



FINANCIAL STATEMENTS
December 31, 2020 and 2019

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ONONDAGA COUNTY WATER AUTHORITY

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Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS ONONDAGA COUNTY WATER AUTHORITY

Report on the Financial Statements

We have audited the accompanying financial statements of **ONONDAGA COUNTY WATER AUTHORITY** (the Authority), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

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Opinion

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, 2020 and 2019, and the changes in its net 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 4 to 26 and 62 to 64, respectively, 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 24, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2020

Introduction

Onondaga County Water Authority's (OCWA) Management's Discussion and Analysis for the fiscal year ended December 31, 2020, provides an introduction to the major activities that had an effect on the operations of the Authority and it also addresses the financial performance and status of OCWA. The information contained within the Management's Discussion and Analysis (MD&A) should be used and considered in conjunction with all of the information contained within the 2020 financial report, which follows this report.

Financial Highlights

The 2020 global pandemic presented the Authority with unique challenges on several fronts. In early January of 2020, the Authority's executive staff started contingency planning in the event of a declaration of a global pandemic. Initial planning efforts addressed the process for implementation of the Authority's Pandemic Plan and the Continuity of Operations Plan. By mid-February, as it was becoming more apparent how large an event was unfolding, efforts were undertaken to address the operating and capital budgets for the year. Strategic adjustments to the operating budget were implemented and the start of several small capital projects were delayed allowing time to assess the impact of the pandemic before releasing funding.

In spite of the budget adjustments implemented, capital projects funded by the 2019 bond issue forged ahead. For example, the electric system replacement and generator installations for the Lake Ontario intake and water plant was well underway and should be completed by the summer of 2021. Also, by the end of 2020, plans for the replacement of the 10 MG Fairmount Reservoir were being completed and the project will be going out for bid in early 2021. The same can be said for the Terminal Reservoir Pipe replacement project and the North Shore water main extension. On a larger scale, design for the overhaul of the 55-year-old Lake Ontario Water Treatment Plant was nearing completion by the end of 2020 and the project will be let out for bidding by the middle of 2021. In spite of the challenges presented system capital improvement efforts continue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Financial Highlights – Continued

Total 2020 revenues increased by \$3,328,191 (7.2%) compared to 2019. Water revenue increased \$4,263,248 (9.7%) over the previous year. Residential and Commercial revenue was up by \$4,459,022 in part due to the rate increase implemented January 1, 2020. However, overall Commercial use declined as compared to 2019. On the other hand, Residential use increased dramatically as more people spent time at home due to remote work and schooling and business closures. Municipal revenues decreased by \$4,729, with decreased use offsetting the 2020 rate increase. Industrial revenues dropped \$243,039 due to the idling of one major industrial account and decreased use by several other large accounts, again all attributed to fallout from the pandemic. Fire protection revenues increased by \$51,994 over 2019 due to increased private fire protection rates. Offsetting the overall increase in water revenues was a decrease in grant revenue. OCWA did not receive any grant revenue in 2020, it was a decrease of \$574,092 from 2019 when OCWA received grant revenue for the fluoride system improvements.

With respect to overall water sales, by the end of 2020 total gallons of water sold was down by 486.5 million gallons (MG) from 2019 sales. Residential sales increased 216.7 MG, offsetting the loss of revenue related to decreased commercial, industrial, and municipal water sales. Increased residential water use is tied to work from home programs, school closures and warm, dry summer. Commercial sales were down 145.1 MG, primarily due to people working from home and business closures, Industrial sales declined 303.7 MG, with 206.8 MG alone tied to the closure of an ethanol plant in Oswego County. Municipal sales dropped 145.0 MG, entirely attributed to lower water sales to the town of Dewitt (151.1 MG) which has a very large commercial base that was impacted by business closures and the implementation of work from home programs.

OCWA's 2020 total customer account base increased by 649 (0.62%) over 2019's year-end total. By year end, OCWA's total customer base totaled 104,494 accounts with 102,997 metered residential, commercial, industrial and wholesale accounts. Customer account growth remains slow and the total number of accounts added in 2020 were 134 more than the total added in 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Financial Highlights – Continued

On the expense side, the Authority's operating expenses (less depreciation and amortization) for 2020 increased by \$3,588,309 (11.7%) mainly driven by the following three major components:

Pension expense, as determined by the NYS Retirement System's GASB 68 calculation, was \$1,949,378 (89.1%) more than the 2019 amount.

OPEB expense, as determined by actuarial calculation of OCWA's GASB 75 entries, increased by \$1,284,947 (59.4%) over the 2019 total.

MWB legacy costs increased by \$578,425 over 2019. MWB legacy costs are related to the 2017 OCWA / MWB consolidation and driven by the Onondaga County Water District budget administered by Onondaga County.

Other factors that less dramatically impacted OCWA's 2020 expenses include:

Labor expense for 2020 increased \$32,188 (0.3%). Wage increases for Teamsters union personnel (2.5%), CSEA union personnel (3.0%) and Administrative personnel (3.0%) were offset by the hiring freeze implemented in March 2020, among other factors.

Additionally, OCWA saw decreases in the following items during 2020: Electric/Gas expense (\$45,368), Professional Services expense (\$54,342), Outside Contractor expense (\$205,284), Supply expense (\$63,711) and Transportation expense (\$163,416).

These items and other changes in various expenses are discussed more fully below in the Review of Expense section.

Using This Annual Statement

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. Because Onondaga County Water Authority is treated as a Proprietary Fund for auditing purposes, it has in the past and will continue to use the accrual basis of accounting. The accrual basis of accounting provides both short-term and long-term information about the Authority's overall financial status.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Summary of Statements of Net Position

TABLE 1

	2019	2020
ASSETS		
Cash and Cash Equivalents	\$ 20,625,357	\$ 21,617,651
Accounts Receivable	10,227,068	13,199,284
Materials, Supplies and Prepaid Expenses	3,499,611	4,247,933
Restricted Assets	52,261,633	40,372,067
Intangible Assets, Net	3,669,907	5,092,639
Plant and Water Rights, Net	<u>247,205,554</u>	<u>261,259,193</u>
TOTAL ASSETS	<u><u>\$ 337,489,130</u></u>	<u><u>\$ 345,788,767</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding	\$ 581,323	\$ 491,169
Other Post-Employment Benefits	4,399,031	8,658,071
Pension Related - ERS	<u>3,631,039</u>	<u>9,153,809</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 8,611,393</u></u>	<u><u>\$ 18,303,049</u></u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,327,720	\$ 4,740,645
Liabilities Payable from Restricted Assets	1,360,637	1,518,157
Bonds Payable	99,362,620	94,740,531
Post-Employment Benefits Other than Pension	33,703,402	42,227,839
Due to NYS Retirement System	<u>3,051,058</u>	<u>11,629,696</u>
TOTAL LIABILITIES	<u><u>\$ 140,805,437</u></u>	<u><u>\$ 154,856,868</u></u>
DEFERRED INFLOWS OF RESOURCES		
Other Post-Employment Benefits	\$ 3,488,807	\$ 2,672,667
Pension Related - ERS	<u>987,882</u>	<u>202,199</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 4,476,689</u></u>	<u><u>\$ 2,874,866</u></u>
NET POSITION		
Net Investment in Capital Assets	\$ 189,764,941	\$ 196,391,562
Restricted	12,859,165	24,144,745
Unrestricted	<u>(1,805,709)</u>	<u>(14,176,225)</u>
TOTAL NET POSITION	<u><u>\$ 200,818,397</u></u>	<u><u>\$ 206,360,082</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Summary of Statements of Net Position – Continued

Total Assets increased by \$8,299,637 in 2020 as a result of the following items:

- The increase in cash of \$992,294 (4.8%) is primarily due to an increase in the General Fund of \$1,281,775 partially offset by decreases of \$25,068 in the General Authority Fund and \$264,413 in other smaller cash accounts.
- Accounts receivable have increased by \$2,972,216 (29.1%). The two largest components that comprise accounts receivable for water sales are accounts receivable for water that has been billed to customers which increased by \$1,543,499 and the estimated revenue that has been accrued on accounts which increased by \$1,428,849.
- Materials, supplies and prepaid expenses increased by \$748,322 (21.4%) as compared to 2019 levels. The largest parts of this variance are the \$562,162 increase in prepaid insurance and the \$163,907 increase in inventory. The increase in prepaid insurance is due to OCWA paying its annual premium for worker's compensation prior to year-end to take advantage of an available discount.
- Restricted assets decreased by \$11,889,566 (22.8%) in 2020. It is primarily due to the \$11,958,953 decrease in construction funds due to payments on various projects. There was also a \$435,793 decrease in the Renewal and Replacement Fund.
- Intangible assets, net increased by \$1,422,732 (38.8%) in 2020. Improvements made by OCWA to Onondaga County owned facilities as part of MWB consolidation agreement are set up as intangible assets as ownership of those facilities remains with the County. Some of the items that comprise this increase are: Lake Ontario WTP – Basis of Design (\$694,659), Chlorination System Improvements Eastern & Western Reservoirs (\$475,124) and Lake Ontario WTP – Dehumidifier Replacement (\$204,103).
- Plant and water rights increased due to additional capital projects either completed or in progress at the end of 2020. A detailed outline of the additions is located just after Table 4 "Capital Assets at Year End" later in this analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Summary of Statements of Net Position – Continued

Deferred Outflows of Resources increased by \$9,691,656 in 2020 as a result of the following:

- Deferred Amount on Refunding decreased by \$90,154. Deferred Amount on Refunding is the difference between the reacquisition price and the net carrying amount of the old debt for two bond issues that were advance refunded. It is being recognized as a component of interest expense over the remaining life of the old debt. The amount recognized as a component of interest expense in 2020 was \$90,154.
- Deferred Outflow to Other Post-Employment Benefits increased by \$4,259,040 in 2020. This information is based on calculations performed by OCWA's actuary that allow for the creation of GASB 75 entries.
- Deferred Contributions to Pension Plan increased by \$5,522,770 based on information provided by the NYS and Local Retirement System to enable the calculation of required GASB 68 entries.

Total liabilities increased by \$14,051,431 in 2020 as a result of the following items:

- Accounts Payable and Accrued Liabilities increased by \$1,412,925 (42.5%) in 2020 due primarily to the increase of \$1,082,410 in accounts payable. Other increases include amounts due to Onondaga County for legacy costs - \$286,347 and reserve for accrued vacation \$106,086.
- Liabilities Payable from Restricted Assets increased by \$157,520 (11.6%) as compared to 2019 due to the combination of several factors. Accrued interest on bonds increased by \$273,497. This amount is comprised of the increase in the year-end interest payable on the 2019 bonds of \$303,145 somewhat offset by the \$29,648 cumulative decrease in the interest payable on all other bonds. Also, customer deposits increased by \$49,642. Those two items were partially offset by a \$165,619 decrease in accounts payable from restricted assets.
- The Bonds Payable balance decreased by \$4,622,089 million. This decrease was mainly due to principal payments totaling \$4,140,000 and the amortization of bond premium in the amount of \$482,089 during 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Summary of Statements of Net Position – Continued

- GASB Statement No. 75 establishes guidance for the financial reporting of OPEB. It does not require that the unfunded liability actually be funded, only that the Authority account for the unfunded liability. The financial statements at December 31, 2020 include a liability in the amount of \$42,227,839 that was determined by OCWA's actuary that represents the Authority's unfunded liability. This is an increase of \$8,524,437 over the 2019 amount.
- Due to NYS Retirement System increased by \$8,578,638. This represents the Authority's share of the total net pension liability based on information provided by the New York State Local Retirement System. This information is provided by the System on an annual basis.

