



FINANCIAL STATEMENTS
December 31, 2021 and 2020

Table of Contents

ONONDAGA COUNTY WATER AUTHORITY

| | |
|--|----|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) | 4 |
| AUDITED FINANCIAL STATEMENTS | 19 |
| STATEMENTS OF NET POSITION | 19 |
| STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION | 21 |
| STATEMENTS OF CASH FLOWS | 22 |
| NOTES TO FINANCIAL STATEMENTS | 24 |
| REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) | 56 |
| SCHEDULE OF CHANGES IN AUTHORITY'S OTHER POST-EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS | 56 |
| SCHEDULE OF AUTHORITY'S CONTRIBUTIONS | 57 |
| SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | 58 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 59 |
| INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES | 61 |



Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS ONONDAGA COUNTY WATER AUTHORITY

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 18 and 56 to 58, 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 16, 2022, 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, CPAs, LLC

Syracuse, NY

March 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Introduction

Onondaga County Water Authority's (OCWA) Management's Discussion and Analysis for the fiscal year ended December 31, 2021, 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 2021 financial report, which follows this report.

Financial Overview

Total 2021 revenues increased by \$1,108,012 (2.2%) compared to 2020. The largest portion of that amount was water revenue which increased \$861,135 (1.8%) over the previous year.

The rate increases that OCWA implemented on January 1, 2021 and the year over year changes in the number of gallons billed (both increases and decreases) had significant effects on the various categories of water revenue.

Each water revenue type will be more fully examined below in the Review of Revenues section.

On the expense side, the Authority's operating expenses (less depreciation and amortization) for 2021 decreased by \$2,316,762 (7.2%).

The largest changes from 2020 are the following three components:

- Pension expense, as determined by the NYS Retirement System's GASB 68 calculation, was \$3,012,281 (72.8%) less than the 2020 amount.
- OPEB expense, as determined by actuarial calculation of OCWA's GASB 75 entries, decreased by \$304,506 (8.8%) over the 2020 total.
- Electric and natural gas costs increased by \$285,836 over 2020 as electric supply costs increased dramatically in 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Financial Overview – Continued

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

In March 2021, OCWA issued \$16,700,000 in Revenue Bonds to refund its 2009 EFC Bonds with maturities in the years 2022-2038 and its 2010 Bonds with maturities in the years 2021-2025. The refunding was completed to reduce its total debt service payments over the next sixteen years by \$6,923,282.

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 (UNAUDITED)

Year Ended December 31, 2021

Summary of Statements of Net Position

TABLE 1

| | 2020 | 2021 |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 21,617,651 | \$ 27,077,620 |
| Accounts Receivable | 13,199,284 | 13,189,508 |
| Materials, Supplies and Prepaid Expenses | 4,247,933 | 4,492,268 |
| Restricted Assets | 40,372,067 | 25,011,668 |
| Intangible Assets, Net | 5,092,639 | 16,687,724 |
| Plant and Water Rights, Net | 261,259,193 | 264,221,560 |
| TOTAL ASSETS | <u>\$ 345,788,767</u> | <u>\$ 350,680,348</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Amount on Refunding | \$ 491,169 | \$ 401,015 |
| Other Post-Employment Benefits | 8,658,071 | 6,353,104 |
| Pension Related - ERS | 9,153,809 | 10,819,000 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 18,303,049</u> | <u>\$ 17,573,119</u> |
| LIABILITIES | | |
| Accounts Payable and Accrued Liabilities | \$ 4,740,645 | \$ 3,463,655 |
| Liabilities Payable from Restricted Assets | 1,518,157 | 1,878,318 |
| Bonds Payable | 94,740,531 | 89,560,627 |
| Post-Employment Benefits Other than Pension | 42,227,839 | 41,856,650 |
| Due to NYS Retirement System | 11,629,696 | 42,398 |
| TOTAL LIABILITIES | <u>\$ 154,856,868</u> | <u>\$ 136,801,648</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Other Post-Employment Benefits | \$ 2,672,667 | \$ 3,883,640 |
| Pension Related - ERS | 202,199 | 12,446,985 |
| Deferred Amount on Refunding | 0 | 116,914 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>\$ 2,874,866</u> | <u>\$ 16,447,539</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ 196,391,562 | \$ 189,192,879 |
| Restricted | 24,144,745 | 9,500,749 |
| Unrestricted | (14,176,225) | 16,310,652 |
| TOTAL NET POSITION | <u>\$ 206,360,082</u> | <u>\$ 215,004,280</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Summary of Statements of Net Position – Continued

Total Assets increased by \$4,891,581 in 2021 as a result of the following items:

- The increase in cash of \$5,459,969 (25.3%) is primarily due to an increase in the General Fund of \$5,046,900 along with an increase of \$370,726 in the Revenue Fund. The increase in the General Fund is related to the funds generated by 2021 operating results and bond refunding.
- Accounts receivable have decreased by \$9,776 (0.1%). The two largest components that comprise accounts receivable for water sales are accounts receivable for water that has been billed to customers which decreased by \$230,813 and the estimated revenue that has been accrued on accounts which increased by \$375,268. The allowance of uncollectable accounts increased by \$150,000.
- Materials, supplies and prepaid expenses increased by \$244,335 (5.8%) as compared to 2020 levels. The largest parts of this variance are the \$78,413 increase in prepaid insurance, a \$79,762 increase in prepaid service contracts and the \$39,655 increase in inventory.
- Restricted assets decreased by \$15,360,399 (38.0%) in 2021. It is primarily due to the \$15,133,886 decrease in construction funds due to payments on various projects.
- Intangible assets, net increased by \$11,595,085 (227.7%) in 2021. 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. Two of the larger items that comprise this increase are: Lake Ontario WTP – Electrical System Improvements (\$9,279,656) and the Lake Ontario WTP – Final Design (\$2,860,921).
- Plant and water rights increased due to additional capital projects either completed or in progress at the end of 2021. 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 (UNAUDITED)

Year Ended December 31, 2021

Summary of Statements of Net Position – Continued

Deferred Outflows of Resources decreased by \$729,930 in 2021 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 2021 was \$90,154.
- Deferred Outflow to Other Post-Employment Benefits decreased by \$2,304,967 in 2021. 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 \$1,665,191 based on information provided by the NYS and Local Retirement System to enable the calculation of required GASB 68 entries.

