in July 1995 pursuant to Title 8-G of New York State Public Authorities Law. The Authority was organized to construct, improve, maintain, develop, expand, or rehabilitate water or sewage facilities in the County of Cayuga, New York (the County).

The Authority is governed by a board consisting of nine members who are appointed by the County Legislature. Because the County appoints a voting majority of the Authority's governing body and a financial benefit/burden relationship exists between the Authority and the County, the Authority is presented as a discretely presented component unit of the County.

#### **Basis of Accounting/Measurement Focus**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body establishing governmental accounting and financial reporting principles, and are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar funding are recognized as revenue when all eligibility requirements imposed by the grantor have been met.

The Authority's financial statements are reported as a proprietary fund which distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal revenues of the Authority are charges to customers for water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating items.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and 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 these estimates.

#### **Cash and Cash Equivalents**

For the purposes of these financial statements, the Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Restricted cash and cash equivalents represent funds restricted for a capital project and funds reserved for emergency use by the Authority's Board.

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019**

### **Note 1 Summary of Significant Accounting Policies - Continued**

#### **Accounts Receivable**

Accounts receivable represents amounts due from customers for current and delinquent water and sewer sales, including penalties, unpaid bill charges, collection fees, and shut-off charges. Water and sewer customers are billed either on a monthly or quarterly basis depending on the type of user (retail or wholesale). Customers may make payments without penalty on current charges up until 30 days after the billing date. Any current charges in arrears are subject to a penalty of 10% (water customers) or 10% (sewer customers), and those customers receive an unpaid bill notice. If balances remain unpaid for 60 days, shut-off procedures commence at 70 days. The Authority is able to relevel any uncollected balances. Accordingly, all receivables are considered fully collectible for the years ended December 31, 2020 and 2019.

#### **Grants Receivable**

Grants receivable represents amounts due from New York State under a local government efficiency grant. The Authority received matching funds from Cayuga County under this grant. These grants are subject to audit by agencies of the state. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the Authority believes disallowances, if any, will be immaterial.

#### **Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at the estimated fair value at the date of donation. Depreciation is recorded using the straight line method over the estimated useful life (3 to 40 years) of the asset. Improvements are capitalized, while expenses for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. When applicable, the resulting gains and losses are reflected in the Statements of Revenue, Expenses, and Change in Net Position. Costs related to the construction of infrastructure are categorized as construction in progress until the project is completed. At that time, these costs are then categorized to the appropriate category as depreciable assets.

#### **Vacation, Sick Leave, and Compensated Absences**

The Authority's employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation time above a certain number of hours and unused compensated absences; therefore, compensated absences recorded in the Statement of Net Position include sick leave and unused compensated absences.

# ***CAYUGA COUNTY WATER AND SEWER AUTHORITY***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications**

Equity is classified as net position and is displayed in three components:

- Net Investment in Capital Assets - represents the net amount invested in capital assets; original cost, net of accumulated depreciation and capital-related debt.
- Restricted - represents resources with constraints placed on use by either external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.
- Unrestricted - represents remaining resources which do not meet the definition of net investment in capital assets or restricted resources and are therefore available for general use by the Authority.

#### **Income Taxes**

The Authority is a public benefit corporation of New York State and as such is exempt from income taxes under §115 of the Internal Revenue Code. Accordingly, no income taxes have been provided for in these financial statements.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports deferred outflows of resources related to pensions in the Statements of Net Position. The types of deferred outflows of resources related to pensions are described in Note 6.

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources related to pensions which are further described in Note 6.

# ***CAYUGA COUNTY WATER AND SEWER AUTHORITY***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019**

### ***Note 2* Deposits with Financial Institutions and Investments**

The Authority's investment policies are governed by the financial provisions set forth within Article 5, Title 8-G of the Public Authorities Law of New York State and General Municipal Law §10 and 11. Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance Corporation (FDIC) insurance. Obligations which may be pledged as collateral include obligations of the United States and obligations of the state and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. While the Authority does not have a specific policy for custodial credit risk, New York State statutes govern the Authority's investment policies, as discussed previously in these notes. Governmental Accounting Standards Board (GASB) Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

At December 31, 2020 and 2019, the Authority's aggregate bank balances of \$2,565,770 and \$2,402,914 respectively, are either insured or collateralized with securities held by the pledging financial institution in the Authority's name.

At December 31, 2020, the balance of the Authority's deposits with financial institutions was \$2,565,770. Of this, approximately \$450,166 represents money market accounts and \$2,115,604 represents cash accounts. At December 31, 2019, total balance of the Authority's deposits with financial institutions was \$2,402,914. Of this, approximately \$426,831 represents money market accounts and \$1,976,083 represents cash accounts.