Deferred Inflows of Resources decreased by \$1,601,823 over the end of 2019 at which time the balance was \$4,476,689.

- Deferred Inflows from Other Post-Employment Benefits decreased to \$2,672,667 at the end of 2020 from \$3,488,807 at the end of 2019. This again is information based on calculations performed by OCWA's actuary that allow for the creation of GASB 75 entries.
- Deferred Inflows from Pension Plan decreased to \$202,199 at the end of 2020 from \$987,882 at the end of 2019. This again is based on information provided by NYS and Local Retirement System and enables the calculation of required GASB 68 entries.

Net Position is the difference between all the other elements of the statement. That is assets plus deferred outflows, less liabilities, less deferred inflows.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Review of Revenues

TABLE 2

	2019	2020
Residential/Commercial Sales	\$ 33,837,678	\$ 38,296,700
Industrial Sales	4,670,961	4,427,922
Municipal (Water Utility) Sales	4,041,189	4,036,460
Fire Protection	1,439,114	1,491,108
Miscellaneous Revenue	1,271,222	1,192,246
Grant Income	574,092	0
Interest from Investments Held in Trust	637,249	254,089
Gain (Loss) on Disposal of Fixed Assets	<u>(82,094)</u>	<u>19,077</u>
TOTAL REVENUES	<u><u>\$ 46,389,411</u></u>	<u><u>\$ 49,717,602</u></u>

- Total Revenue increased by \$3,328,191 (7.2%) in 2020 as compared to 2019. That amount is comprised of the following variances.
- On January 1, 2020, OCWA implemented a Base System Fee increase of \$0.70 per month for each equivalent dwelling unit (EDU) for all customer classes except fire protection. In addition, commodity rates were also increased. The Residential and Commercial rates increased by \$0.145/1,000 gallons, Wholesale rates increased by \$0.14/1,000 gallons and Industrial rates increased by \$0.095/1,000 gallons. Fire Protection fees were increased by 2%. The increases, which was determined during the budget process in late 2019, were based on the projected requirements for 2020 and took into account changes that were expected at the time to have an effect on 2020 operations.
- Total water revenues for 2020 increased by \$4,263,248 (9.7%) over the previous year. Residential revenue increased by \$4,164,359 (16.2%), Commercial revenue increased by \$294,663 (3.6%), and Fire Protection increased by \$51,994 (3.6%). On the other hand, Industrial revenue decreased by \$243,039 (5.2%) and Municipal revenue decreased by \$4,729 (.1%)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Review of Revenues – Continued

- Residential revenue increased by \$4,164,359 (16.2%) in 2020 as compared to 2019. Increases to the base system fee and commodity rates account for part of the rise in revenue, but much is also due to added consumption. Residential consumption increased from 4,647 MG in 2019 to 4,864 MG in 2020. The increase of 217 MG equates to a 4.7% rise in the number of gallons billed. It is attributed in part to a warm dry summer, but mostly to more people being at home (working remotely and remote learning for students).
- Commercial revenue increased by \$294,663 (3.6%) in 2020 as compared to 2019. With the increases to base system fee and commodity rates a larger increase would be expected. However commercial consumption decreased from 1,929 MG in 2019 to 1,732 MG in 2020. The decrease of 197 MG equates to a 10.2% reduction in the number of gallons billed. This is a result of many businesses being forced to, at least, temporarily close or having staff work remotely.
- Industrial sales decreased by \$243,039 (5.2%) as compared to the 2019 amounts. Industrial consumption decreased from 2,453 MG in 2019 to 2,149 MG in 2020. The decrease of 304 MG equates to a 12.4% reduction in the number of gallons billed. Approximately 75% of the decrease was the result of one large industrial customer that shut down. In addition, the consumption of two other accounts declined significantly during the year. The increases in the base system fee and commodity rates offset a portion of the reduction in consumption.
- Municipal sales decreased by \$4,729 (0.1%) as compared to the 2019 amounts. Municipal consumption decreased from 2,252 MG in 2019 to 2,107 MG in 2020. The decrease of 145 MG equates to a 6.4% reduction in the number of gallons billed. That reduction was nearly offset by the increases to the base system fee and commodity rates.
- Miscellaneous Revenue decreased by \$78,976 (6.2%) over the 2019 amount. The main reason for the decrease is that OCWA suspended the charging of penalties for three months during the pandemic. This resulted in penalties being \$122,484 (20.5%) less than in 2019. That decrease was partially offset by increases in other income of \$34,524 net of miscellaneous sales and the cost of miscellaneous sales of \$8,276.
- Interest from Investments Held in Trust decreased by \$383,160 (60.1%) over the 2019 amount. In addition to having fewer funds to invest, both money market and treasury bill yields were significantly lower in 2020 than in 2019.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Review of Expenses

TABLE 3

	2019	2020
Operations	\$ 14,150,282	\$ 14,309,970
Purchased Water	1,074,493	1,156,059
General and Administrative	7,761,293	12,049,976
Less: Burden Applied	(1,197,275)	(1,318,551)
Depreciation	6,757,533	7,229,117
Bond Premium Amortization	(278,901)	(482,086)
Water District Lease Amortization	457,174	449,398
Maintenance	9,005,013	8,184,661
Debt Issuance Costs (Benefit)	241,356	(1,500)
Interest Expense	<u>2,434,904</u>	<u>3,819,117</u>
TOTAL EXPENSES	<u><u>\$ 40,405,872</u></u>	<u><u>\$ 45,396,161</u></u>

Total expenses for 2020 increased by \$4,990,289 (12.4%) compared to fiscal year 2019. Five items combined had increases totaling \$5,427,218. Those five items and the increases are: pension expense (\$1,949,378), OPEB expense (\$1,284,974), interest expense (\$1,141,357), legacy costs (\$578,425) and depreciation expense (\$471,587). All other expenses combined to decrease by \$705,328 for the year. Some of the expenses that had decreases in 2020 as compared to 2019 are: electric/gas, professional services, outside contractors, supplies and transportation costs. The above items and others are discussed below.

Labor Changes Impacting Operations, Maintenance, and General and Administrative Expenses

Labor expenses in operations, maintenance and general and administrative accounts increased by \$32,188 (0.3%) during 2020 as compared to 2019 amounts. Wage rates increased for CSEA and non-union personnel by 3% and Teamsters employees by 2.5% during 2020. Labor expenses only increased by the amount noted due to the following: First, in an effort to keep expenses down due to the COVID-19 pandemic most positions that were vacant during 2020 were not filled. An average of nine budgeted permanent positions were unfilled throughout the year. Second, seasonal aides whose expense was \$181,046 (57.0%) less in 2020 than in 2019. Third, overtime for 2020 was \$167,402 (12.5%) less than in 2019. Finally, the amount of labor charged to capital projects was \$110,318 (11.9%) more in 2020 than in 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Review of Expenses – Continued

Notable Expense Changes (Other Than Labor)

Some of the larger decreases in expense from 2019 to 2020 include the following:

OCWA experienced a \$45,368 (3.2%) decrease in its electric and natural gas charges in 2020 as compared to 2019 amounts. Some of the decrease is related to the 300 million fewer gallons of water that OCWA produced in 2020 and some due to decreased supply costs.

Professional services expenses decreased by \$54,342 (15.9%) in 2020 as compared to 2019 due to a reduction in the use of various vendors. First, OCWA required the use of the engineering firms that it contracts with less in 2020 than in 2019 which reduced expenses by \$33,651. Next, OCWA began a cost-of-service study in 2019 and finished it in 2020. Most of the work was completed in 2019, the amount charged to 2020 was \$31,322 less than in 2019. Finally, OCWA's actuary was required to perform less work in 2020 than in 2019 saving \$11,650.

Contractor expenses decreased by \$205,284 (9.7%) in 2020 as compared to 2019. The two largest decreases were those for pavement restoration and right-of-way clearing. The pavement restoration decrease of \$96,391 (15.5%) was the result of there being fewer water main leak repairs in 2020 than in 2019 that required pavement restoration. The right-of-way clearing decrease of \$131,309 (54.5%) was the result of OCWA deciding not to perform as much brush clearing on its rights-of-way as a means of reducing costs during the COVID-19 pandemic.

Total supply expenses decreased by \$63,711 (4.4%) in 2020 as compared to 2019. When the COVID-19 pandemic started, OCWA management asked department heads to be mindful of the supply purchases they made. While Inventory supply expense (those items required to maintain OCWA infrastructure) increased by \$12,147 (7.8%), office supplies and field supplies both decreased. Office supplies decreased by \$28,603 (15.6%) and field supplies decreased by \$47,254 (4.3%).

Transportation expenses decreased by \$163,416 (15.6%) in 2020 as compared to 2019. Much of the decrease is attributable to the reduction in fuel costs. Diesel fuel purchases decreased by \$38,323 (27.4%) in 2020. Unleaded fuel purchases decreased by \$67,227 (24.7%) in 2020. Most of the decrease is due to lower cost per gallon as the average cost decreased 18.9%, from \$2.096/gallon in 2019 to \$1.70/gallon in 2020. In addition, the number of gallons purchased also decreased from 117,967 gallons in 2019 down to 109,755 gallons in 2020. That 8,212 reduction in the number of gallons equates to a 7.0% decrease.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Review of Expenses – Continued

Notable Expense Changes (Other Than Labor) – Continued

Debt issuance costs decreased by \$242,856 (100.6%) in 2020 due to OCWA not issuing bonds during the year.

Other decreases include worker's compensation insurance (\$51,233) and travel/training (\$93,927).

Significant expense increases from 2019 to 2020 include the following:

The expense related to OCWA's various insurance policies, which include commercial general liability, property, business automobile, commercial umbrella, excess umbrella and inland marine among others increased by \$100,832 (12.2%) in 2020 over the 2019 amount.

Purchased water cost increased by \$81,566 (7.6%) in 2020. OCWA purchased 6 MG (1.7%) more from the City of Syracuse in 2020 than in 2019. In addition, the City implemented a rate increase for large users on July 1, 2020.

Pension expense increased by \$1,949,378 (89.1%) in 2020 as compared to 2019 based on the GASB 68 calculations provided by the NYS Local Retirement System. The NYSLRS calculates pension expense and other information on an annual basis and provides it to the Authority for inclusion in financials. OCWA's annual contribution for 2020 was only \$66,837 (3.7%) more than in 2019.

