

**ERIE COUNTY**  
**WATER AUTHORITY**

*Schedule of Cash and Investments and Schedule of  
Income from Cash and Investments for the  
Year Ended December 31, 2020 and  
Independent Auditors' Report*

Draft

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Commissioners  
Erie County Water Authority

### **Report on the Schedules**

We have audited the accompanying schedule of cash and investments of the Erie County Water Authority (the "Authority") as of December 31, 2020, and the schedule of income from cash and investments (the "schedules") for the year then ended, and the related notes to the schedules.

### **Management's Responsibility for the Schedules**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

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

**Opinion**

In our opinion, the schedules referred to above present fairly, in all material respects, the cash and investments of the Authority as of December 31, 2020 and income from cash and investments for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Erie County Water Authority as of and for the year ended December 31, 2020, and our report thereon, dated March 25, 2021, expressed an unmodified opinion on those financial statements.

March 25, 2021

Draft

**ERIE COUNTY WATER AUTHORITY**  
**Schedule of Cash and Investments**  
**December 31, 2020**

	<b>Fair Value</b>	<b>Amortized Cost</b>
<b>Working Funds</b>		
Extension and improvement accounts:		
Money market funds	\$ 5,751,532	\$ 5,751,532
Certificates of deposit	1,200,000	1,200,000
U.S. Treasury bills/notes	<u>16,595,520</u>	<u>16,596,811</u>
Total extension and improvement accounts	<u>23,547,052</u>	<u>23,548,343</u>
Operating and maintenance accounts:		
DDA & NOW accounts	15,000,736	15,000,736
Money market funds	36,909,479	36,909,479
Certificates of deposit	240,000	240,000
U.S. Treasury bills/notes	<u>8,419,476</u>	<u>8,418,256</u>
Total operating and maintenance accounts	<u>60,569,691</u>	<u>60,568,471</u>
Customer deposit accounts:		
NOW accounts	1,141,829	1,141,829
Money market funds	<u>772,098</u>	<u>772,098</u>
Total customer deposit accounts	<u>1,913,927</u>	<u>1,913,927</u>
Employee withholding deposits:		
NOW accounts	<u>36,116</u>	<u>36,116</u>
Total employee withholding deposits	<u>36,116</u>	<u>36,116</u>
Total working fund investments	<u>86,066,786</u>	<u>86,066,857</u>
<b>Fiscal Agent Funds</b>		
Debt service reserve accounts:		
Money market funds	106	106
State and Local Government Series Treasury Securities	<u>862,839</u>	<u>862,839</u>
Total debt service reserve accounts	<u>862,945</u>	<u>862,945</u>
Debt service accounts:		
Money market funds	553,644	553,644
U.S. Treasury bills/notes	<u>439,864</u>	<u>439,868</u>
Total debt service accounts	<u>993,508</u>	<u>993,512</u>
Total fiscal agent funds	<u>1,856,453</u>	<u>1,856,457</u>
 Total	 <u>\$ 87,923,239</u>	 <u>\$ 87,923,314</u>

The accompanying notes are an integral part of this schedule.

**ERIE COUNTY WATER AUTHORITY**  
**Schedule of Income from Cash and Investments**  
**Year Ended December 31, 2020**

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**Working Funds:**

Extension and improvement account	\$ 165,854
Operating and maintenance account	254,138
Customer deposit account	2,143
Employee withholding deposits	<u>15</u>
Total income from working funds	<u>422,150</u>

**Fiscal Agent Funds:**

Debt service reserve	21,416
Debt service	<u>11,151</u>
Total income from fiscal agent funds	<u>32,567</u>

Net decrease in the fair value of cash and investments	<u>(135,097)</u>
Total income from cash and investments	<u><u>\$ 319,620</u></u>

The accompanying notes are an integral part of this schedule.

**ERIE COUNTY WATER AUTHORITY**  
**Notes to the Schedules of Cash and Investments and**  
**Income from Cash and Investments**  
**Year Ended December 31, 2020**

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**1. ORGANIZATION AND FUNCTION OF THE AUTHORITY**

The Erie County Water Authority (the "Authority") is a public benefit corporation created in 1949 by the State of New York for the purpose of constructing, operating and maintaining a public water supply for certain parts of Erie County.

The Authority operates its business activities on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority is responsible for the operation and maintenance of the assets while the lessor is responsible for the improvement and replacement of assets; and on a bulk sales basis where the Authority contracts with the customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvement and replacement as well as billings and customer collections.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Investments are made by the Authority in accordance with the Bond Resolutions relating to the Series 2003F, Series 2016, and Series 2018 Bonds and investment guidelines. At December 31, 2020, the Authority had invested substantially all of its funds in the following:

<u>Security</u>	<u>Interest Rate</u>
U.S. Government obligations	0.50%-2.48%
Cash equivalents (including money market funds)	0.01%-0.20%
Certificates of deposit	0.20%-1.30%

Investments are carried at fair value for those investments subject to market forces and at amortized cost for investments not subject to market forces. The amortized cost recorded is either original cost (government obligations and asset-based securities) or face value (money market funds). Any premium or discount resulting from the purchase of government securities is included in cost and amortized into income over the term of the security.

Income from investments is recorded on the accrual basis and includes realized gains and losses from sales of investments.

**3. FAIR VALUE MEASUREMENT**

The Authority reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are shown on the following page.

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the Authority has access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The Authority has the following fair value measurements as of December 31, 2020:

- Money market funds, DDA and NOW accounts of \$60,165,540 are valued using quoted prices for identical assets in active markets (Level 1 input).
- Certificates of deposit of \$1,440,000 are valued using quoted prices for identical assets in active markets (Level 1 input).
- U.S. Treasury bills of \$21,033,117 and Treasury notes of \$4,421,743 are valued using quoted prices for identical assets in active markets (Level 1 input).
- Treasury securities — State and Local Government Series (SLGS) of \$862,839 are valued using quoted prices for similar assets or liabilities in active markets (Level 2 input).

Description	12/31/2020	Level 1	Level 2	Level 3
Money Market/DDA/NOW accounts	\$ 60,165,540	\$ 60,165,540	\$ -	\$ -
Certificate of deposit	1,440,000	1,440,000	-	-
U.S. Treasury bills/notes	25,454,860	25,454,860	-	-
Treasury securities - SLGS	862,839	-	862,839	-
Total	<u>\$ 87,923,239</u>	<u>\$ 87,060,400</u>	<u>\$ 862,839</u>	<u>\$ -</u>