RENSSELAER COUNTY
WATER AND SEWER AUTHORITY

Financial Statements

December 31, 2019 and 2018

RENSSELAER COUNTY WATER AND SEWER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of
Rensselaer County Water and Sewer Authority
Troy, New York

We have audited the accompanying financial statements of the Rensselaer County Water and Sewer Authority (the "Authority"), a component unit of County of Rensselaer, New York, as of and for the years ended December 31, 2019 and 2018, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, on our consideration of 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.

Wojeski & Company, CPAs, P.C.

Albany, New York
March 17, 2020

RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Statements of Net Position

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 63,252	$ 76,485
Accounts receivable	8,100	17,250
TOTAL CURRENT ASSETS	71,352	93,735
NONCURRENT ASSETS		
Capital assets, net	198,120	209,813
TOTAL ASSETS	269,472	303,548
NET POSITION		
Net investment in capital assets	198,120	209,813
Unrestricted	71,352	93,735
TOTAL NET POSITION	$ 269,472	$ 303,548

See accompanying notes to financial statements.

RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Statements of Revenues, Expenses and Change in Net Position

	For the Year Ended December 31, 2019	2018
OPERATING REVENUES		
Service and connection fees	$ 13,580	$ 13,325
Sewer facilities service fees	-	415,828
TOTAL OPERATING REVENUES	13,580	429,153
OPERATING EXPENSES		
Professional fees	21,395	18,901
Repairs and maintenance	13,492	7,976
Depreciation	11,693	106,273
Other operating expenses	1,076	1,569
TOTAL OPERATING EXPENSES	47,656	134,719
OPERATING INCOME	(34,076)	294,434
NON-OPERATING REVENUES (EXPENSES)		
Interest income	-	16,175
Loss on sale of assets	-	(15,051)
Interest expense	-	(212,660)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	(211,536)
CHANGE IN NET POSITION	(34,076)	82,898
NET POSITION, beginning of year	303,548	220,650
NET POSITION, end of year	$ 269,472	$ 303,548

See accompanying notes to financial statements.

RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sewer facilities service fees	$ 12,000	$ 403,828
Proceeds from service and connection fees	10,730	12,325
Payments for operating expenses	(35,963)	(28,446)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(13,233)	387,707
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for purchase of capital assets	-	(32,465)
Principal payments on revenue bonds payable	-	(5,970,000)
Interest payments on revenue bonds, net of amount capitalized	-	(317,269)
Proceeds from sale of assets	-	5,078,242
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	-	(1,241,492)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest income	-	16,175
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	16,175
NET DECREASE IN CASH	(13,233)	(837,610)
Cash and cash equivalents at beginning of year	76,485	914,095
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 63,252	$ 76,485
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	$ (34,076)	$ 294,434
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	11,693	106,273
Changes in operating assets and liabilities:		
Accounts receivable	9,150	(13,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (13,233)	$ 387,707

See accompanying notes to financial statements.

RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Notes to Financial Statements

December 31, 2019 and 2018

NOTE A--AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rensselaer County Water and Sewer Authority (the "Authority") was created on July 30, 1986 by a special act of the New York State Legislature. The purpose of the Authority is to produce, develop, distribute and sell water and sewer services within the County of Rensselaer, New York. Members of the Authority are appointed by the County Executive, which exercises no oversight responsibility.

Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions promulgated by GASB, the Authority has elected not to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued after November 30, 1989.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position with revenues recorded when earned and expenses recorded when incurred. Net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

> Net investment in capital assets: consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any related debt obligations and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in restricted net position.
>
> Restricted net position: represents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
>
> Unrestricted net position: represents net position that does not meet the definition of "restricted" or "net investment in capital assets" and is available for general use.

NOTE A--AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Accounting and Financial Statement Preparation—Continued
When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal on-going operations. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents
The Authority considers as cash all demand deposits and all highly liquid investments which are readily convertible to known amounts of cash.

Collateral is required for demand deposits and certificates of deposit and for all deposits not covered by federal deposit insurance. As of December 31, 2019 the carrying amount of the Authority's cash demand deposits are covered by federal deposit insurance.

Accounts Receivable
Accounts receivable are non-interest bearing short-term customer obligations, and are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on a review of outstanding receivables, historical collection information and current economic conditions. Management considers accounts receivable to be fully collectible, accordingly, there is no allowance for doubtful accounts.

Capital Assets
Acquisitions of property and equipment and expenditures which materially change the capacities or extend the useful lives are capitalized and recorded at historical cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. When an asset is sold, or retired, the cost and accumulated depreciation are removed from their respective accounts and the resulting gain or loss is included in the change in net position. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the related assets, ranging from 30 to 40 years.

NOTE A--AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority did not report any deferred outflows of resources as of December 31, 2019 and 2018.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did not report any deferred inflows of resources as of December 31, 2019 and 2018.

Income Taxes

The Authority is exempt from Federal, State and Local income taxes.

Subsequent Events

The Authority evaluates transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on March 17, 2020.