Per the Metropolitan Water Board (MWB) consolidation agreement with Onondaga County, OCWA pays to the County the annual amount needed to balance the budgeted appropriations made by the County on behalf of the District. These legacy costs, which are the net of costs still incurred by the County for such items as debt service, employee benefits and interdepartmental charges over and above amounts collected for ad valorem taxes and appropriated fund balance applied was \$578,425 more in 2020 than in 2019.

OPEB expense increased by \$1,284,974 (59.4%) in 2020. The 2020 expense of \$3,449,257 was one of the amounts determined by OCWA's actuary that comprise the GASB 75 entries for the year. The decrease in the discount rate used from 3.50% to 2.21% was the major factor in the increases in OPEB expense and the unfunded liability for the year. The discount rate is taken from the rate for a 20-year high-quality tax-exempt municipal bond index as of the measurement date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Review of Expenses – Continued

Notable Expense Changes (Other Than Labor) – Continued

Interest expense increased by \$1,384,213 (56.8%) in 2020. The primary reason for the increase is that bonds issued in November 2019 had a full year of expense in 2020 as opposed to the lesser amount in 2019. The increase in the interest expense on the 2019 bonds was \$1,499,909. This was slightly offset by the decrease of \$114,604 in all the other bond interest expenses.

Depreciation increased by \$471,584 (7.0%) in 2020 as compared to 2019 figures. This reflects the fact that OCWA's Water Plant in Service increased by \$5.75 million in 2019 as well as over \$21.1 million in 2020. Fixed assets are depreciated over their estimated useful lives. In addition, over \$1.4 million in improvements made by OCWA to Onondaga County owned facilities as part of MWB consolidation agreement were set up as intangible assets as ownership of those facilities remains with the County. These intangible assets are amortized over the term of the agreement.

Summary of Overall 2020 Operations

In 2020, OCWA experienced a net income before capital contributions of \$4,321,441, a decrease of \$1,662,098 from the net income of \$5,983,539 for the fiscal year ended December 31, 2019. This is comprised of the following factors:

Total Revenues increased by \$3,328,191 (7.2%) in 2020. This is primarily comprised of an increase of \$4,263,248 (9.7%) in Water Revenues, partially offset by decreases to Grant Revenue – \$574,092 and Interest Income – \$383,160.

Total Expenses increased by \$4,990,289 (12.4%) in 2020. This is the net result of various increases including OPEB expense, pension expense, legacy costs, interest expense and depreciation, partially offset by decreases including gas/electric, professional services, contractor expenses, supply expenses and transportation expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

OCWA Budget Process

Each year the Authority's department managers prepare comprehensive draft budgets, one for operations and maintenance and one for capital projects. The executive staff combines the budgets and prepares a recommendation for the Authority's Board to review in early October of each year. The Board, in turn, conducts a budget workshop with executive management and a final recommendation is made for approval by the Board at its October meeting. Per the implementation of New York State's Public Authorities Accountability Act, OCWA's annual budget process must be completed by the end of October. Copies of the approved budget are then forwarded to elected officials at the County and State level in accordance with PAAA guidelines.

Executive management, also in accordance with OCWA's trust indenture, provides a copy of the budgets to the Authority's consulting engineer for review and approval. Executive management and the consulting engineer meet to review both budgets prior to the consulting engineer submitting their letter acknowledging satisfactory review.

The operations and maintenance budget is generally not amended once it has been approved by the Board. On a monthly basis, each Authority department manager completes a budget variance, which is in turn submitted to the Executive Director. Also on a monthly basis, a summary budget variance report is provided to the Board and extraordinary variances (plus and minus) are explained.

With respect to the capital budget, specific projects for the year are approved at the preceding year's October board meeting. It should also be noted that although the October budget approval encompasses all approved projects for the coming year, each project must be submitted to the Board for approval of the project's work authorization prior to the start of the project.

Executive management also prepares 20-year capital budgets and 20-year operations and maintenance budgets for the Authority. Both budgets include a list of assumptions that are used to prepare the long-range projections. It should be noted that both long-range budgets are updated regularly and submitted to the OCWA Board for review and are ultimately added to the Authority's annual business plan.

System Growth

Areas of growth included the following:

- 12 developer main extensions were completed in 2020, adding 13,380 feet of main. New customer connections will follow.
- 11 Fire Service installations were completed in 2020.
- A total of 649 water accounts were added by the end of 2020, including 617 metered accounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Areas of Growth, 2021 and Beyond

- The North Shore water main extension project, which will complete the loop around Oneida Lake, is scheduled to start in the spring of 2021. Completion of the loop will also free up 1 mgd for customer use in the southeastern portion of the OCWA system.
- The Route 11 North / Fuller Road Water District, Phase E, in the Town of Hastings is set to begin construction in the spring of 2021. The project, being paid by the Town, is estimated to cost \$17,000,000 and includes installation of 186,000 feet of main, the construction of a water storage tank and a pump station. Once completed the district will serve 640 connections.
- The Town of Granby's Water Supply Area 7 is ready to begin construction in the spring of 2021. Once completed a total of as many as 240 customers could be added to the system.
- The Town of Sullivan is moving ahead with plans to serve the Sleepy Hollow Water District with water purchased from OCWA. The district will be a wholesale account, operated by the Town.
- The Clockville area has formed a water district and is planning for construction in 2021 depending on availability of funding. The district has the potential to add 180 accounts to the system.
- The Town of Sullivan and the Town of Manlius continue to work jointly on the development of a water system that would serve two small developments off Salt Springs Road in Manlius and Sullivan as well as the Clear Path for Veterans facility located on the border of the two towns. Currently the towns are working on an inter-municipal agreement and pursuing various funding opportunities. Should the effort be successful the project has the potential to add 143 customers to the system.
- The Town of Schroepfel continues to work on developing plans for the Hinmansville / Bankrupt Road area. Should the Bankrupt Road Water District go forward it has the potential for 200 customers to be added to the OCWA system.
- The Town of Parish is pursuing funding for development of a system to serve portions of the town and village to the north of the Town of Hastings via a connection to the OCWA system. Whether or not the project will go forward should be determined at some point in 2021.
- There are several other small, Town water projects in the early stages of development heading into 2021.
- By the end of 2020 five small developer extensions, totaling 4,765 feet of main, were designed and permitted by the OCWA Engineering department.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Capital Assets at Year End (Net of Depreciation)

TABLE 4

	Governmental Activities		Total Percent Change
	2019	2020	2019-2020
	Water Plant in Service	\$ 330,145,513	\$ 351,298,793
Water Rights - Source	5,250,000	5,250,000	0.00%
Construction Work-in-Progress (I&E)	12,776,677	12,280,849	-3.88%
Water District Lease	23,169,890	23,169,890	0.00%
Pre-Survey and Investigation	523,676	305,538	-41.66%
Jobbing in Progress	80,684	53,979	-33.10%
Allowance for Depreciation	(104,380,787)	(110,290,359)	5.66%
Accumulated Amortization/Water Districts	(15,110,099)	(15,559,497)	2.97%
Residual Amortization/Water Rights	<u>(5,250,000)</u>	<u>(5,250,000)</u>	<u>0.00%</u>
Total	<u><u>\$ 247,205,554</u></u>	<u><u>\$ 261,259,193</u></u>	<u><u>5.69%</u></u>

Increase to Water Plant in Service Highlights

- Oakridge Tank Replacement – \$2,151,620
- Skyview Tank Replacement – \$2,100,096
- Southwood Tank Replacement – \$1,608,954
- 12” Ext Church Street and Chestnut Street – \$1,544,554
- 12” Ext NYS Route 5 Canastota – \$1,496,102
- 8” Ext E. Molloy Road – US Route 11 to Westwood – \$1,088,948
- 12” Ext W. Taft Road – Buckley Road to Teachers Drive – \$1,085,554
- 12” Ext US Route 11 – Brewerton Tank to Bennett Road – \$745,864
- 8” Clean and Line – Richlee Drive and Knowell Road – \$691,633
- Water meters in the amount of \$663,669 as part of an ongoing meter replacement project
- The installation of new and replacement water services – \$466,597

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Capital Assets at Year End (Net of Depreciation) – Continued

Construction Work-In-Progress Highlights

Construction Work-In-Progress decreased by \$495,828 during 2020, from \$12,776,677 at the beginning of the year, to \$12,280,849 at year end. Of that amount, \$11,607,939 is related to the following seven projects:

- Lake Ontario WTP – Electrical System Upgrades – \$5,538,907
- Lake Ontario WTP – Final Design – \$2,358,771
- Northern Concourse Site Improvements – \$1,879,738
- Terminal 36” Emergency Bypass – \$828,489
- North Shore Transmission Main – \$511,971
- Fairmount Reservoir Improvements – \$252,706
- Otisco Intake Site Improvements – \$237,357

Pre-Survey and Investigation Highlights

Pre-survey and investigation captures costs related to studies undertaken related to potential additions and improvements to the OCWA system. The total decreased by \$218,138 in 2020. One of the reasons for that decrease is that the project created to track OCWA's costs related to Onondaga County's CARE project was closed and an intangible asset in the amount of \$169,393 was created.

Jobbing in Progress

Jobbing in progress captures costs associated with activities for which an individual or developer will pay for the job in full. The installation of new hydrants and large services within certain areas of OCWA's system are examples of this. A deposit for the job is taken. When the project is completed, the Authority will either bill the developer if the actual cost is more than the deposit or refund a portion of the deposit if the cost is less. "Job Orders" are also used to capture costs associated with repairing or replacing assets, generally hydrants and services, which are hit and damaged by individuals. The Authority then bills the individual or the individual's insurance for the repair cost. The account is also used to track the cost of contract operations and of maintenance agreements with various water systems.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Long-Term Debt Administration

The Authority has five General Water System Revenue Bond issues and two E.F.C. Drinking Water Bond issues outstanding with a remaining principal totaling \$87,590,000 as of December 31, 2020. OCWA's most recent bonds were issued in November 2019.

On November 21, 2019, the Authority issued \$41,235,000 in General Water System Revenue Bonds, 2019 Series A. The bonds bear interest at rates ranging from 3.0% to 5.0% and have a final maturity date of September 15, 2044. The bonds were issued for capital improvements to the water system including the replacement of a 10 MG reservoir, Lake Ontario WTP electrical upgrades, Lake Ontario WTP improvements design, replacement of two water storage tanks and various other capital improvements. As of December 31, 2020, the 2019 bonds have a remaining balance of \$40,480,000. This amount reflects a principal payment of \$755,000 made in September 2020.