The Authority is authorized to invest funds not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments: special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States where payment of principal and interest are guaranteed by the United States of America, and obligations of the State of New York.

Included in cash balances at December 31, 2020 and 2019 is cash restricted for debt service by the Authority's Board of \$491,161 and \$426,831 respectively.



# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

**Note 4 Indebtedness**

**Long-Term Debt**

Long-term debt consists of notes payable to the New York State Environmental Facilities Corporation (NYSEFC) and bonds payable to the United States Department of Agriculture Rural Development Agency (RDA). Proceeds of the notes and bonds were used for water and sewer infrastructure construction and improvements. The notes and bonds are due in varying principal amounts through 2051 and carry interest rates varying from 1.88% to 4.75%.

Long-term debt activity is as follows:

	<b>Balance Jan. 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance Dec. 31, 2020</b>
NYS EFC Note 2011	\$ 655,000		\$ (30,000)	\$ 625,000
RDA BOND 2002	193,694		(5,432)	188,262
RDA BOND 2012A	307,000		(7,000)	300,000
RDA BOND 2012B	90,000		(2,000)	88,000
RDA BOND 2012C	304,000		(7,000)	297,000
RDA BOND 2012D	141,000		(3,000)	138,000
RDA BOND 2013A	867,000		(21,000)	846,000
RDA BOND 2014A	987,000		(21,000)	966,000
<b>Total</b>	<b>\$ 3,544,694</b>	<b>\$ -</b>	<b>\$ (96,432)</b>	<b>\$ 3,448,262</b>

	<b>Balance Jan. 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance Dec. 31, 2019</b>
NYS EFC Note 2011	\$ 685,000		\$ (30,000)	\$ 655,000
RDA BOND 2002	198,868		(5,174)	193,694
RDA BOND 2012A	314,000		(7,000)	307,000
RDA BOND 2012B	92,000		(2,000)	90,000
RDA BOND 2012C	311,000		(7,000)	304,000
RDA BOND 2012D	144,000		(3,000)	141,000
RDA BOND 2013A	888,000		(21,000)	867,000
RDA BOND 2014A	1,007,000		(20,000)	987,000
<b>Total</b>	<b>\$ 3,639,868</b>	<b>\$ -</b>	<b>\$ (95,174)</b>	<b>\$ 3,544,694</b>

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

**Note 4 Indebtedness - Continued**

The following is a summary of maturing debt service requirements for the years ending December 31,:

Year	Principal	Interest	Total
2021	\$ 96,702	\$ 78,750	\$ 175,452
2022	106,987	76,480	183,467
2023	97,285	74,172	171,457
2024	98,598	71,972	170,570
2025	100,927	69,699	170,626
2026-2030	538,175	312,043	850,218
2031-2035	611,239	243,830	855,069
2036-2040	690,349	164,713	855,062
2041-2045	543,000	90,463	633,463
2046-2050	521,000	32,294	553,294
2051	44,000	522	44,522
<b>Total</b>	<b>\$ 3,448,262</b>	<b>\$ 1,214,938</b>	<b>\$ 4,663,200</b>

Interest presented above is stated interest on the debt. The interest actually charged has been reduced by an interest subsidy from the New York State Environmental Facilities Corporation. Interest subsidies at December 31, 2020 and 2019 were \$13,228 and \$13,546, respectively. Future interest subsidies are not guaranteed.

	2020	2019
Interest Paid	\$ 80,948	\$ 82,946
Plus: Interest Subsidy	13,228	13,546
<b>Total Long-Term Interest</b>	<b>\$ 94,176</b>	<b>\$ 96,492</b>

**Note 5 Operating Lease**

The Authority leases office space from the Cayuga County Soil and Water Conservation District. The current agreement, which commenced August 1, 2020 and remains in force through July 31, 2021, may be terminated by either party with 60 days notice and calls for an annual fee of \$20,336 to be paid in equal quarterly installments. Rental expense for the years ended December 31, 2020 and 2019 was \$20,336 and \$20,336, respectively. Future minimum lease payments due in 2021, assuming no changes in current terms, are \$10,168.

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019**

### **Note 6 Pension Obligations - New York State and Local Retirement System**

#### **Plan Descriptions and Benefits Provided**

##### **Employees' Retirement System (ERS)**

The Authority participates in the New York State and Local Employees' Retirement System (the System) (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of state statute. The Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or 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 employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

##### **Summary of Significant Accounting Policies**

The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

**Note 6 Pension Obligations - New York State and Local Retirement System - Continued**

**Contributions**

Participating employees are required under the RSSL to contribute to the System at an actuarially determined rate adopted by the Comptroller. The Authority's contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	2020	2019	2018
ERS	\$ 27,144	\$ 24,870	\$ 22,205

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2020, the Authority reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from the report provided to the Authority by the ERS System.