Total liabilities decreased by \$18,055,220 in 2021 as a result of the following items:

- Accounts Payable and Accrued Liabilities decreased by \$1,276,990 (26.9%) in 2021 due primarily to the decrease of \$1,188,898 in accounts payable. Primarily due to a higher number of purchases received and not invoiced in 2020 due to COVID delays.
- Liabilities Payable from Restricted Assets increased by \$360,161 (23.7%) as compared to 2020 due to customer deposits increased by \$340,647.
- The Bonds Payable balance decreased by \$5,179,904 million. This decrease was mainly due to a bond refunding which added \$16,700,000 in bonds payable and \$3,139,311 in bond premium, but also retired \$19,740,000 in bonds payable. In addition, there were annual principal payments totaling \$4,535,000 and the amortization of bond premium in the amount of \$603,356 during 2021.
- 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, 2021 include a liability in the amount of \$41,856,650 that was determined by OCWA's actuary that represents the Authority's unfunded liability. This is a decrease of \$371,189 over the 2020 amount.
- Due to NYS Retirement System decreased by \$11,587,298. 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. This decreased is related to better market returns and changes in the discount rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Summary of Statements of Net Position – Continued

Deferred Inflows of Resources increased by \$13,572,673 over the end of 2020 as a result of the following items:

- Deferred Inflows from Other Post-Employment Benefits increased to \$3,883,640 at the end of 2021 from \$2,672,667 at the end of 2020. 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 increased to \$12,446,985 at the end of 2021 from \$202,199 at the end of 2020. This again is based on information provided by NYS and Local Retirement System and enables the calculation of required GASB 68 entries. This is primarily due to changes in future assumptions.
- Deferred Inflows from Refunding increased to \$116,914 at the end of 2021 from \$-0- at the end of 2020. 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.

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 (UNAUDITED)

Year Ended December 31, 2021

Review of Revenues

TABLE 2

| | 2020 | 2021 |
|---|------------------------------------|------------------------------------|
| Residential/Commercial Sales | \$ 38,296,700 | \$ 38,484,937 |
| Industrial Sales | 4,427,922 | 4,679,283 |
| Municipal (Water Utility) Sales | 4,036,460 | 4,420,872 |
| Fire Protection | 1,491,108 | 1,528,233 |
| Miscellaneous Revenue | 1,192,246 | 1,340,678 |
| Interest from Investments Held in Trust | 254,089 | 24,959 |
| Gain on Disposal of Fixed Assets | 19,077 | 346,652 |
| | <hr/> | <hr/> |
| TOTAL REVENUES | <u><u>\$ 49,717,602</u></u> | <u><u>\$ 50,825,614</u></u> |

- Total Revenue increased by \$1,108,012 (2.2%) in 2021 as compared to 2020. That amount is comprised of the following variances.
- On January 1, 2021, OCWA implemented a Base System Fee increase of \$0.50 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 \$0.15/1,000 gallons, Wholesale rates increased by \$0.17/1,000 gallons and Industrial rates increased by \$0.13/1,000 gallons. Fire Protection fees were increased by 2%. The increases, which was determined during the budget process in late 2020, were based on the projected requirements for 2021 and took into account changes that were expected at the time to have an effect on 2021 operations.
- Total water revenues for 2021 increased by \$861,135 (1.8%) over the previous year as a result of changes to the various water revenue categories described below.
- Residential revenue decreased by \$376,491 (1.3%) in 2021 as compared to 2020. With increases to the base system fee and commodity rates an increase in revenue would be expected. However, residential consumption decreased from 4,874 MG in 2020 to 4,643 MG in 2021. The decrease of 231 MG equates to a 4.7% decline in the number of gallons billed. That decline is attributed in part to a wetter summer than in 2020 and in part to fewer people being at home (working remotely and remote learning for students) than in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Review of Revenues – Continued

- Commercial revenue increased by \$564,728 (6.7%) in 2021 as compared to 2020. With the increases to base system fee and commodity rates a smaller increase would be expected. However commercial consumption increased from 1,732 MG in 2020 to 1,833 MG in 2021. The increase of 101 MG equates to a 5.8% rise in the number of gallons billed. This is likely the result of fewer businesses being forced to temporarily close or having staff work remotely than in 2020.
- Industrial sales increased by \$251,361 (5.7%) as compared to the 2020 amounts. The increases in the base system fee and commodity rates account for the vast majority of this increase. Industrial consumption stayed nearly the same in 2021, decreasing just 1 MG from 2,149 MG in 2020 to 2,148 MG in 2021.
- Municipal sales increased by \$384,412 (9.5%), as compared to the 2020 amounts. The combination of base system fee and commodity rate increases and additional consumption account for this increase. Municipal consumption increased from 2,107 MG in 2020 to 2,148 MG in 2021. The increase of 41 MG equates to a 1.9% rise in the number of gallons billed.
- Miscellaneous Revenue increased by \$148,432 (12.4%) over the 2020 amount. Penalties increased by \$139,577 (29.5%) in 2021. The reason for the increase is that OCWA charged penalties for all twelve months of 2021. Whereas the charging of penalties was suspended for three months in 2020 during the pandemic. In addition, the net of miscellaneous sales and the cost of miscellaneous sales increased by \$29,709.
- Interest from Investments Held in Trust decreased by \$229,130 (90.2%) over the 2020 amount. In addition to having fewer funds to invest, both money market and treasury bill yields were significantly lower in 2021 than in 2020.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Review of Expenses

TABLE 3

| | 2020 | 2021 |
|-----------------------------------|----------------------|----------------------|
| Operations | \$ 14,309,970 | \$ 15,198,273 |
| Purchased Water | 1,156,059 | 1,193,840 |
| General and Administrative | 12,049,976 | 8,363,512 |
| Less: Burden Applied | (1,318,551) | (1,364,551) |
| Depreciation | 7,229,117 | 7,998,880 |
| Bond Premium Amortization | (482,086) | (603,356) |
| Water District Lease Amortization | 449,398 | 442,045 |
| Maintenance | 8,184,661 | 8,674,279 |
| Debt Issuance Costs (Benefit) | (1,500) | 180,000 |
| Interest Expense | 3,819,117 | 3,608,782 |
| | <hr/> | <hr/> |
| TOTAL EXPENSES | \$ 45,396,161 | \$ 43,691,704 |
| | <hr/> <hr/> | <hr/> <hr/> |