On December 1, 2016, the Authority issued \$12,320,000 in General Water System Revenue Refunding Bonds Series 2016A. The bonds bear interest at rates ranging from 2.0% to 5.0% and have a final maturity date of September 15, 2028. The bonds were issued to advance refund the Authority's Series 2011 bonds maturing after September 15, 2018. The 2011 bonds were originally issued for capital improvements to the water system including construction of a third covered water storage tank, two large pump stations, one small pump station and various other capital projects. As of December 31, 2020, the 2016 bonds have a remaining balance of \$10,305,000. This amount reflects a principal payment of \$1,010,000 made in September 2020.

On April 22, 2015, the Authority issued \$5,200,000 in General Water System Revenue Bonds Series 2015A. The bonds bear interest at rates ranging from 1.0% to 3.375% and have a final maturity date of September 15, 2035. The bonds were issued for capital improvements to the water system including a water tank replacement, two pump stations, water tank improvements, Otisco Lake Dam improvements and water main improvements. As of December 31, 2019, these bonds have a remaining principal of \$3,930,000. This amount reflects a principal payment of \$210,000 made in September 2020.

On March 5, 2013, the Authority issued \$8,390,000 in General Water System Revenue Bonds Series 2013. The bonds bear interest at rates ranging from 2.0% to 4.5% and have a final maturity date of September 15, 2025. The bonds were issued to advance refund the Authority's 2005 Series A bonds maturing after 2015. The 2005 Series A Bonds were originally issued to pay capital costs of certain improvements of the Water System. As of December 31, 2019, the 2013 bonds have a remaining principal of \$4,440,000. This amount reflects a principal payment of \$785,000 made in September 2020.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Long-Term Debt Administration – Continued

The General Water System Revenue Bonds, Series 2010A have a remaining principal balance of \$820,000 as of December 31, 2020. This amount reflects a principal payment of \$145,000 made in September 2020. The required principal payment on the bond in 2021 is \$150,000. The bonds bear interest at rates ranging from 3.0% to 5.0% and have a final maturity date of September 15, 2025. The bonds were issued to provide funds to redeem all outstanding 2001 Series A Bonds maturing after 2010 as well as provide funds for capital improvements.

The E.F.C. Drinking Water Bonds, 2009 Series A have a remaining principal balance of \$19,540,000 as of December 31, 2020. The remaining balance reflects a principal payment of \$590,000 made in June 2020. The required principal payment on the bond in 2021 is \$620,000. The interest rate is 4.8721%. Bonds mature serially in varying annual amounts and have a final maturity date of June 15, 2038.

The E.F.C. Drinking Water Installment Bonds, 2008 Series A were issued in the amount of \$14,226,510 and have a remaining principal balance of \$8,075,000 as of December 31, 2020. This amount reflects a principal payment of \$645,000 made in October 2020. The required principal payment on the bond in 2021 is \$665,000. The 2008 Bonds mature serially in varying annual amounts through 2029, with an interest rate of 4.27%, one third of which is subsidized by E.F.C. (New York State Environmental Facilities Corporation).

Pursuant to its Bond Resolution, all revenues collected by the Authority are pledged to the payment of principal and interest on the bonds. All such revenues are deposited in the name of a trustee for allocation to funds set up in accordance with the Bond Resolution.

Series Bonds	Bonds Outstanding as of December 31, 2020
2019 Series A Bonds	\$ 40,480,000
2016 Series A Bonds	10,305,000
2015 Series Bonds	3,930,000
2013 Series Bonds	4,440,000
2010 Series A Bonds	820,000
2009 E.F.C. Bonds	19,540,000
2008 E.F.C. Bonds	<u>8,075,000</u>
Total	<u>\$ 87,590,000</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Long-Term Debt Administration – Continued

OCWA Bond Rating

On February 16, 2021, Moody's Investors Service assigned a Aa2 rating to OCWA's General Water System Refunding Bonds, Series 2021A and maintained the Aa2 rating on OCWA's previously rated debt.

Looking Ahead

As 2021 begins, OCWA is well underway addressing the much-needed upgrades and improvements to the 50-year-old, 60 MGD Lake Ontario water treatment plant located in the Town of Oswego. The electrical improvements, including the addition of auxiliary power generation for both the water plant and the intake pump station is on schedule for completion June of 2021. The design of the water plant improvements and upgrades is nearing completion and bid packages for the project are expected to be sent out in March of 2021. Work on the plant is expected to begin by mid-year with an estimated two-year construction phase to follow.

Bid for the replacement of the 10 MG reservoir in Fairmount were received in February 2021 and the project was awarded to the low bidder, DN Tanks. The project is expected to begin in the spring of 2021 and carry through two construction seasons as the existing steel tank is replaced by two 6 MG concrete tanks that add capacity and operating flexibility and enhance the use of Otisco Lake water, OCWA's lowest cost water supply.

Regarding operation and maintenance expenses, savings generated by the consolidation of OCWA and MWB continue to have a positive impact on operations. The combined operations allow for more flexible and cost-effective operations, particularly with the ability and flexibility to deliver water with the lowest production cost to customers served.

With respect to dealing with the ongoing pandemic, OCWA continues to be conservative with respect to all aspects of operations. The hiring freeze implemented in March of 2020 continues in a modified manner. Critical positions are filled as needed; however, each vacancy is reviewed to determine the timing of hiring a replacement. Presently, OCWA staff level is 4.5% lower than the full complement authorized in the 2021 operating budget.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Looking Ahead – Continued

Rate increases since 2001 and up to and including 2021 are listed below:

Year	Residential / Commercial	Wholesale	Industrial	Fire Protection
2021	\$6.00 / EDU + \$0.15/1,000 gal	\$6.00 / EDU + \$0.17/1,000 gal	\$6.00 / EDU + \$0.13/1,000 gal	2.00%
2020	\$8.40 / EDU + \$0.145/1,000 gal	\$8.40 / EDU + \$0.14/1,000 gal	\$8.40 / EDU + \$0.095/1,000 gal	2.00%
2019	\$12.00 / EDU	\$12.00 / EDU	\$12.00 / EDU	0.00%
2018	0.00%	0.00%	0.00%	0.00%
2017	\$4.00 / EDU	\$4.00 / EDU	\$4.00 / EDU	0.00%
2016	\$4.00 / EDU + \$0.08/1,000 gal	\$4.00 / EDU + \$0.08/1,000 gal	\$4.00 / EDU + \$0.08/1,000 gal	5.00%
2015	\$12.00 / EDU + \$0.025 / 1,000 gal	\$12.00 / EDU + \$0.025 / 1,000 gal	\$12.00 / EDU + \$0.025 / 1,000 gal	0.00%
2014	\$8.00 / EDU	\$8.00 / EDU	\$8.00 / EDU	0.00%
2013	2.00%	2.00%	2.00%	0.00%
2012	2.47%	2.31%	2.38%	0.00%
2011	9.00%	9.00%	9.00%	0.00%
2010	12.00%	10.00%	10.00%	3.25%
2009	15.00%	15.00%	9.90%	3.25%
2008	7.70%	7.70%	6.70%	3.25%
2007	9.80%	9.80%	6.75%	4.00%
2006	6.00%	6.00%	4.00%	4.00%
2005	8.00%	8.00%	5.00%	5.00%
2004	15.00%	15.00%	3.00%	3.00%
2003	2.00%	2.00%	2.00%	2.00%
2002	2.00%	2.00%	2.00%	2.00%

- Post OCWA/MWB consolidation, the Authority now purchases water solely from the City of Syracuse Water Department. For 2020 OCWA purchased an average of 1.02 mgd or 2.8% of the Authority's daily demand from Syracuse. This represents a 17,000 gallon per day increase over 2019. It should be noted that the City's budget year runs July 1 – June 30 each year and as a result rate increase information typically becomes available 9 months after OCWA's annual budget is approved.
- With respect to labor expense, it is worth noting the contract with the Teamsters bargaining unit was signed in late 2020 and runs through December 21, 2023 and the contract with the CSEA bargaining unit was signed in January of 2021 and runs through December 31, 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Looking Ahead – Continued

- Healthcare cost increases continue to be more reasonable. Coverage for CSEA, non-union and retirees increased 2.7% for 2021 and Teamsters Health coverage for 2021 increased by 1.2%.
- Outside contractor expenses are projected to increase substantially over 2020, primarily attributed to a hold placed on projects due to the COVID-19 pandemic. Restored projects include Vault and related facilities painting and the restart of ongoing Rights of Way clearing are two of the largest drivers behind the increase expected in 2021.
- Chemical costs for 2021 are projected to increase 3.2% due in part to projected demand for the year and increased cost of chemicals.
- OCWA's cost of electric and natural gas costs in 2021 are projected to remain flat, however changes in demand and changes in fuel costs could result in an overall increased power expense for the year.
- OCWA's 2021 capital improvement program is funded in part by net income from 2020, coupled with use of capital construction funds established by the Authority, including funds from the 2019 water revenue bond issue. In addition to funds provided by OCWA operations, additional funding sources for 2020 capital projects include WIAA grant awards from the New York State Department of Health for Otisco Lake Dam Improvement Project (\$846,000) and the North Shore Water Main Extension project (\$1,500,000).
- With respect to projects funded via a 2019 bond issue, planned projects are in various stages of completion. The \$45 million issue is for capital improvement projects that include the Lake Ontario facilities electric upgrades and generator installation project (\$9,500,000) that is scheduled for completion in June 2021, the replacement of the Fairmount 10 MG steel tank with two 6 MG concrete tanks (\$16,000,000) that will be under construction in 2021. Other projects, scheduled to be under construction in 2021, include the Terminal Reservoirs main improvements (\$5,000,000) and the Constantia to Vienna transmission main (\$2,500,000). Also, the design of the Lake Ontario water treatment plant improvements (\$3,000,000) will be wrapping up early in 2021 and going out for bids by the end of the winter. The Northern Concourse headquarters improvements project (\$2,390,000) will be wrapping up in early 2021. Other projects, that were completed in 2020, include the Skyview tank replacement (\$2,100,096); the Southwood tank replacement (\$1,608,954); and the cleaning and relining of 8-inch water main (\$691,634) Knowell and Richlee Drives in the town of Camillus.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2020

Looking Ahead – Continued

- In addition to the major capital budget items addressed above, the 2021 capital budget also provides \$9.58 million for OCWA's ongoing capital reinvestment for programs related to meter replacements and upgrades, replacement of water mains, hydrants and valves. The annual capital budget also covers unending replacement of vehicles and heavy equipment. Additionally, the capital budget addresses building and facilities improvements ranging from control pit repairs and storage tank rehabilitation projects. All approved projects are in keeping with OCWA's ongoing asset management efforts, whereby operating and engineering staff continually review and prioritize the overall needs related to replacement and or enhancement of all assets throughout the system.
- Taking advantage of current low interest rates, OCWA will be issuing water revenue bonds in March 2021 to refund \$18,920,000 of its E.F.C. Drinking Water Bonds, 2009 Series A and \$820,000 of its General Water System Revenue Bonds, 2010 Series A. The refunding will result in budgetary savings of over \$6,900,000.
- The Authority will issue water revenue bonds in the second half of 2021 to obtain \$46,000,000 in construction funds for the aforementioned Lake Ontario Water Treatment Plant project.