NOTE B--CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Subtractions	Ending Balance
Sewer facilities	$ 467,712	$ -	$ -	$ 467,712
Accumulated depreciation	(257,899)	(11,693)	-	(269,592)
Capital assets, net	$ 209,813	$ (11,693)	$ -	$ 198,120

NOTE B--CAPITAL ASSETS--Continued

Capital assets activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Subtractions	Ending Balance
Sewer facilities	$ 6,441,920	$ 42,178	$ (6,016,386)	$ 467,712
Accumulated depreciation	(1,071,608)	(106,273)	919,982	(257,899)
Property and equipment, net	5,370,312	(64,095)	(5,096,404)	209,813
Construction in progress	15,962	26,216	(42,178)	-
Capital assets, net	$ 5,386,274	$ (37,879)	$ (5,138,582)	$ 209,813

NOTE C--COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2008, the Authority entered into an agreement with the Town of East Greenbush for the Authority to borrow $8,005,000 and $6,555,000 in Water Service Agreement Revenue Bonds and Sewer Service Agreement Revenue Bonds, respectively. The proceeds of the bonds were to be used by the Authority in the construction of water and sewer system facilities in the Town of East Greenbush. As part of the agreement the Town of East Greenbush has agreed to pay an annual service fee to the Authority in an amount necessary to cover all principal, interest and related administrative costs. Upon completion of the projects the Town of East Greenbush will operate and maintain the related water and sewer facilities. Once the bonds have been repaid the title to the related assets will transfer to the Town of East Greenbush.

During the year ended December 31, 2011, the Town of East Greenbush entered into a Joint Water Agreement with the City of Rensselaer. Under the agreement, the Town of East Greenbush and the City of Rensselaer would be jointly responsible for the payment of the annual service fee to the Authority necessary to cover all principal, interest and related administrative costs for the Water Bonds. Upon completion of the project the Town of East Greenbush and the City of Rensselaer would jointly operate and maintain the related water facilities. Under this agreement, the City of Rensselaer would pay 46.08% of the annual service fees and East Greenbush would be responsible for 53.92%. Upon repayment of the debt the related assets (water facilities) will transfer to the municipalities based on the same percentages.

NOTE C--COMMITMENTS AND CONTINGENCIES--Continued

During the year ended December 31, 2015, The City of Rensselaer refinanced its portion of the debt through a Project Financing Agreement with the New York State Environmental Facilities Corporation (NYS EFC). The funds received from the NYS EFC were used to redeem $3,495,000 in 2008 Series Water Bonds. Upon the redemption, the Authority conveyed a 46.08% interest in the related water facilities and other assets with an approximate book value of $3,274,000 to the City of Rensselaer. The Authority recognized a gain on the sale of the related assets of approximately $221,000.

During the year ended December 31, 2017, the Town of East Greenbush refinanced its portion of the debt through a Project Financing Agreement with the New York State Environmental Facilities Corporation (NYS EFC). The funds received from the NYS EFC were used to redeem $3,930,000 in 2008 Series Water Bonds. Upon the redemption, the Authority conveyed a 53.92% interest in the related water facilities and other assets with an approximate book value of $3,752,000 to the Town of East Greenbush. The Authority recognized a loss on the sale of the related assets of approximately $167,000.

During the year ended December 31, 2018, the Town of East Greenbush refinanced its portion of the debt through a Project Financing Agreement with the New York State Environmental Facilities Corporation (NYS EFC). The funds received from the NYS EFC were used to redeem $5,970,000 in 2008 Series Sewer Bonds. Upon the redemption, the Authority conveyed a 100% interest in the related sewer facilities and other assets with an approximate book value of $5,054,000 to the Town of East Greenbush. The Authority recognized a loss on the sale of the related assets of approximately $15,000.

COMPLIANCE REPORT

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

To the Board of
Rensselaer County Water and Sewer Authority
Troy, 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 Rensselaer County Water and Sewer Authority (the "Authority"), which comprise the statement of net position as of December 31, 2019 and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in finding number 2019-01 in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control.

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*.

Rensselaer County Water and Sewer Authority's Response to Findings

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

Purpose of this Report

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

Wojeski & Company, CPAs, P.C.

Albany, New York
March 17, 2020

RENSSELAER COUNTY WATER AND SEWER AUTHORITY

Schedule of Findings and Responses

For the Year Ended December 31, 2019

Finding 2019-01

Condition: During the years ended December 31, 2019 and 2018, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Authority in order to properly produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In addition, a draft of the financial statements was prepared by the auditors.

Criteria: AU-C Section 265, Communicating Internal Control Related Matters in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Cause: The Authority does not have any employees or contract with an outside consultant to maintain its books in accordance with GAAP.

Effect: Without assistance, the Authority's financial statements may not conform to GAAP.

Recommendation: We recommend that the Authority consider the cost and benefits of hiring a consultant to maintain the books and records of the Authority in accordance with GAAP.

View of Responsible Officials: The Authority does not retain its own permanent staff and relies on staff from the Office of Economic Development and Planning and outside consultants to perform the management and administrative functions of the Authority, which includes the maintenance of books and records on a cash basis throughout the year. As a result, the Authority seeks and relies upon the expertise of our external auditors to assist staff and to assure that the Authority's financial statements are in conformity with GAAP. Considering the nature of the Authority and its operating revenues, we believe this is the most cost-effective approach.

Management and the Board of the Authority carefully review and understand the results of the audit, the financial statements and related footnote disclosures and accept full ownership and responsibility for the expertise provided by our external auditors to ensure that the financial statements of the Authority are in conformity with GAAP.