	2020	2019
Actuarial Valuation Date	April 1, 2019	April 1, 2018
Net Pension Liability	\$ 26,480,579,097	\$ 7,085,304,242
Authority's Proportionate Share of the Plan's Total Net Pension Liability	131,929	35,895
Authority's Proportionate Share of the Net Pension Liability	0.0004982%	0.0005066%

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

**Note 6 Pension Obligations - New York State and Local Retirement System - Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

For the year ended December 31, 2020, the Authority recognized pension expense of \$43,642 for ERS in the financial statements. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	2020	2019
<b>Deferred Outflows of Resources</b>		
Differences Between Expected and Actual Experience	\$ 7,765	\$ 7,068
Changes of Assumptions	2,656	9,022
Net Differences Between Projected and Actual		
Earnings on Pension Plan Investments	67,633	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	8,786	7,982
Authority's Contributions Subsequent to		
the Measurement Date	20,358	18,653
<b>Total Deferred Outflows of Resources</b>	<b>\$ 107,198</b>	<b>\$ 42,725</b>
<b>Deferred Inflows of Resources</b>		
Differences Between Expected and Actual Experience	\$ -	\$ 2,410
Changes of Assumptions	2,294	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	9,213
Changes in Proportion and Differences Between the Authority's		
Contributions and Proportionate Share of Contributions	6,767	11,797
<b>Total Inflows of Resources</b>	<b>\$ 9,061</b>	<b>\$ 23,420</b>

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

**Note 6 Pension Obligations - New York State and Local Retirement System - Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued**

Authority contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	<u>2020</u>	<u>2019</u>
2020	\$ -	\$ 5,348
2021	12,478	(8,246)
2022	18,694	(1,923)
2023	26,001	5,473
2024	20,606	-
2025	-	-
Thereafter	-	-

**Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>2020</u>	<u>2019</u>
Measurement Date	March 31, 2020	March 31, 2019
Actuarial Valuation Date	April 1, 2019	April 1, 2018
Investment Rate of Return	6.8%	7.0%
Salary Increases	4.2%	3.8%
Cost of Living Adjustments	1.3%	1.3%
Inflation Rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### Note 6 Pension Obligations - New York State and Local Retirement System - Continued

#### Actuarial Assumptions - Continued

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	<u>2020</u> March 31, 2020	<u>2019</u> March 31, 2019
Asset Type:		
Domestic Equities	4.1%	4.6%
International Equities	6.2%	6.4%
Real Estate	5.0%	5.6%
Private Equity/Alternative Investments	6.8%	7.5%
Absolute Return Strategies	3.3%	3.8%
Opportunistic Portfolio	4.7%	5.7%
Real Assets	6.0%	5.3%
Cash	0.0%	(0.3)%
Inflation-Indexed Bonds	0.5%	1.3%
Mortgages and Bonds	0.8%	1.3%

#### Discount Rate

The discount rate used to calculate total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### Note 6 Pension Obligations - New York State and Local Retirement System - Continued

#### Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

<u>2020</u>	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Authority's Proportionate Share of the Net Pension Liability	\$ 242,126	\$ 131,929	\$ 30,436

<u>2019</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Authority's Proportionate Share of the Net Pension Liability	\$ 156,937	\$ 35,895	\$ (65,790)

#### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

	<u>Dollars in Thousands 2020</u>	<u>Dollars in Thousands 2019</u>
Measurement Date	March 31, 2020	March 31, 2019
Employers' Total Pension Liability	\$ 194,596,261	\$ 189,803,429
Plan Net Position	(168,115,682)	(182,718,124)
<b>Employers' Net Pension Liability</b>	<b><u><u>\$ 26,480,579</u></u></b>	<b><u><u>\$ 7,085,305</u></u></b>

Ratio of Plan Net Position to the Employers' Total Pension Liability	86.4%	96.3%
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#### Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of December 31, 2020 represent the projected employer contribution for the period of January 1, 2020 through December 31, 2020 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. There are no accrued retirement contributions at yearend.