Request for Information

This report is presented as a broad overview of the financial condition of the Onondaga County Water Authority. Questions related to the report or the Authority in general should be sent to the Executive Director, Onondaga County Water Authority, PO Box 4949, Syracuse, New York 13221-4949. Questions can also be directed to the Executive Director via the Authority's web site at www.ocwa.org.

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

December 31, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 21,617,651	\$ 20,625,357
Accounts Receivable - Customers (Less Allowance for Doubtful Accounts of \$100,000 and \$60,000 in 2020 and 2019, Respectively)	13,164,754	10,192,406
Accounts Receivable - Other	34,530	34,662
Materials, Supplies and Prepaid Expenses	4,247,933	3,499,611
	<hr/>	<hr/>
Total Current Assets	39,064,868	34,352,036
RESTRICTED ASSETS		
Customer Deposits	572,332	512,770
Bond Fund	2,915,635	2,440,534
Renewal and Replacement Fund	798,512	1,234,305
Bond Reserve Fund	6,703,857	6,733,340
Construction Fund	29,381,731	41,340,684
	<hr/>	<hr/>
Total Restricted Assets	40,372,067	52,261,633
INTANGIBLE ASSETS, NET	5,092,639	3,669,907
PLANT AND WATER RIGHTS, NET	261,259,193	247,205,554
	<hr/>	<hr/>
TOTAL ASSETS	345,788,767	337,489,130
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding	491,169	581,323
Other Post-Employment Benefits	8,658,071	4,399,031
Pension Related - ERS	9,153,809	3,631,039
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,303,049	8,611,393
	<hr/>	<hr/>

ONONDAGA COUNTY WATER AUTHORITY

LIABILITIES AND NET POSITION

	2020	2019
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>4,740,645</u>	<u>3,327,720</u>
Total Current Liabilities	4,740,645	3,327,720
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts Payable	400,507	566,126
Customer Deposits	307,884	258,242
Bonds Payable, Portion Due Within One Year	4,470,000	4,140,000
Accrued Interest on Bonds Payable	<u>809,766</u>	<u>536,269</u>
Total Liabilities Payable from Restricted Assets	5,988,157	5,500,637
LONG-TERM DEBT		
Bonds Payable	90,270,531	95,222,620
Post-Employment Benefits Other Than Pension	42,227,839	33,703,402
Net Pension Liability - ERS	<u>11,629,696</u>	<u>3,051,058</u>
Total Long-Term Debt	<u>144,128,066</u>	<u>131,977,080</u>
TOTAL LIABILITIES	<u>154,856,868</u>	<u>140,805,437</u>
DEFERRED INFLOWS OF RESOURCES		
Other Post-Employment Benefits	2,672,667	3,488,807
Pension Related - ERS	<u>202,199</u>	<u>987,882</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,874,866</u>	<u>4,476,689</u>
NET POSITION		
Net Investment in Capital Assets	196,391,562	189,764,941
Restricted	24,144,745	12,859,165
Unrestricted	<u>(14,176,225)</u>	<u>(1,805,709)</u>
TOTAL NET POSITION	<u>\$ 206,360,082</u>	<u>\$ 200,818,397</u>

See notes to financial statements.

ONONDAGA COUNTY WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUE		
Charges for Services	\$ 48,252,190	\$ 43,988,942
Penalties	473,315	598,799
Other	718,931	672,423
	49,444,436	45,260,164
OPERATING EXPENSE		
Source of Supply	1,156,059	1,074,493
Transmission and Distribution	21,243,863	21,758,609
Collection	1,250,768	1,396,686
Administration	10,731,425	6,564,018
Depreciation and Amortization	7,196,429	6,935,806
	41,578,544	37,729,612
INCOME FROM OPERATIONS	7,865,892	7,530,552
OTHER INCOME (EXPENSE)		
Interest from Investments Held by Trustee	254,089	637,249
Gain (Loss) on Disposal of Fixed Assets	19,077	(82,094)
Grant Income	0	574,092
Debt Issuance (Costs) Benefit	1,500	(241,356)
Interest Expense	(3,819,117)	(2,434,904)
	(3,544,451)	(1,547,013)
Net Income Before Capital Contributions	4,321,441	5,983,539
Capital Contributions	1,220,244	1,426,918
	5,541,685	7,410,457
CHANGE IN NET POSITION		
NET POSITION		
Balance, Beginning of Year	200,818,397	193,407,940
Balance, End of Year	\$ 206,360,082	\$ 200,818,397

See notes to financial statements.

ONONDAGA COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 46,472,222	\$ 46,056,979
Cash Payments for Goods and Services	(15,794,509)	(16,693,144)
Cash Payments to Employees	<u>(12,095,655)</u>	<u>(12,138,553)</u>
Net Cash Provided By Operating Activities	18,582,058	17,225,282
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Customer Deposits Received	548,210	720,406
Refunding of Customer Deposits	<u>(498,568)</u>	<u>(678,400)</u>
Net Cash Provided By Noncapital Financing Activities	49,642	42,006
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	273,077	107,328
Cash Received from Contributed Capital	1,220,244	1,426,918
Grant Income	0	574,092
Payments for Capital Acquisitions	(23,408,919)	(18,105,065)
Debt Issuance Costs	1,500	(241,356)
Premium on Bond Issuance	0	5,766,607
Proceeds from Issuance of Long-Term Debt	0	41,235,000
Principal Payments	(4,140,000)	(3,288,200)
Interest Paid	<u>(3,728,963)</u>	<u>(2,344,750)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	(29,783,061)	25,130,574
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of Interest	<u>254,089</u>	<u>637,249</u>
Net Cash Provided By Investing Activities	<u>254,089</u>	<u>637,249</u>
Net Increase (Decrease) in Cash	(10,897,272)	43,035,111
Cash, Beginning of Year	<u>72,886,990</u>	<u>29,851,879</u>
Cash, End of Year	<u><u>\$ 61,989,718</u></u>	<u><u>\$ 72,886,990</u></u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from Operations	\$ 7,865,892	\$ 7,530,552
Adjustments to Reconcile Income from Operations to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	7,196,429	6,935,806
Change in Allowance for Doubtful Accounts	40,000	0
(Increase) Decrease in Operating Assets:		
Accounts Receivable - Customers	(3,012,348)	557,552
Accounts Receivable - Other	132	239,262
Materials, Supplies, and Prepaid Expenses	(748,322)	(105,363)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	1,520,803	(484,484)
Post-Employment Benefits Other Than Pension	8,524,437	1,956,720
Pension Related Deferrals and Liabilities	(2,804,965)	595,237
	<u>\$ 18,582,058</u>	<u>\$ 17,225,282</u>
Net Cash Provided By Operating Activities	<u>\$ 18,582,058</u>	<u>\$ 17,225,282</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 – NATURE OF OPERATIONS

Onondaga County Water Authority (the “Authority”) is a public benefit corporation created by New York State and engaged in construction, maintenance and operation of a water supply and distribution system for the benefit of the people of Onondaga County and surrounding municipalities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority’s financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

In accordance with GASB standards, the accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. As required by GASB standards, the transactions of the Authority are accounted for on a flow of economic resources measurement focus and accrual basis of accounting.

Basis of Presentation

GASB requires the classification of net position into three components defined as follows:

- *Net Investment in Capital Assets* are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation and related debt.
- *Restricted Net Position* – This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This component consists of the remaining net assets, which can be further categorized as designated or undesignated. Designated assets are not governed by statute or contract but are committed for specific purposes pursuant to Authority policy and/or Board directives. Designated assets include funds and assets committed to working capital.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position will sometimes report separate sections for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflow amounts on refunding of water revenue bonds, other post-employment benefits, as well as amounts relating to the New York State Employees' Retirement System in this category.

In addition to liabilities, the statements of net position will sometimes report separate sections for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that is applicable to a future reporting period and will therefore not be recognized as an inflow of resources (revenue) until then. The Authority reports deferred inflow amounts on other post-employment benefits, as well as amounts relating to the New York State Employees' Retirement System in this category.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority has adopted the direct method of reporting net cash flows from operating activities and considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Assets Held by Trustee

Assets held in trust in accordance with the General Water System Revenue Bonds Trust Indentures and the Environmental Facilities Corporation's Drinking Water Installment Bond Indentures are included in Restricted Assets on the statements of net position (see Note 5).

Assets held by the Trustee consist of fixed income United States Government securities. The Authority reports these items at fair value based on quoted market prices.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounts Receivable

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority analyzes accounts receivable on a monthly basis and adjusts the allowance for doubtful accounts as is necessary. Accounts receivable are written off against the allowance for doubtful accounts as they are deemed uncollectible.

Accrued unbilled revenues (included in accounts receivable on the statements of net position) represent revenue earned in the current year but not billed to customers until future dates, usually within three months, and is an estimate made by management.

Materials, Supplies and Prepaid Expenses

Materials and supplies, consisting mainly of valves, pipe and hydrants are stated at cost and are determined using a weighted average cost method. Prepaid expenses consist of prepaid insurance and service contracts.

Bond Premium

Amortization of bond premium is on the straight-line basis over the life of the bonds and amounted to \$482,086 and \$278,901 for the years ended December 31, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Plant and Water Rights

Capital assets are carried at cost. Improvements, renewals and significant repairs that extend the life of the asset are capitalized, other repairs and maintenance costs are expensed as incurred. The capitalized cost of additions to property and equipment includes construction costs such as labor and materials. The Authority's capitalization threshold is \$5,000. The Authority does not capitalize interest.

Depreciation is provided on the straight-line basis using the various lives for each asset which range between 5 and 100 years, with one-half year's depreciation taken in the year of acquisition and disposal. When assets are retired or otherwise disposed of, the related assets and accumulated depreciation is written off and any unrelated gains or losses are recorded.

The Authority leases and operates certain water districts which are capitalized and included in total plant and water rights and are being amortized over periods of 20 and 40 years, depending on the terms of the lease agreement. Lease transactions entered into prior to December 31, 1976 are recorded at the total of the future amount payable under the terms of the respective leases. Commencing January 1, 1977, the Authority adopted the policy of capitalizing long-term lease obligations at the present value of the future lease payments using the interest rates specified in the agreements. Interest expense is recognized on these leases in proportion to the outstanding balance of the principal accounts payable.

Contributed Capital

Contributed capital represents amounts, which have been received from customers for betterments or additions to water plants. The Authority accounts for such contributions as such in its statements of revenues, expenses and change in net position.

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Employee's Retirement System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported in the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the statutes governing the System. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Post-Employment Benefits

The Authority provides certain health care benefits to its retired employees in accordance with the provisions of employment contracts (see Note 7).