Total expenses for 2021 decreased by \$1,704,457 (3.8%) compared to fiscal year 2020. Pension expense which is based on calculations provided by the NYS Local Retirement System decreased by \$3,012,281 in 2021. The net of all other expenses shows an increase of \$1,307,824 over 2020 amounts. There were significant increases in electric and natural gas charges (\$285,836), professional services (\$259,057) and depreciation (\$769,763). There were significant decreases in OPEB expense (\$304,506), and interest expense (\$210,335). 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 \$72,901 (0.6%) during 2021 as compared to 2020 amounts. Wage rates increased for CSEA and non-union personnel by 2.5% and Teamsters employees by 2.25% during 2021. The main reason that labor expenses only increased by the amount noted is that an average of twelve and one half budgeted permanent positions were unfilled throughout the year. That number is three and one half more than in 2020. Offsetting that is overtime, which was \$126,718 (10.8%) more than in 2020 and the amount of labor charged to capital projects which was \$30,139 (2.9%) less in 2021 than in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Review of Expenses – Continued

Notable Expense Changes (Other Than Labor)

Some of the larger decreases in expense from 2020 to 2021 include the following:

Pension expense decreased by \$3,012,281 (72.8%) in 2021 as compared to 2020 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 2021, on the other hand, was \$265,607 (14.2%) more than in 2020.

OPEB expense decreased by \$304,506 (8.8%) in 2021. The 2021 expense of \$3,114,751 was one of the amounts determined by OCWA's actuary that comprise the GASB 75 entries for the year. The calculated expense for 2020 was \$3,449,257.

Total supply expenses decreased by \$34,323 (2.5%) in 2021 as compared to 2020. While Inventory supply expense (those items required to maintain OCWA infrastructure) increased by \$27,083 (16.1%) and office supplies increased by \$37,713 (24.3%), field supplies decreased by \$99,120 (9.5%).

OCWA's worker's compensation insurance premium decreased by \$100,556 (15.5%) in 2021. In fact, premiums have decreased each year since 2018 when the amount was \$750,919.

Interest expense decreased by \$210,335 (5.5%) in 2021. The 2021 Refunding Bonds defeased the 2009 EFC Bonds and 2010 Revenue Bonds. The net effect of the refunding on interest expense was a decrease of \$61,099 from the 2020 amounts. All other bond interest expenses decreased by a total of \$145,291.

Significant expense increases from 2020 to 2021 include the following:

Purchased water cost increased by \$37,781 (3.3%) in 2021. The rate increase for large users that was implemented by the City on July 1, 2020 was in effect for the full year. This was somewhat offset due to OCWA purchasing 17 MG (4.7%) less from the City of Syracuse in 2021 than in 2020.

OCWA experienced a \$285,836 (20.7%) increase in its electric and natural gas charges in 2021 as compared to 2020 amounts. Costs rose even though OCWA sold 88 million fewer gallons in 2021. The primary reason was due to the dramatic increase in electric supply costs. The average hourly supply charge for 2021 increased by 74.5% over 2020 amounts.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Review of Expenses – Continued

Notable Expense Changes (Other Than Labor) – Continued

Professional services expenses increased by \$259,057 (90.0%) in 2021 as compared to 2020. The expense for legal fees increased by \$238,315 in 2021. The majority of that increase was for litigation cost. In addition, fees paid for the inspection of water storage tanks increased by \$20,700 during the year.

Contractor expenses increased by \$172,273 (9.0%) in 2021 as compared to 2020. At the beginning of the COVID-19 pandemic in 2020, OCWA decided to postpone some non-essential work as a means of reducing costs at a time when the financial effects of the pandemic were uncertain. These included the painting of vaults, valves and piping at various facilities and the washing of various water storage tanks. These were reinstated in 2021. OCWA incurred charges of \$107,179 for the painting of facilities and \$42,050 for the washing of water storage tanks.

Transportation expenses increased by \$145,802 (16.5%) in 2021 as compared to 2020. The increase is attributable to the rise in fuel costs. Diesel fuel costs increased by \$60,444 (59.5%) in 2021. Unleaded fuel costs increased by \$98,564 (52.9%) in 2021. All other transportation costs (maintenance and repairs, etc.) decreased by \$13,206 in 2021.

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 \$192,913 more in 2021 than in 2020.

Debt issuance costs increased by \$181,500 in 2021 due to OCWA issuing bonds during 2021 whereas it did not issue bonds in 2020.

Depreciation increased by \$769,763 (10.6%) in 2021 as compared to 2020 figures. This reflects the fact that OCWA's Water Plant in Service increased by \$21.1 million in 2020 as well as \$10.7 million in 2021. Fixed assets are depreciated over their estimated useful lives. In addition, \$12.3 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.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Capital Assets at Year End (Net of Depreciation)

TABLE 4

| | Governmental Activities | | Total Percent Change |
|--|--------------------------------|------------------------------|-------------------------------------|
| | 2020 | 2021 | 2020-2021 |
| Water Plant in Service | \$ 351,298,793 | \$ 361,969,070 | 3.04% |
| Water Rights - Source | 5,250,000 | 5,250,000 | 0.00% |
| Construction Work-in-Progress (I&E) | 12,280,849 | 11,146,761 | -9.23% |
| Water District Lease | 23,169,890 | 23,169,890 | 0.00% |
| Pre-Survey and Investigation | 305,538 | 267,714 | -12.38% |
| Jobbing in Progress | 53,979 | 205,812 | 281.28% |
| Allowance for Depreciation | (110,290,359) | (116,536,145) | 5.66% |
| Accumulated Amortization/Water Districts | (15,559,497) | (16,001,542) | 2.84% |
| Residual Amortization/Water Rights | <u>(5,250,000)</u> | <u>(5,250,000)</u> | <u>0.00%</u> |
| Total | <u><u>\$ 261,259,193</u></u> | <u><u>\$ 264,221,560</u></u> | <u><u>1.13%</u></u> |

Increase to Water Plant in Service Highlights

- North Shore Transmission Main – \$2,319,827
- Northern Concourse Site Improvements – \$2,241,839
- Otisco Intake Site Improvements – \$271,028
- 6” Clean and Line – Skyline Drive – \$268,207
- Fairmount Reservoir – Hydraulic Evaluation & Design – \$265,255
- 8” Ext Graham Road – \$262,299
- 8” Clean and Line – Monte Vista Drive – \$242,185
- 8” Clean and Line – Falls Road – \$232,260
- 8” Ext. West Genesee Street – \$224,640
- Water meters in the amount of \$754,466 as part of an ongoing meter replacement project
- The installation of new and replacement water services – \$529,041