# CAYUGA COUNTY WATER AND SEWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

**Note 6 Pension Obligations - New York State and Local Retirement System - Continued**

**Effect on Net Position**

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2020 resulted in the following effect on net position:

	<b>Beginning Balance</b>	<b>Change</b>	<b>Ending Balance</b>
Net Pension Liability	\$ (35,895)	\$ (96,034)	\$ (131,929)
Deferred Outflows of Resources	42,725	64,473	107,198
Deferred Inflows of Resources	(23,420)	14,359	(9,061)
<b>Total</b>	<b>\$ (16,590)</b>	<b>\$ (17,202)</b>	<b>\$ (33,792)</b>

**Note 7 Board Designated Net Position**

The Board has designated a portion of unrestricted net position for the repair and/or replacement of Route 31 and Route 38 water lines as follows:

	<b>2020</b>	<b>2019</b>
Supplemental Appropriations	\$ 505,879	\$ 368,935
<b>Board Designated Net Position</b>	<b>\$ 505,879</b>	<b>\$ 368,935</b>

**Note 8 Commitments and Contingencies**

**Risk Financing**

The Authority is exposed to various risks related to, but not limited to, torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**Note 9 Uncertainty**

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. While it is unknown how long these conditions will last and what the complete financial effect will be, the Authority expects to experience disruptions to its programs, and funding sources, which could negatively impact operating results in future periods.

# ***CAYUGA COUNTY WATER AND SEWER AUTHORITY***

## **SCHEDULE OF AUTHORITY CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	<b>\$ 27,144</b>	<b>\$ 24,870</b>	<b>\$ 22,205</b>
Contributions in Relation to the Contractually Required Contribution	<b>(27,144)</b>	<b>(24,870)</b>	<b>(22,205)</b>
Contribution Deficiency (Excess)	<b>-</b>	<b>-</b>	<b>-</b>
Authority's Covered Employee Payroll	<b>197,028</b>	<b>197,869</b>	<b>178,379</b>
Contributions as a Percentage of Covered Employee Payroll	<b>13.8%</b>	<b>12.6%</b>	<b>12.4%</b>

*See Notes to Required Supplementary Information*

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
\$ 21,131	\$ 15,281	\$ 17,174	\$ 16,763	\$ 12,981	\$ 15,735	\$ 6,863
(21,131)	(15,281)	(17,174)	(16,763)	(12,981)	(15,735)	(6,863)
-	-	-	-	-	-	-
179,292	163,227	101,600	95,837	99,101	104,776	81,857
11.8%	9.4%	16.9%	17.5%	13.1%	15.0%	8.4%

# ***CAYUGA COUNTY WATER AND SEWER AUTHORITY***

## **SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED DECEMBER 31,**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Authority's Proportion of the Net Pension Liability	<b>0.0004982%</b>	0.0005066%	0.0004865%	0.0007107%	0.0005283%
Authority's Proportionate Share of the Net Pension Liability	<b>\$ 131,929</b>	\$ 35,895	\$ 15,701	\$ 66,781	\$ 84,800
Authority's Covered Employee Payroll During the Measurement Period	<b>204,325</b>	178,502	178,011	183,133	103,507
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	<b>64.57%</b>	20.11%	8.82%	36.47%	81.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<b>86.4%</b>	96.3%	98.2%	94.7%	90.7%

*See Notes to Required Supplementary Information*

# **CAYUGA COUNTY WATER AND SEWER AUTHORITY**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2020 AND 2019**

- Note 1**     **Schedule of the Authority's Proportionate Share of the Net Pension Liability**  
The Schedule of the Authority's Proportionate Share of the Net Pension Liability, required supplementary information, presents five years of information. This schedule will present ten years of information as it becomes available from the pension plans.
- Note 2**     **Schedule of Authority Contributions - NYSLRS Pension Plan and Schedule of the Authority's Proportionate Share of the Net Pension Liability**

### **Changes in Benefit Terms**

There were no significant legislative changes in benefits for the April 1, 2019 actuarial valuation.

### **Changes of Assumptions**

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2019 actuarial valuation. The salary scales used in the April 1, 2019 actuarial valuation were increased by 10%. The interest rate assumption was reduced to 6.8% and the mortality improvement assumption was updated to Societies of Actuaries' Scale MP-2018 for the April 1, 2019 actuarial valuation.

### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The April 1, 2019 actuarial valuation determines the employer rates for contributions payable in fiscal year 2020. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	Five-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8% in ERS, indexed by service.
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

**INDEPENDENT AUDITORS' 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 Board of Directors  
Cayuga County Water and Sewer Authority  
Auburn, New York

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 financial statements of the Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 15, 2021.

**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 opinions 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 or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
March 15, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
§2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

Board of Directors  
Cayuga County Water and Sewer Authority  
Auburn, 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 financial statements of the Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our opinion thereon dated March 15, 2021.

In connection with our audit, nothing came to our attention that caused us to believe the Authority failed to comply with the Authority's Investment Guidelines, the New York State Comptroller's Investment Guidelines, or §2925(3) of the New York State Public Authorities Law (collectively, Investment Guidelines), which is the responsibility of the Authority's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines.

This communication is intended solely for the information and use of the Board of Directors and management of the Cayuga County Water and Sewer Authority, and the Office of the Comptroller of the State of New York, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
March 15, 2021

**INSERO & Co. CPAs, LLP**

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