Revenue Recognition

The Authority distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Water service revenues are recognized based on actual customer water usage, including estimates for unbilled periods. Other operating revenues are recognized when service has been rendered and collection is reasonably assured. The Authority's operating expenses include operations and maintenance expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Income Tax Status

As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales taxes.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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. Accordingly, actual results could differ from those estimates.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash held by the Authority at December 31, 2020 consists of the following:

	Carrying Value	Bank Balance
Cash Held:		
Cash on Hand	\$ 500	\$ 0
Bank Accounts	<u>1,078,289</u>	<u>1,886,059</u>
Total Cash Held	<u><u>\$ 1,078,789</u></u>	<u><u>\$ 1,886,059</u></u>

Cash held by the Authority at December 31, 2019 consists of the following:

	Carrying Value	Bank Balance
Cash Held:		
Cash on Hand	\$ 500	\$ 0
Bank Accounts	<u>1,382,710</u>	<u>1,618,760</u>
Total Cash Held	<u><u>\$ 1,383,210</u></u>	<u><u>\$ 1,618,760</u></u>

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. The Authority’s deposits are secured by \$508,988 from the Federal Depository Insurance Corporation plus \$1,377,071 of pledged collateral at December 31, 2020. For the Authority, all pledged collateral and all investments are classified in the highest category by being held in bank trust departments in the Authority’s name.

Funds held by the Authority are administered in accordance with the Authority’s investment guidelines pursuant to Section 2925 of the New York State Public Authorities Law. These guidelines comply with the New York State Comptroller’s investment guidelines for public authorities.

Statutes authorize the Authority to invest in defeasance obligations, obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated F-1 by Fitch, A-1+ by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, among other things. At the present time the investments are primarily in money market funds and obligations of the U.S. Treasury.

Total marketable securities by type as of December 31 are as follows:

	2020	2019
Investments:		
Money Market Funds	\$ 11,657,945	\$ 11,750,139
U.S. Treasury Bills	<u>49,252,984</u>	<u>59,753,641</u>
Total Investments	<u><u>\$ 60,910,929</u></u>	<u><u>\$ 71,503,780</u></u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Money market funds and United States Treasury bills are considered Level 1 investments.

The Authority’s recurring fair value measurements of its U.S. Treasury bills as of December 31, 2020 and 2019, are valued using quoted market prices (Level 1 inputs).

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4 – PLANT AND WATER RIGHTS

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2020 is as follows:

	December 31, 2019	Additions	Retirements / Reclassifications	December 31, 2020
Land	\$ 988,834	\$ 0	\$ 0	\$ 988,834
Dams, Buildings and Other Structures	89,160,228	7,127,043	0	96,287,271
Pumping and Purification Equipment	3,269,194	0	0	3,269,194
Mains, Meter, Services and Other Distribution Facilities	188,517,540	13,163,298	286,518	201,394,320
Filtration Plant	25,949,382	0	0	25,949,382
Automobiles, Trucks and Other Equipment	22,260,334	2,240,411	1,090,953	23,409,792
Leased Water Districts	23,169,890	0	0	23,169,890
	<u>353,315,402</u>	<u>22,530,752</u>	<u>1,377,471</u>	<u>374,468,683</u>
Construction-in-Progress	13,381,038	12,071,362	12,812,034	12,640,366
Water Rights	<u>5,250,000</u>	<u>0</u>	<u>0</u>	<u>5,250,000</u>
Total Plant and Water Rights	371,946,440	34,602,114	14,189,505	392,359,049
Less: Accumulated Depreciation and Amortization	<u>124,740,886</u>	<u>7,482,409</u>	<u>1,123,439</u>	<u>131,099,856</u>
Net Plant and Water Rights	<u><u>\$ 247,205,554</u></u>	<u><u>\$ 27,119,705</u></u>	<u><u>\$ 13,066,066</u></u>	<u><u>\$ 261,259,193</u></u>

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 4 – PLANT AND WATER RIGHTS – Continued

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2019 is as follows:

	December 31, 2018	Additions	Retirements / Reclassifications	December 31, 2019
Land	\$ 988,834	\$ 0	\$ 0	\$ 988,834
Dams, Buildings and Other Structures	88,536,322	623,906	0	89,160,228
Pumping and Purification Equipment	3,295,788	84,165	110,759	3,269,194
Mains, Meter, Services and Other Distribution Facilities	184,913,157	4,010,939	406,556	188,517,540
Filtration Plant	25,861,416	87,966	0	25,949,382
Automobiles, Trucks and Other Equipment	20,791,930	2,241,802	773,398	22,260,334
Leased Water Districts	<u>23,169,890</u>	<u>0</u>	<u>0</u>	<u>23,169,890</u>
	347,557,337	7,048,778	1,290,713	353,315,402
Construction-in-Progress	5,947,176	11,060,910	3,627,048	13,381,038
Water Rights	<u>5,250,000</u>	<u>0</u>	<u>0</u>	<u>5,250,000</u>
Total Plant and Water Rights	358,754,513	18,109,688	4,917,761	371,946,440
Less: Accumulated Depreciation and Amortization	<u>118,655,411</u>	<u>7,196,537</u>	<u>1,111,062</u>	<u>124,740,886</u>
Net Plant and Water Rights	<u>\$ 240,099,102</u>	<u>\$ 10,913,151</u>	<u>\$ 3,806,699</u>	<u>\$ 247,205,554</u>

Depreciation and amortization charged to expense at December 31, 2020 and 2019 was \$7,196,429 and \$6,935,806, respectively, which includes amortization of leased water districts (see Note 5).

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 – LONG-TERM DEBT

Water Revenue Bonds Payable

In August 2010, March 2013, April 2015, December 2016 and November 2019, the Authority issued \$5,925,000, \$8,390,000, \$5,200,000, \$12,320,000 and \$41,235,000, respectively, in General Water System Revenue Bonds, 2010, 2013, 2015, 2016 and 2019 Series A pursuant to a Trust Indenture which pledges all revenues collected by the Authority to the payment of the principal and interest on the bonds. All such revenues are deposited in the name of the trustee for allocation to funds in accordance with the provisions of the Trust Indenture.

Bonds outstanding at December 31, 2020 and 2019 amounted to \$59,975,000 and \$62,880,000, respectively. The bonds mature serially in varying annual amounts through 2044, with interest ranging from 1.00% and 5.00%, payable semi-annually. The 2010 bonds maturing on or after September 15, 2021, the 2013 bonds maturing on or after September 15, 2025, the 2015 bonds maturing on or after September 15, 2035, the 2016 bonds maturing on or after September 15, 2028 and the 2019 bonds maturing on or after September 15, 2044, are redeemable, at the option of the Authority, prior to maturity in the inverse order of their maturity at par, plus accrued interest thereon to the redemption date.

On August 19, 2010, the Authority issued \$5,925,000 in General Water System Revenue Bonds, Series 2010A to refund all outstanding General Water System Revenue Bonds, 2001A due September 15, 2015. The Series 2010A bonds bear interest at rates ranging from 3.0% to 5.0% and have a final maturity date of September 15, 2025. The net proceeds, along with the Debt Service Reserve for the 2001 Bonds, were used to refund \$4,640,000 of the Series 2001A General Water System Revenue Bonds, fund the Debt Service Reserve Fund in the amount of \$590,408, fund the Construction Fund for \$2,006,255 and to pay bond issuance costs of \$87,180. The refunding produced an approximate \$372,573 net present value savings.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$81,780 which was reported as a deferred outflow of resources. The Authority completed the refunding to reduce its total debt service payments over the next five years by \$389,037 and to obtain an economic gain of \$372,573.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 – LONG-TERM DEBT – Continued

Water Revenue Bonds Payable – Continued

On March 5, 2013, the Authority issued \$8,390,000 in General Water System Revenue Bonds, Series 2013A to partially advance refund outstanding General Water System Revenue Bonds, 2005A. The Series 2013A bonds bear interest rates ranging from 2.0% to 4.5% and have a final maturity date of September 15, 2025. The net proceeds (after payment of \$97,987 in underwriting fees and other issuance costs) and \$399,492 of existing reserve funds for the 2005A Series bonds were used to purchase State and Local Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$8,390,000 of the 2005A Series bonds are considered to be defeased and the liability has been removed from the accounts. The outstanding principal for the unrefunded portion of the 2005A Series bonds matured on September 15, 2015.

The advance partial refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$870,452. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged as a component of interest expense through the year 2025. The Authority completed the refunding to reduce its total debt service payments over the next thirteen years by \$962,963 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$621,709. At December 31, 2020 and 2019, \$328,581 and \$397,756, respectively, of the deferred amount on refunding was included in deferred outflows on the statements of net position.

On December 1, 2016, the Authority issued \$12,320,000 in General Water System Revenue Bonds, Series 2016A to partially advance refund outstanding General Water System Revenue Bonds, 2011A. The Series 2016A bonds bear interest rates ranging from 2.0% to 5.0% and have a final maturity date of September 15, 2028. The net proceeds (after payment of \$158,403 in underwriting fees and other issuance costs) and \$660,595 of existing reserve funds for the 2011A Series bonds were used to purchase State and Local Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$13,495,000 of the 2011A Series bonds are considered to be defeased and the liability has been removed from the accounts. The outstanding principal for the unrefunded portion of the 2011A Series bonds matured on September 15, 2018.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 – LONG-TERM DEBT – Continued

Water Revenue Bonds Payable – Continued

The advance partial refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$248,253. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged as a component of interest expense through the year 2028. The Authority completed the refunding to reduce its total debt service payments over the next twelve years by \$2,604,450 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,459,445. At December 31, 2020 and 2019, \$162,588 and \$183,567, respectively, of the deferred amount on refunding was included in deferred outflows on the statements of net position.

Environmental Facilities Corporation Revenue Bonds (“E.F.C. Drinking Water Installment Bonds”)

The State of New York has established a State Drinking Water Program, which includes a state drinking water revolving fund (the “Revolving Fund”) to be used for purposes of the Safe Drinking Water Act. The New York State Environmental Facilities Corporation (the “Corporation”) is responsible for administering the Revolving Fund and providing financial assistance from the Revolving Fund. The Corporation issues bonds to provide loans from the Revolving Fund to private water companies, political subdivisions and public benefit corporations of the State of New York. The Authority has been issued a portion of the total bond proceeds in the amounts stated in the table below to finance safe drinking water projects.

In 2008, the Authority received bond proceeds in the amount of \$14,226,510 from the Environmental Facilities Corporation’s 2008 Series A Drinking Water Installment Bond Offering. The bonds have a final maturity date of October 1, 2029 and bear interest at a rate of 4.27%. The interest cost of these bonds is subsidized by the State of New York drinking water revolving fund.