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

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

Construction Work-In-Progress Highlights

Construction Work-In-Progress decreased by \$1,134,088 during 2021, from \$12,280,849 at the beginning of the year, to \$11,146,761 at year end. Of that amount, \$10,861,772 is related to the following eight projects:

- Fairmount Reservoir Improvements – \$8,153,046
- Terminal 36” Emergency Bypass – \$1,282,522
- 10” Ext. Horseshoe Island Road – \$424,534
- Pipe Bridge Rehabilitation Construction – \$363,493
- 8” Ext Upper Brickyard Falls Road – \$184,454
- 8” Ext. Ravenswood Lane – \$164,233
- Eastern Pumping Station Electrical Improvements – \$153,944
- 8” Ext Bear Springs and Mud Mill Road – \$135,544

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 \$37,824 in 2021 as a result of the costs added to projects during the year being less than those removed either by being transferred to a project that will be capitalized or being charged to expense.

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.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

Long-Term Debt Administration

The Authority has five General Water System Revenue Bond issues and one E.F.C. Drinking Water Bond issue outstanding with a remaining principal totaling \$80,015,000 as of December 31, 2021. OCWA's most recent bonds were issued in March 2021 to refund its 2009 EFC Bonds with maturities in the years 2022-2038 and its 2010 Bonds with maturities in the years 2021-2025. The refunding was completed to reduce its total debt service payments over the next sixteen years by \$6,923,282.

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, 2021 |
|---------------------|--|
| 2021 Series A Bonds | \$ 16,485,000 |
| 2019 Series A Bonds | 39,535,000 |
| 2016 Series A Bonds | 9,245,000 |
| 2015 Series Bonds | 3,715,000 |
| 2013 Series Bonds | 3,625,000 |
| 2010 Series A Bonds | 000 |
| 2009 E.F.C. Bonds | 000 |
| 2008 E.F.C. Bonds | <u>7,410,000</u> |
| Total | <u>\$ 80,015,000</u> |

OCWA Bond Rating

On December 21, 2021, Moody's Investors Service assigned a Aa2 rating to OCWA's General Water System Revenue Bonds, Series 2022A and maintained the Aa2 rating on OCWA's previously rated debt.

ONONDAGA COUNTY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended December 31, 2021

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 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.

Looking Ahead

On January 27, 2022, OCWA issued \$48,830,000 in General Water System Revenue Bonds to fund the construction of improvements at the Lake Ontario Water Treatment Plant which will include work on the water filtration systems, replacement of major equipment and upgrading of the control systems.

One of OCWA’s other major projects is the Fairmount Water Storage Tank replacement. In April 2021, ground was broken on the construction of two 6 million gallon concrete water storage tanks. The first of the two tanks was completed in December 2021. Construction of the second tank will begin in Spring 2022 with completion scheduled for the end of the year.

On January 1, 2022, OCWA implemented the following rate increases:

| Residential/ Commercial | Wholesale | Industrial | Private/Public Fire Protection |
|-------------------------------------|-------------------------------------|-------------------------------------|---|
| \$9.00 / EDU + 6% Commodity Rate | \$9.00 / EDU + 7% Commodity Rate | \$9.00 / EDU + 7% Commodity Rate | 6% / 3% |

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, 2021 and 2020

| | 2021 | 2020 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 27,077,620 | \$ 21,617,651 |
| Accounts Receivable - Customers (Less Allowance for Doubtful Accounts of \$250,000 and \$100,000 in 2021 and 2020, Respectively) | 13,159,209 | 13,164,754 |
| Accounts Receivable - Other | 30,299 | 34,530 |
| Materials, Supplies and Prepaid Expenses | 4,492,268 | 4,247,933 |
| | <hr/> | <hr/> |
| Total Current Assets | 44,759,396 | 39,064,868 |
| RESTRICTED ASSETS | | |
| Customer Deposits | 874,766 | 572,332 |
| Bond Fund | 2,878,796 | 2,915,635 |
| Renewal and Replacement Fund | 916,612 | 798,512 |
| Bond Reserve Fund | 6,093,649 | 6,703,857 |
| Construction Fund | 14,247,845 | 29,381,731 |
| | <hr/> | <hr/> |
| Total Restricted Assets | 25,011,668 | 40,372,067 |
| INTANGIBLE ASSETS, NET | 16,687,724 | 5,092,639 |
| PLANT AND WATER RIGHTS, NET | <hr/> 264,221,560 | <hr/> 261,259,193 |
| TOTAL ASSETS | <hr/> 350,680,348 | <hr/> 345,788,767 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Amount on Refunding | 401,015 | 491,169 |
| Other Post-Employment Benefits | 6,353,104 | 8,658,071 |
| Pension Related - ERS | 10,819,000 | 9,153,809 |
| | <hr/> | <hr/> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <hr/> 17,573,119 | <hr/> 18,303,049 |

LIABILITIES AND NET POSITION

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Liabilities | <u>3,463,655</u> | <u>4,740,645</u> |
| Total Current Liabilities | 3,463,655 | 4,740,645 |
| LIABILITIES PAYABLE FROM RESTRICTED ASSETS | | |
| Accounts Payable | 486,493 | 400,507 |
| Customer Deposits | 648,531 | 307,884 |
| Bonds Payable, Portion Due Within One Year | 4,590,000 | 4,470,000 |
| Accrued Interest on Bonds Payable | <u>743,294</u> | <u>809,766</u> |
| Total Liabilities Payable from Restricted Assets | 6,468,318 | 5,988,157 |
| LONG-TERM DEBT | | |
| Bonds Payable | 84,970,627 | 90,270,531 |
| Post-Employment Benefits Other Than Pension | 41,856,650 | 42,227,839 |
| Net Pension Liability - ERS | <u>42,398</u> | <u>11,629,696</u> |
| Total Long-Term Debt | <u>126,869,675</u> | <u>144,128,066</u> |
| TOTAL LIABILITIES | <u>136,801,648</u> | <u>154,856,868</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Other Post-Employment Benefits | 3,883,640 | 2,672,667 |
| Pension Related - ERS | 12,446,985 | 202,199 |
| Deferred Amounts on Refunding | <u>116,914</u> | <u>0</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>16,447,539</u> | <u>2,874,866</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 189,192,879 | 196,391,562 |
| Restricted | 9,500,749 | 24,144,745 |
| Unrestricted | <u>16,310,652</u> | <u>(14,176,225)</u> |
| TOTAL NET POSITION | <u>\$ 215,004,280</u> | <u>\$ 206,360,082</u> |

See notes to financial statements.

ONONDAGA COUNTY WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|-------------------|------------------|
| OPERATING REVENUE | | |
| Charges for Services | \$ 49,113,325 | \$ 48,252,190 |
| Penalties | 612,892 | 473,315 |
| Other | 727,786 | 718,931 |
| | 50,454,003 | 49,444,436 |
| OPERATING EXPENSE | | |
| Source of Supply | 1,193,840 | 1,156,059 |
| Transmission and Distribution | 22,408,763 | 21,243,863 |
| Collection | 1,463,789 | 1,250,768 |
| Administration | 6,998,961 | 10,731,425 |
| Depreciation and Amortization | 7,837,569 | 7,196,429 |
| | 39,902,922 | 41,578,544 |
| INCOME FROM OPERATIONS | 10,551,081 | 7,865,892 |
| OTHER INCOME (EXPENSE) | | |
| Interest from Investments Held by Trustee | 24,959 | 254,089 |
| Gain on Disposal of Fixed Assets | 346,652 | 19,077 |
| Debt Issuance (Costs) Benefit | (180,000) | 1,500 |
| Interest Expense | (3,608,782) | (3,819,117) |
| | (3,417,171) | (3,544,451) |
| Net Income Before Capital Contributions | 7,133,910 | 4,321,441 |
| Capital Contributions | 1,510,288 | 1,220,244 |
| | 8,644,198 | 5,541,685 |
| CHANGE IN NET POSITION | | |
| NET POSITION | | |
| Balance, Beginning of Year | 206,360,082 | 200,818,397 |
| | \$ 215,004,280 | \$ 206,360,082 |

See notes to financial statements.

ONONDAGA COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 50,423,778 | \$ 46,472,222 |
| Cash Payments for Goods and Services | (19,174,626) | (15,794,509) |
| Cash Payments to Employees | <u>(12,215,459)</u> | <u>(12,095,655)</u> |
| Net Cash Provided By Operating Activities | 19,033,693 | 18,582,058 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Customer Deposits Received | 1,139,787 | 548,210 |
| Refunding of Customer Deposits | <u>(799,140)</u> | <u>(498,568)</u> |
| Net Cash Provided By Noncapital Financing Activities | 340,647 | 49,642 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Sale of Capital Assets | 757,445 | 273,077 |
| Cash Received from Contributed Capital | 1,510,288 | 1,220,244 |
| Payments for Capital Acquisitions | (23,409,198) | (23,408,919) |
| Debt Issuance Costs | (180,000) | 1,500 |
| Premium on Bond Issuance | 3,139,311 | 0 |
| Proceeds from Issuance of Long-Term Debt | 16,700,000 | 0 |
| Retirement of Debt (Paid from Escrow Fund) | (19,740,000) | 0 |
| Principal Payments | (4,535,000) | (4,140,000) |
| Interest Paid | <u>(3,542,575)</u> | <u>(3,728,963)</u> |
| Net Cash Used In Capital and Related Financing Activities | (29,299,729) | (29,783,061) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Receipts of Interest | <u>24,959</u> | <u>254,089</u> |
| Net Cash Provided By Investing Activities | <u>24,959</u> | <u>254,089</u> |
| Net Change in Cash | (9,900,430) | (10,897,272) |
| Cash, Beginning of Year | <u>61,989,718</u> | <u>72,886,990</u> |
| Cash, End of Year | <u><u>\$ 52,089,288</u></u> | <u><u>\$ 61,989,718</u></u> |

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income from Operations | \$ 10,551,081 | \$ 7,865,892 |
| Adjustments to Reconcile Income from Operations to Net Cash Provided By Operating Activities: | | |
| Depreciation and Amortization | 7,837,569 | 7,196,429 |
| Change in Allowance for Doubtful Accounts | 150,000 | 40,000 |
| (Increase) Decrease in Operating Assets: | | |
| Accounts Receivable - Customers | (144,455) | (3,012,348) |
| Accounts Receivable - Other | 4,231 | 132 |
| Materials, Supplies, and Prepaid Expenses | (244,335) | (748,322) |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable and Accrued Liabilities | (1,257,476) | 1,520,803 |
| Post-Employment Benefits Other Than Pension | (371,189) | 8,524,437 |
| Pension Related Deferrals and Liabilities | 2,508,267 | (2,804,965) |
| | <u>\$ 19,033,693</u> | <u>\$ 18,582,058</u> |
| Net Cash Provided By Operating Activities | <u>\$ 19,033,693</u> | <u>\$ 18,582,058</u> |

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020

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, deferred inflow amounts on refunding of water revenue bonds, 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, 2021 and 2020

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 \$603,356 and \$482,086 for the years ended December 31, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 Employees' 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, 2021 and 2020

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, 2021 and 2020

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash held by the Authority at December 31, 2021 consists of the following:

| | Carrying Value | Bank Balance |
|-----------------|----------------------------|----------------------------|
| Cash Held: | | |
| Cash on Hand | \$ 500 | \$ 0 |
| Bank Accounts | <u>1,259,888</u> | <u>1,781,997</u> |
| Total Cash Held | <u><u>\$ 1,260,388</u></u> | <u><u>\$ 1,781,997</u></u> |

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> |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$506,989 from the Federal Depository Insurance Corporation plus \$1,275,008 of pledged collateral at December 31, 2021. 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:

| | 2021 | 2020 |
|---------------------|----------------------|----------------------|
| Investments: | | |
| Money Market Funds | \$ 18,222,940 | \$ 11,657,945 |
| U.S. Treasury Bills | <u>32,605,960</u> | <u>49,252,984</u> |
| Total Investments | <u>\$ 50,828,900</u> | <u>\$ 60,910,929</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, 2021 and 2020, are valued using quoted market prices (Level 1 inputs).