The E.F.C. Drinking Water Bonds, 2009 Series A were issued in the maximum principal amount of \$33,000,000. During 2012, the Authority received \$5,696,270 in ARRA principal forgiveness and the bond purchase agreement was amended to reflect the new principal amount of \$23,952,835. The bonds have a final maturity date of June 15, 2038 and bear interest at a rate of 4.8721%.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 – LONG-TERM DEBT – Continued

Environmental Facilities Corporation Revenue Bonds (“E.F.C. Drinking Water Installment Bonds”) – Continued

Debt service over the remaining term of the bonds is summarized as follows:

	Principal on Bonds	Interest Payable	Total Debt Service
2021	\$ 4,470,000	\$ 3,612,809	\$ 8,082,809
2022	4,670,000	3,430,269	8,100,269
2023	4,880,000	3,226,379	8,106,379
2024	5,095,000	3,012,749	8,107,749
2025	5,330,000	2,784,317	8,114,317
2026 - 2030	21,305,000	10,978,703	32,283,703
2031 - 2035	15,580,000	6,931,886	22,511,886
2036 - 2040	16,555,000	3,182,278	19,737,278
2041 - 2044	<u>9,705,000</u>	<u>738,600</u>	<u>10,443,600</u>
	87,590,000	<u>\$ 37,897,990</u>	<u>\$ 125,487,990</u>
Less: Current Portion	4,470,000		
Add: Premium on Long-Term Debt	<u>7,150,531</u>		
 Bonds Payable - Long-Term	 <u>\$ 90,270,531</u>		

Changes in long-term liabilities in 2020 are as follows:

	December 31, 2019	Additions	Reductions	December 31, 2020
Bonds Payable:				
Water Revenue Bonds	\$ 62,880,000	\$ 0	\$ 2,905,000	\$ 59,975,000
E.F.C. Drinking Water Installment Bonds	<u>28,850,000</u>	<u>0</u>	<u>1,235,000</u>	<u>27,615,000</u>
 Total Bonds Payable	 <u>\$ 91,730,000</u>	 <u>\$ 0</u>	 <u>\$ 4,140,000</u>	 <u>\$ 87,590,000</u>

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 5 – LONG-TERM DEBT – Continued

Environmental Facilities Corporation Revenue Bonds (“E.F.C. Drinking Water Installment Bonds”) – Continued

Changes in long-term liabilities in 2019 are as follows:

	December 31, 2018	Additions	Reductions	December 31, 2019
Bonds Payable:				
Water Revenue Bonds	\$ 23,725,000	\$ 41,235,000	\$ 2,080,000	\$ 62,880,000
E.F.C. Drinking Water Installment Bonds	<u>30,040,000</u>	<u>0</u>	<u>1,190,000</u>	<u>28,850,000</u>
Total Bonds Payable	<u>\$ 53,765,000</u>	<u>\$ 41,235,000</u>	<u>\$ 3,270,000</u>	<u>\$ 91,730,000</u>

Capital Leases

The Authority leases certain water facilities under capital lease obligations. Water facilities included in capital assets amounted to \$23,169,890 for both years ending December 31, 2020 and 2019. Accumulated amortization related to these water facilities was \$15,559,497 and \$15,110,099 for the years ending December 31, 2020 and 2019, respectively.

Amortization expense related to water facilities under capital leases was \$449,398 and \$457,174 for the years ended December 31, 2020 and 2019, respectively.

At December 31, 2020, all outstanding obligations related to capital leases had been satisfied in full.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (ERS) which is referred to as New York State and Local Retirement System (the System). This is a cost sharing multiple employer defined benefit retirement system, providing 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 fiduciary net position allocated to the System. The Comptroller of the State of New York serves as 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 a 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 may be found at www.osc.state.ny.us/retire/publications/index.php or by writing to the New York State and Local Employees' Retirement System, Alfred E. Smith State Office Building, State Street, Albany, New York 12244.

Contributions

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% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	Annual Contributions
2020	<u>\$ 1,867,831</u>
2019	<u>\$ 1,800,994</u>
2018	<u>\$ 1,750,314</u>

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

At December 31, 2020 and 2019, the Authority reported a liability of \$11,629,696 and \$3,051,058, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020 and March 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2020 and 2019, the Authority's proportion was .0439% and .0431%, respectively.

At December 31, 2020 and 2019, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 684,455	\$ 0
Changes of Assumptions	234,167	202,199
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,961,948	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	405,408	0
Authority Contributions Subsequent to the Measurement Date	<u>1,867,831</u>	<u>0</u>
Total	<u>\$ 9,153,809</u>	<u>\$ 202,199</u>

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

		2019
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 600,817	\$ 204,812
Changes of Assumptions	766,911	0
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	0	783,070
Changes in Proportion and Differences Between		
Employer Contributions and Proportionate		
Share of Contributions	462,317	0
Authority Contributions Subsequent to the		
Measurement Date	<u>1,800,994</u>	<u>0</u>
Total	<u>\$ 3,631,039</u>	<u>\$ 987,882</u>

Authority contributions subsequent to the measurement date of \$1,867,831, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ 1,263,593
2022	1,806,084
2023	2,253,695
2024	<u>1,760,407</u>
Total	<u>\$ 7,083,779</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

Deferred outflows of resources of \$1,800,994 at December 31, 2019 resulting from the Authority’s contributions subsequent to the measurement date, were recognized as a reduction of the net pension liability in the year ended December 31, 2020.

The Authority recorded pension expense for the years ending December 31, 2020 and 2019 in the amounts of \$4,138,016 and \$2,188,638, respectively.

Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019 with update procedures used to roll forward the total pension liability to March 31, 2020. The total pension liability for the March 31, 2019 measurement date was determined using an actuarial valuation as of April 1, 2018, with update procedures to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions.

	2020	2019
Inflation Rate	2.5%	2.5%
Salary Increases	4.2%	4.2%
Investment Rate of Return (Net of Investment Expense, Including Inflation)	6.8%	6.8%
Cost of Living Adjustments	1.3%	1.9%

Annuitant mortality rates are based on April 1, 2010 to March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2018.

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 to March 31, 2015.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

Expected Rate of Return on Investments

The long-term expected 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 return, 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 and 2019 are summarized below:

Asset Class	Expected Real Rate of Return	
	2020	2019
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%
Bond Cash	0.0%	1.3%
Inflation-Indexed Bonds	0.5%	1.3%
Bonds and Mortgages	0.8%	0.0%

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% and 7.0% at December 31, 2020 and 2019, respectively. 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 that contributions from employers will be made at statutorily required rates, actuarially. Based upon these 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.

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

The following presents the Authority’s December 31, 2020 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 (5.8%) or 1 percentage point higher (7.8%) than the current rate:

	1% Decrease 5.80%	Current Discount 6.80%	1% Increase 7.80%
Authority's Proportionate Share of the Net Pension (Asset) Liability	<u>\$ 21,343,776</u>	<u>\$ 11,629,696</u>	<u>\$ 2,682,988</u>

The following presents the Authority’s December 31, 2019 proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Authority's Proportionate Share of the Net Pension (Asset) Liability	<u>\$ 13,339,712</u>	<u>\$ 3,051,058</u>	<u>\$ (5,592,141)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions – Continued

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of March 31, 2020 and 2019 were as follows:

	(Dollars in Thousands)	
	2020	2019
Employer Total Pension Liability	\$ 194,596,261	\$ 189,803,429
Plan Net Position	<u>(168,115,682)</u>	<u>(182,718,124)</u>
Employer Net Pension Liability	<u>\$ 26,480,579</u>	<u>\$ 7,085,305</u>
Ratio of Plan Net Position to the Employers' Total Pension Liability	<u>86.4%</u>	<u>96.3%</u>

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The Authority does not make contributions to this plan.

The Authority has no fiduciary relationship with the trust. In accordance with the provisions of the Statement of Governmental Accounting Standards No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the plan assets are not reported in the Authority's financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description – The Authority provides continuation of health insurance coverage under a single-employer defined benefit healthcare plan to its employees that retire under the New York State Employee Retirement Systems at the same time they end their service to the Authority. Based on the provisions of the employment contract negotiated between the Authority and its employee groups, the retiree and his or her beneficiaries, receive this coverage for the life of the retiree. Healthcare benefits for non-bargaining employees are similar to those of union employees. For family coverage the retirees share amounts to 50% of the difference between the family and individual coverage. Spousal benefits continue until the death of the retiree. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for 100% of the premium. The Authority does not issue a publicly available financial report for the plan.

Funding Policy – The obligations of the plan are established by action of the Authority pursuant to applicable collective bargaining and employment agreements which will be renegotiated at various times in the future. The Authority, per its contracts with employee units, will pay the full premium costs for the individual health insurance coverage provided by NYSHIP – Empire Plan for an employee of the Authority at retirement and until the employee attains age 65, provided the employee is eligible for retirement and has been employed with the Authority for at least ten consecutive years prior to the date of retirement. After the employee attains the age of 65, the Authority will pay the full premium costs for individual health insurance coverage provided by Medicare Supplemental Plan F and prescription coverage provided by Simply Prescriptions. Teamster employees retiring on or after July 1, 2010 and CSEA employees retiring on or after January 1, 2012 shall be required to pay 10% of the premium cost.

For family coverage the retirees share amounts to 50% of the difference between the family and individual coverage until the age of 65. After the age of 65, the Authority will no longer pay any premium costs of the spouse. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for 100% of the premium. The Authority currently pays for post-employment health care benefits on a pay-as-you-go basis.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) –

Continued

General Information about the OPEB Plan – Continued

Employees Covered by Benefit Terms – At December 31, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	71	71
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	0	0
Active Employees	173	173
Total	244	244

Total OPEB Liability

The Authority’s total OPEB liability of \$42,227,839 as of December 31, 2020 was measured as of June 30, 2020 and determined by an actuarial valuation as of June 30, 2019.

The Authority’s total OPEB liability of \$33,703,402 as of December 31, 2019 was measured as of June 30, 2019 and determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2020	2019
Inflation Rate	2.20%	2.20%
Salary Increases	3.00%	3.00%
Discount Rate	2.21%	3.50%
Healthcare Cost Trends Rates	6.25%	6.25%

The discount rate was based on Bond Buyer Weekly 20-Bond Go Index as of June 30, 2020 and 2019.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) –

Continued

Total OPEB Liability – Continued

Mortality – Actives for December 31, 2020: The RPH-2014 mortality tables for employees, sex distinct, with generational mortality adjusted to 2006 with using scale MP-2014, and projected forward with scale MP-2019.

Mortality – Retirees for December 31, 2020: The RPH-2014 mortality tables for healthy annuitants, sex distinct, with generational mortality adjusted to 2006 with using scale MP-2014, and projected forward with scale MP-2019.

Mortality – Actives for December 31, 2019: The RPH-2014 mortality tables for employees, sex distinct, with generational mortality adjusted to 2006 with using scale MP-2014, and projected forward with scale MP-2019.

Mortality – Retirees for December 31, 2019: The RPH-2014 mortality tables for healthy annuitants, sex distinct, with generational mortality adjusted to 2006 with using scale MP-2014, and projected forward with scale MP-2019.