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 4 – PLANT AND WATER RIGHTS

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2021 is as follows:

| | December 31, 2020 | Additions | Retirements / Reclassifications | December 31, 2021 |
|--|------------------------------|----------------------|--|------------------------------|
| Land | \$ 988,834 | \$ 0 | \$ 23,459 | \$ 965,375 |
| Dams, Buildings and Other Structures | 96,287,271 | 659,271 | 0 | 96,946,542 |
| Pumping and Purification Equipment | 3,269,194 | 20,291 | 0 | 3,289,485 |
| Mains, Meter, Services and Other Distribution Facilities | 201,394,320 | 7,870,876 | 220,612 | 209,044,584 |
| Filtration Plant | 25,949,382 | 0 | 0 | 25,949,382 |
| Automobiles, Trucks and Other Equipment | 23,409,792 | 3,616,000 | 1,252,090 | 25,773,702 |
| Leased Water Districts | 23,169,890 | 0 | 0 | 23,169,890 |
| | <u>374,468,683</u> | <u>12,166,438</u> | <u>1,496,161</u> | <u>385,138,960</u> |
| Construction-in-Progress | 12,640,366 | 10,390,099 | 11,410,178 | 11,620,287 |
| Water Rights | 5,250,000 | 0 | 0 | 5,250,000 |
| Total Plant and Water Rights | 392,359,049 | 22,556,537 | 12,906,339 | 402,009,247 |
| Less: Accumulated Depreciation and Amortization | <u>131,099,856</u> | <u>7,773,171</u> | <u>1,085,340</u> | <u>137,787,687</u> |
| Net Plant and Water Rights | <u>\$ 261,259,193</u> | <u>\$ 14,783,366</u> | <u>\$ 11,820,999</u> | <u>\$ 264,221,560</u> |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 4 – PLANT AND WATER RIGHTS – Continued

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 | 5,250,000 | 0 | 0 | 5,250,000 |
| 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>\$ 247,205,554</u> | <u>\$ 27,119,705</u> | <u>\$ 13,066,066</u> | <u>\$ 261,259,193</u> |

Depreciation and amortization charged to expense at December 31, 2021 and 2020 was \$7,837,569 and \$7,196,429, respectively, which includes amortization of leased water districts (see Note 5).

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 5 – LONG-TERM DEBT

Water Revenue Bonds Payable

In August 2010, March 2013, April 2015, December 2016, November 2019 and March 2021, the Authority issued \$5,925,000, \$8,390,000, \$5,200,000, \$12,320,000, \$41,235,000 and \$16,700,000, respectively, in General Water System Revenue Bonds, 2010, 2013, 2015, 2016, 2019 and 2021 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, 2021 and 2020 amounted to \$72,605,000 and \$59,975,000, 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, the 2019 bonds maturing on or after September 15, 2044 and the 2021 bonds maturing on or after June 15, 2038, 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.

The outstanding portion of the 2010A Series bonds were included in the 2021A Series bond refunding.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020, \$259,406 and \$328,581, 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, 2021 and 2020

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, 2021 and 2020, \$141,609 and \$162,588, respectively, of the deferred amount on refunding was included in deferred outflows on the statements of net position.

On March 17, 2021, the Authority issued \$16,700,000 in General Water System Revenue Bonds, Series 2021A to partially advance refund outstanding General Water System Revenue Bonds, 2010A and Environmental Facilities Corporation Revenue Bonds, Series 2009. The Series 2021A bonds bear interest rates ranging from 3.0% to 4.0% and have a final maturity date of June 15, 2038. The net proceeds (after payment of \$180,000 in underwriting fees and other issuance costs) and \$24,323 of existing reserve funds for the 2010A Series bonds and \$524,595 of existing reserve fund for the 2009 EFC 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, \$820,000 of the 2010A Series bonds and \$18,920,000 of the 2009 EFC bonds are considered to be defeased and the liability has been removed from the accounts. The outstanding principal for the unrefunded portion of the 2009 EFC bonds matured on June 15, 2021.

The advance partial refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$140,859. This difference, reported in the accompanying financial statements as a deferred inflow 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 sixteen years by \$6,923,282 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,607,837. At December 31, 2021 and 2020, \$116,914 and \$-0-, respectively, of the deferred amount on refunding was included in deferred inflows on the statements of net position.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 5 – LONG-TERM DEBT – Continued

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 2009 Series A EFC bonds were partially refunded in the 2021A Series bond refunding. The remaining balance of \$620,000 was paid in June 2021.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 |
|--------------------------------|-------------------------------|-----------------------------|-------------------------------|
| 2022 | \$ 4,590,000 | \$ 3,108,923 | \$ 7,698,923 |
| 2023 | 4,785,000 | 2,915,749 | 7,700,749 |
| 2024 | 4,995,000 | 2,713,717 | 7,708,717 |
| 2025 | 5,220,000 | 2,497,416 | 7,717,416 |
| 2026 | 4,405,000 | 2,305,234 | 6,710,234 |
| 2027 - 2031 | 18,850,000 | 8,954,873 | 27,804,873 |
| 2032 - 2036 | 14,765,000 | 5,515,000 | 20,280,000 |
| 2037 - 2041 | 15,020,000 | 2,412,050 | 17,432,050 |
| 2042 - 2044 | 7,385,000 | 447,450 | 7,832,450 |
| | <hr/> | <hr/> | <hr/> |
| | 80,015,000 | \$ 30,870,412 | \$ 110,885,412 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Less: Current Portion | 4,590,000 | | |
| Add: Premium on Long-Term Debt | 9,545,627 | | |
| | <hr/> | | |
| Bonds Payable - Long-Term | \$ 84,970,627 | | |
| | <hr/> <hr/> | | |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 2021 are as follows:

| | December 31, 2020 | Additions | Reductions | December 31, 2021 |
|--|------------------------------|----------------------|----------------------|------------------------------|
| Bonds Payable: | | | | |
| Water Revenue Bonds | \$ 59,975,000 | \$ 16,700,000 | \$ 4,070,000 | \$ 72,605,000 |
| E.F.C. Drinking Water Installment Bonds | <u>27,615,000</u> | <u>0</u> | <u>20,205,000</u> | <u>7,410,000</u> |
| Total Bonds Payable | <u>\$ 87,590,000</u> | <u>\$ 16,700,000</u> | <u>\$ 24,275,000</u> | <u>\$ 80,015,000</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> |

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, 2021 and 2020. Accumulated amortization related to these water facilities was \$16,001,542 and \$15,559,497 for the years ending December 31, 2021 and 2020, respectively.

Amortization expense related to water facilities under capital leases was \$442,045 and \$449,398 for the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021, all outstanding obligations related to capital leases had been satisfied in full.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 |
|------|---------------------------------|
| 2021 | <u>\$ 2,133,438</u> |
| 2020 | <u>\$ 1,867,831</u> |
| 2019 | <u>\$ 1,800,994</u> |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

At December 31, 2021 and 2020, the Authority reported a liability of \$42,398 and \$11,629,696, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021 and March 31, 2020 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, 2021 and 2020, the Authority's proportion was .0426% and .0439%, respectively.

At December 31, 2021 and 2020, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

| | 2021 | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences Between Expected and Actual Experience | \$ 517,797 | \$ 0 |
| Changes of Assumptions | 7,795,662 | 147,029 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 0 | 12,179,260 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 372,103 | 120,696 |
| Authority Contributions Subsequent to the Measurement Date | <u>2,133,438</u> | <u>0</u> |
| Total | <u><u>\$ 10,819,000</u></u> | <u><u>\$ 12,446,985</u></u> |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

| | 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> |

Authority contributions subsequent to the measurement date of \$2,133,438, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|--------------|------------------------------|
| 2022 | \$ (597,979) |
| 2023 | (164,902) |
| 2024 | (645,484) |
| 2025 | <u>(2,353,058)</u> |
| Total | <u>\$ (3,761,423)</u> |

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$1,867,831 at December 31, 2020 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, 2021.

The Authority recorded pension expense for the years ending December 31, 2021 and 2020 in the amounts of \$1,125,735 and \$4,138,016, respectively.

Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020 with update procedures used to roll forward the total pension liability to March 31, 2021. The total pension liability for the March 31, 2020 measurement date was determined using an actuarial valuation as of April 1, 2019, with update procedures to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions.

| | 2021 | 2020 |
|--|-------------|-------------|
| Inflation Rate | 2.7% | 2.5% |
| Salary Increases | 4.4% | 4.2% |
| Investment Rate of Return (Net of Investment Expense, Including Inflation) | 5.9% | 6.8% |
| Cost of Living Adjustments | 1.4% | 1.3% |

Annuitant mortality rates are based on April 1, 2015 to March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020 are summarized below:

| Asset Class | Expected Real Rate of Return | |
|--|------------------------------|------|
| | 2021 | 2020 |
| Domestic Equities | 4.1% | 4.1% |
| International Equities | 6.3% | 6.2% |
| Real Estate | 5.0% | 5.0% |
| Private Equity/Alternative Investments | 6.8% | 6.8% |
| Absolute Return Strategies | 0.0% | 3.3% |
| Opportunistic Portfolio | 4.5% | 4.7% |
| Real Assets | 6.0% | 6.0% |
| Cash | 0.5% | 0.0% |
| Credit | 3.6% | 0.0% |
| Inflation-Indexed Bonds | 0.0% | 0.5% |
| Bonds and Mortgages | 0.0% | 0.8% |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 5.9% and 6.8% at December 31, 2021 and 2020, 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, 2021 proportionate share of the net pension liability calculated using the discount rate of 5.9%, 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 (4.9%) or 1 percentage point higher (6.9%) than the current rate:

| | 1% Decrease 4.90% | Current Discount 5.90% | 1% Increase 6.90% |
|---|----------------------------------|---------------------------------------|----------------------------------|
| Authority's Proportionate Share of the Net Pension (Asset) Liability | <u>\$ 11,768,101</u> | <u>\$ 42,398</u> | <u>\$ (10,771,444)</u> |

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> |

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020 were as follows:

| | (Dollars in Thousands) | |
|---|-------------------------------|----------------------|
| | 2021 | 2020 |
| Employer Total Pension Liability | \$ 220,680,157 | \$ 194,596,261 |
| Plan Net Position | <u>(220,580,583)</u> | <u>(168,115,682)</u> |
| Employer Net Pension Liability | <u>\$ 99,574</u> | <u>\$ 26,480,579</u> |
| Ratio of Plan Net Position to the Employers' Total Pension Liability | <u>99.9%</u> | <u>86.4%</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, 2021 and 2020

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, 2021 and 2020

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

Continued

General Information about the OPEB Plan – Continued

Employees Covered by Benefit Terms – At December 31, 2021 and 2020, the following employees were covered by the benefit terms:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefit Payments | 75 | 71 |
| Inactive Employees Entitled to But Not Yet Receiving Benefit Payments | 0 | 0 |
| Active Employees | <u>166</u> | <u>173</u> |
| Total | <u><u>241</u></u> | <u><u>244</u></u> |

Total OPEB Liability

The Authority's total OPEB liability of \$41,856,650 as of December 31, 2021 was measured as of June 30, 2021 and determined by an actuarial valuation as of June 30, 2021.

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.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | 2021 | 2020 |
|------------------------------|-------------|-------------|
| Inflation Rate | 2.50% | 2.20% |
| Salary Increases | 3.00% | 3.00% |
| Discount Rate | 2.14% | 2.21% |
| Healthcare Cost Trends Rates | 6.00% | 6.25% |

The discount rate was based on Bond Buyer Weekly 20-Bond Go Index as of June 30, 2021 and 2020.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

Continued

Total OPEB Liability – Continued

Mortality – Actives for December 31, 2021: 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-2020.

Mortality – Retirees for December 31, 2021: 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-2020.

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.

Changes in Total OPEB Liability

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Balance at January 1 | \$ 42,227,839 | \$ 33,703,402 |
| Changes for the Year: | | |
| Service Cost | 1,802,456 | 1,412,489 |
| Interest | 965,345 | 1,217,472 |
| Differences Between Expected and Actual Experience | (1,983,150) | 0 |
| Changes on Assumptions and Other Inputs | (456,816) | 6,556,410 |
| Benefit Payments | (699,024) | (661,934) |
| | <hr/> | <hr/> |
| Net Changes | (371,189) | 8,524,437 |
| | <hr/> | <hr/> |
| Balance at December 31 | <u>\$ 41,856,650</u> | <u>\$ 42,227,839</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.5 percent in 2019 to 2.21 percent in 2020 to 2.14 percent in 2021.