Changes in Total OPEB Liability

	2020	2019
Balance at January 1	\$ 33,703,402	\$ 31,746,682
Changes for the Year:		
Service Cost	1,412,489	1,119,777
Interest	1,217,472	1,259,686
Differences Between Expected and Actual Experience	0	(4,281)
Changes on Assumptions and Other Inputs	6,556,410	214,405
Benefit Payments	(661,934)	(632,867)
Net Changes	<u>8,524,437</u>	<u>1,956,720</u>
Balance at December 31	<u><u>\$ 42,227,839</u></u>	<u><u>\$ 33,703,402</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019 to 2.21 percent in 2020.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) –

Continued

Changes in Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority as of December 31, 2020, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Total OPEB Liability	<u>\$ 50,590,277</u>	<u>\$ 42,227,839</u>	<u>\$ 35,669,598</u>

The following presents the total OPEB liability of the Authority as of December 31, 2019, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current discount rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	<u>\$ 39,760,537</u>	<u>\$ 33,703,402</u>	<u>\$ 28,887,190</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority as of December 31, 2020, as well as what the Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 34,581,074</u>	<u>\$ 42,227,839</u>	<u>\$ 52,323,156</u>

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) –

Continued

Changes in Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – Continued

The following presents the total OPEB liability of the Authority as of December 31, 2019, as well as what the Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	<u>\$ 28,320,544</u>	<u>\$ 33,703,402</u>	<u>\$ 40,658,704</u>

OPEB Expense and Deferred Outflows of Resources

For the year ended December 31, 2020, the Authority recognized OPEB expense of \$4,129,736. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,464,094	\$ 2,911
Changes of Assumptions or Other Inputs	6,844,465	2,669,756
Employer Contributions Subsequent to Measurement Date	<u>349,512</u>	<u>0</u>
Total	<u>\$ 8,658,071</u>	<u>\$ 2,672,667</u>

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) –

Continued

OPEB Expense and Deferred Outflows of Resources – Continued

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$2,830,212. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,952,126	\$ 3,596
Changes of Assumptions or Other Inputs	2,115,938	3,485,211
Employer Contributions Subsequent to Measurement Date	<u>330,967</u>	<u>0</u>
Total	<u>\$ 4,399,031</u>	<u>\$ 3,488,807</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$ 1,499,775
2022	1,201,957
2023	755,219
2024	859,257
2025	1,057,430
2026 and Thereafter	262,254

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

**NOTE 8 – SERVICE CONCESSION ARRANGEMENT FOR
WATER TREATMENT PLANT – MWB**

Beginning January 1, 2017, the operations of Onondaga County Metropolitan Water Board were consolidated into the OCWA system. The MWB's main function is to treat and wholesale water from Lake Ontario to three customers, one being OCWA.

The terms of the consolidation agreement require OCWA to assume operation of and maintain the MWB system for a 30 year operations period which includes running a water treatment plant, five pump stations, one chlorine booster facility and five water storage tanks. In addition, OCWA is expected to design, build and finance a major upgrade of the 50-year-old Lake Ontario water treatment plant over the next three to four years, which is estimated to be a \$70 million project.

OCWA will be entitled to all water revenues during the 30-year operations period. At the end of the arrangement, operation of the Lake Ontario water treatment plant will be transferred to Onondaga County. OCWA entered into this agreement to reduce its costs historically paid for purchased water from MWB.

As of December 31, 2020 and 2019, OCWA incurred costs of \$14,319,739 and \$5,306,967 in connection with this upgrade which are reported as an intangible asset and construction in progress. These costs are related to a component of the upgrade which was in process prior to the consolidation date. OCWA is managing the completion of this project pursuant to the terms of the agreement. At the conclusion of construction and when the asset is placed in service, OCWA will recognize an intangible asset for its right to access and operate the water treatment plant for 30 years pursuant to the service concession arrangement. As of December 31, 2020 and 2019, \$5,430,137 and \$3,811,298 were recognized as an intangible asset, respectively. Amortization on the intangible assets was \$337,498 and \$141,391 for 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 – RECENT AND UPCOMING PRONOUNCEMENTS

GASB Statement No. 87, “*Leases*”, was issued in June 2017. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2022.

GASB Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”, was issued in June 2018. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2021.

GASB Statement No. 91, “*Conduit Debt Obligations*”, was issued in May 2019. The objectives of this Statement are to provide a single method of reporting conduit debt obligations and eliminate diversity in practices. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2022.

GASB Statement No. 92, “*Omnibus 2020*”, was issued in January 2020. The objectives of this Statement are to enhance comparability and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2022.

GASB Statement No. 93, “*Replacement of Interbank Offered Rates*”, was issued in March 2020. The objectives of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of interbank offered rates. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2022.

In May 2020, the GASB issued Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*”. This Statement allows governments and other stakeholders to postpone the effective dates of certain provisions. GASB Statement No. 87, No. 89, No. 91, No. 92 and No. 93 were included in GASB Statement No. 95.

The Authority’s management is in the process of evaluating the impact of these statements on its future financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 – COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Authority’s operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge. The related financial impact and duration cannot be reasonably quantified at this time.

On March 20, 2020, the Authority was declared an “essential business” by the Governor of the State of New York when the “New York State on PAUSE” Executive Order was authorized. Throughout the entirety of the COVID-19 pandemic, the Authority operated without interruption and fulfilled its mission of delivering the highest quality drinking water to its customers. The Authority continues to implement new measures to ensure the safety of its employees and the public, in accordance with all mandates and law.

NOTE 11 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 24, 2021, the date the financial statements were available to be issued, and identified the following additional disclosure.

On March 17, 2021, the Authority issued \$16,700,000 in General Water System Revenue Refunding Bonds, Series 2021A to refund all outstanding EFC Drinking Water Bonds, 2009 Series A except for the bonds maturing on June 15, 2021 and all outstanding General Water System Revenue Bonds, 2010 Series A. The Series 2021A bonds bear interest at rates ranging from 2.0% to 4.0% and have a final maturity date of June 15, 2038. The bond proceeds, along with a portion of the Debt Service Reserves for the 2009 and 2010 Bonds will be used to refund \$18,920,000 of the EFC Drinking Water Bonds, 2009 Series A and \$820,000 General Water System Revenue Bonds, 2010 Series A. The refunding will produce an approximate \$6,923,000 in aggregate budgetary savings.

ONONDAGA COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**SCHEDULE OF CHANGES IN AUTHORITY'S OTHER POST-EMPLOYMENT
BENEFITS LIABILITY AND RELATED RATIOS**

Year Ended December 31, 2020

Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total OPEB Liability					
Service Cost	\$ 1,412,489	\$ 1,119,777	\$ 1,250,056	\$ 1,236,431	\$ 956,419
Interest	1,217,472	1,259,686	1,161,107	899,723	938,497
Difference Between Expected and Actual Experience	0	(4,281)	0	3,416,222	0
Changes in Assumptions and Other Inputs	6,556,410	214,405	(1,563,729)	(4,144,457)	4,914,046
Benefit Payments	<u>(661,934)</u>	<u>(632,867)</u>	<u>(567,678)</u>	<u>(547,541)</u>	<u>(545,162)</u>
Net Change in Total OPEB Liability	8,524,437	1,956,720	279,756	860,378	6,263,800
Total OPEB Liability - Beginning	<u>33,703,402</u>	<u>31,746,682</u>	<u>31,466,926</u>	<u>30,606,548</u>	<u>24,342,748</u>
Total OPEB Liability - Ending	<u>\$ 42,227,839</u>	<u>\$ 33,703,402</u>	<u>\$ 31,746,682</u>	<u>\$ 31,466,926</u>	<u>\$ 30,606,548</u>
Covered Payroll	<u>\$ 12,932,267</u>	<u>\$ 12,756,440</u>	<u>\$ 11,959,693</u>	<u>N/A</u>	<u>N/A</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>327%</u>	<u>264%</u>	<u>265%</u>	<u>N/A</u>	<u>N/A</u>
Discount Rate	<u>2.21%</u>	<u>3.50%</u>	<u>3.87%</u>	<u>3.58%</u>	<u>3.50%</u>

See notes to financial statements.

ONONDAGA COUNTY WATER AUTHORITY

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS

Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015	2014
NYSLRS Pension Plan							
Contractually Required Contributions	\$ 1,867,831	\$ 1,800,994	\$ 1,750,314	\$ 1,543,843	\$ 1,467,536	\$ 1,751,828	\$ 1,824,822
Contributions in Relation to Contractually Required Contributions	<u>(1,867,831)</u>	<u>(1,800,994)</u>	<u>(1,750,314)</u>	<u>(1,543,843)</u>	<u>(1,467,536)</u>	<u>(1,751,828)</u>	<u>(1,824,822)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Employer's Covered - Employee Payroll	<u>\$ 13,292,651</u>	<u>\$ 12,845,796</u>	<u>\$ 12,422,877</u>	<u>\$ 11,882,056</u>	<u>\$ 9,495,344</u>	<u>\$ 9,239,591</u>	<u>\$ 8,823,689</u>
Contribution as a Percentage of Covered - Employee Payroll	<u>14.1%</u>	<u>14.0%</u>	<u>14.1%</u>	<u>13.0%</u>	<u>15.5%</u>	<u>19.0%</u>	<u>20.7%</u>

The Authority is required to present information in this schedule for a ten year period. Data for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See notes to financial statements.

ONONDAGA COUNTY WATER AUTHORITY

**SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015
NYSLRS Pension Plan						
Authority's Proportion of the Net Pension Liability	0.0439178%	0.0430618%	0.0374481%	0.0359589%	0.0356959%	0.0345407%
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 11,629,696</u>	<u>\$ 3,051,058</u>	<u>\$ 1,208,617</u>	<u>\$ 3,378,779</u>	<u>\$ 5,729,286</u>	<u>\$ 1,166,871</u>
Authority's Covered-Employee Payroll During Measurement Period	<u>\$ 13,292,651</u>	<u>\$ 12,845,796</u>	<u>\$ 12,422,877</u>	<u>\$ 11,882,056</u>	<u>\$ 9,495,344</u>	<u>\$ 9,239,591</u>
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	<u>87.5%</u>	<u>23.8%</u>	<u>9.7%</u>	<u>28.4%</u>	<u>60.3%</u>	<u>12.6%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>86.4%</u>	<u>96.3%</u>	<u>98.2%</u>	<u>94.7%</u>	<u>90.7%</u>	<u>97.9%</u>

The Authority is required to present information in this schedule for a ten year period. Data for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See notes to financial statements.



Dermody, Burke & Brown, CPAs, LLC

**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***

**BOARD OF DIRECTORS
ONONDAGA COUNTY WATER AUTHORITY**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Onondaga County Water Authority (the Authority), which comprise the statements of net position as of December 31, 2020, 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 24, 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) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 24, 2021



Dermody, Burke & Brown, CPAs, LLC

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES**

**BOARD OF DIRECTORS
ONONDAGA COUNTY WATER AUTHORITY**

We have examined Onondaga County Water Authority's (the Authority) compliance with Section 2925(3) of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended December 31, 2020. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2020.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these parties.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 24, 2021

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