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021, 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 (1.14%) or 1 percentage point higher (3.14%) than the current discount rate:

| | 1% Decrease 1.14% | Current Discount Rate 2.14% | 1% Increase 3.14% |
|----------------------|----------------------------------|--|----------------------------------|
| Total OPEB Liability | <u>\$ 50,113,729</u> | <u>\$ 41,856,650</u> | <u>\$ 35,360,378</u> |

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 (2.5%) or 1 percentage point higher (4.5%) 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> |

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, 2021, 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>\$ 34,640,116</u> | <u>\$ 41,856,650</u> | <u>\$ 51,307,477</u> |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 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> |

OPEB Expense and Deferred Outflows of Resources

For the year ended December 31, 2021, the Authority recognized OPEB expense of \$3,854,723. At December 31, 2021, 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 | \$ 976,062 | \$ 1,649,818 |
| Changes of Assumptions or Other Inputs | 5,016,582 | 2,233,822 |
| Employer Contributions Subsequent to Measurement Date | <u>360,460</u> | <u>0</u> |
| Total | <u>\$ 6,353,104</u> | <u>\$ 3,883,640</u> |

ONONDAGA COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

Continued

OPEB Expense and Deferred Outflows of Resources – Continued

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> |

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

| | |
|------|------------|
| 2022 | \$ 789,104 |
| 2023 | 342,366 |
| 2024 | 446,404 |
| 2025 | 644,577 |
| 2026 | (113,447) |

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

**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, 2021 and 2020, OCWA incurred costs of \$13,711,804 and \$14,319,739 in connection with various upgrades which are reported as an intangible assets and construction in progress. As with other upgrades to the MWB system, when the upgrade to the Lake Ontario water treatment plant has been constructed and placed in service, OCWA will recognize an intangible asset for its right to access and operate the plant for the remainder of the 30-year service concession arrangement. As of December 31, 2021 and 2020, \$17,692,976 and \$5,430,137 were recognized as an intangible asset, respectively. Amortization on the intangible assets was \$1,005,252 and \$337,498 for 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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. 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.

GASB Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2023.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 – RECENT AND UPCOMING PRONOUNCEMENTS –

Continued

GASB Statement No. 96, “*Subscription-Based Information Technology Arrangements*”, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2023.

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

NOTE 10 – FIRE DAMAGE

In October 2021, a fire occurred in a utility crew truck in the garage portion of the Authority’s Northern Concourse facility. The fire spread to the building and resulted in significant damage to the facility, inventory, vehicles and other equipment. The Authority’s ability to produce water was not compromised and operations were nearly back to normal within weeks. The Authority has insurance coverage for the loss and has received insurance proceeds of \$500,000 as the initial payment on the claim during fiscal year 2021. Costs continue to be incurred as clean-up, repairs and restoration of the damage is ongoing and accordingly insurance proceeds will be received as final settlement of the claim is completed.

As of December 31, 2021 the totals for damaged inventory and facility restorations costs and the net book value of the destroyed vehicle totaling \$471,898 were segregated and offset against the initial insurance proceeds received of \$500,000. The remaining balance was classified as prepaid expense until final settlement of the claim is completed and all insurance proceeds are received. At that time, any gain or loss from the fire damage will be recognized.

Subsequent to year end, the Authority and its insurance carrier agreed to an amount to be paid as a result of damages to facilities. In January 2022, the Authority received additional proceeds in the amount of \$1,998,208. That amount when added to the advance payment of \$500,000 received in 2021 totaled \$2,498,208 in proceeds for facilities damages. Amounts to be received from insurance carriers due to damages to inventory, vehicles and equipment have yet to be determined.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 11 – COVID-19

As of December 31, 2021, the Authority's past due accounts receivable was at its highest point since the beginning of the pandemic. However, New York State's moratorium on utility shut-offs, implemented due to the pandemic, ended in December 2021. Which will allow the Authority to pursue collections on the past due accounts with more aggressive efforts.

NOTE 12 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 16, 2022, the date the financial statements were available to be issued, and identified the following additional disclosure.

On January 27, 2022, the Authority issued \$48,830,000 in General Water System Revenue Bonds, Series 2022A. The Series 2022A bonds bear interest at rates ranging from 2.4% to 5.0% and have a final maturity date of September 15, 2051.

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, 2021

| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | | |
| Service Cost | \$ 1,802,456 | \$ 1,412,489 | \$ 1,119,777 | \$ 1,250,056 | \$ 1,236,431 | \$ 956,419 |
| Interest | 965,345 | 1,217,472 | 1,259,686 | 1,161,107 | 899,723 | 938,497 |
| Difference Between Expected and Actual Experience | (1,983,150) | 0 | (4,281) | 0 | 3,416,222 | 0 |
| Changes in Assumptions and Other Inputs | (456,816) | 6,556,410 | 214,405 | (1,563,729) | (4,144,457) | 4,914,046 |
| Benefit Payments | <u>(699,024)</u> | <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 | (371,189) | 8,524,437 | 1,956,720 | 279,756 | 860,378 | 6,263,800 |
| Total OPEB Liability - Beginning | <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> | <u>24,342,748</u> |
| Total OPEB Liability - Ending | <u>\$ 41,856,650</u> | <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>\$ 12,932,267</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>324%</u> | <u>327%</u> | <u>264%</u> | <u>265%</u> | <u>N/A</u> | <u>N/A</u> |
| Discount Rate | <u>2.14%</u> | <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, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| NYSLRS Pension Plan | | | | | | | | |
| Contractually Required Contributions | \$ 2,133,438 | \$ 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>(2,133,438)</u> | <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> |
| Employer's Covered - Employee Payroll | <u>\$ 12,982,984</u> | <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>16.4%</u> | <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.

ONONDAGA COUNTY WATER AUTHORITY

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

Year Ended December 31, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| NYSLRS Pension Plan | | | | | | | |
| Authority's Proportion of the Net Pension Liability | 0.0425796% | 0.0439178% | 0.0430618% | 0.0374481% | 0.0359589% | 0.0356959% | 0.0345407% |
| Authority's Proportionate Share of the Net Pension Liability | <u>\$ 42,398</u> | <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>\$ 12,982,984</u> | <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>0.3%</u> | <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>99.9%</u> | <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, 2021, 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 16, 2022.

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 designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 16, 2022



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, 2021. 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, 2021.

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 16, 2022

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