

ERIE COUNTY
WATER AUTHORITY
*Schedule of Cash and Investments and Schedule of
Income from Cash and Investments for the
Year Ended December 31, 2019 and
Independent Auditors' Report*

Draft 3.17.20

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, 2019, 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 schedule of cash and investments and schedule of income from cash and investments referred to above present fairly, in all material respects, the cash and investments of the Authority as of December 31, 2019 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, 2019, and our report thereon, dated March 24, 2020, expressed an unmodified opinion on those financial statements.

March 24, 2020

ERIE COUNTY WATER AUTHORITY
Schedule of Cash and Investments
Year Ended December 31, 2019

	<u>Fair Value</u>	<u>Amortized Cost</u>
Working Funds		
Extension and improvement accounts:		
DDA & NOW accounts	\$ 46,735	\$ 46,735
Money market funds	12,063,013	12,063,013
Certificates of deposit	480,000	480,000
U.S. Treasury bills/notes	<u>18,015,473</u>	<u>17,940,696</u>
Total extension and improvement accounts	<u>30,605,221</u>	<u>30,530,444</u>
Operating and maintenance accounts:		
DDA & NOW accounts	12,518,484	12,518,484
Money market funds	36,837,078	36,837,078
Certificates of deposit	240,000	240,000
U.S. Treasury bills/notes	<u>10,012,726</u>	<u>9,952,568</u>
Total operating and maintenance accounts	<u>59,608,288</u>	<u>59,548,130</u>
Customer deposit accounts:		
NOW accounts	820,478	820,478
Money market funds	<u>770,499</u>	<u>770,499</u>
Total customer deposit accounts	<u>1,590,977</u>	<u>1,590,977</u>
Employee withholding deposits:		
NOW accounts	<u>37,284</u>	<u>37,284</u>
Total employee withholding deposits	<u>37,284</u>	<u>37,284</u>
Total working fund investments	<u>91,841,770</u>	<u>91,706,835</u>
Fiscal Agent Funds		
Debt service reserve accounts:		
Money market funds	90	90
State and Local Government Series Treasury Securities	<u>862,839</u>	<u>862,839</u>
Total debt service reserve accounts	<u>862,929</u>	<u>862,929</u>
Debt service accounts:		
Money market funds	558,464	558,464
U.S. Treasury bills/notes	<u>418,360</u>	<u>418,273</u>
Total debt service accounts	<u>976,824</u>	<u>976,737</u>
Total fiscal agents funds	<u>1,839,753</u>	<u>1,839,666</u>
Total	<u>\$ 93,681,523</u>	<u>\$ 93,546,501</u>

The accompanying notes are an integral part of these schedules.

ERIE COUNTY WATER AUTHORITY
Schedule of Income from Cash and Investments
Year Ended December 31, 2019

Working Funds:

Extension and improvement account	\$ 646,609
Operating and maintenance account	429,876
Customer deposit account	6,414
Employee withholding deposits	44
Total income from working funds cash and investments	<u>1,082,943</u>

Fiscal Agent Funds:

Debt service reserve	50,294
Debt service	59,059
Total income from fiscal agent funds	<u>109,353</u>

Net increase in the fair value of cash and investments	<u>72,884</u>
Total income from cash and investments	<u>\$ 1,265,180</u>

The accompanying notes are an integral part of these schedules.

ERIE COUNTY WATER AUTHORITY
Notes to the Schedules of Cash and Investments and
Income from Cash and Investments
Year Ended December 31, 2019

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 1998D, Series 2003F, Series 2008, Series 2016, and Series 2018 Bonds and investment guidelines. At December 31, 2019, the Authority had invested substantially all of its funds in the following:

<u>Security</u>	<u>Interest Rate</u>
U.S. Government obligations	1.27%-2.48%
Cash equivalents (including money market funds)	0.20%-1.47%
Certificates of deposit	2.30%-3.00%

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, 2019:

- Money market funds, DDA and NOW accounts of \$63,652,125 are valued using quoted prices for identical assets in active markets (Level 1 input).
- Certificates of deposit of \$720,000 are valued using quoted prices for identical assets in active markets (Level 1 input).
- U.S. Treasury bills of \$18,323,635 and Treasury notes of \$10,122,924 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	12/31/2019	Level 1	Level 2	Level 3
Money Market/DDA/NOW accounts	\$ 63,652,125	\$ 63,652,125	\$ -	\$ -
Certificate of deposit	720,000	720,000	-	-
U.S. Treasury bills/notes	28,446,559	28,446,559	-	-
Treasury securities - SLGS	862,839	-	862,839	-
Total	<u>\$ 93,681,523</u>	<u>\$ 92,818,684</u>	<u>\$ 862,839</u>	<u>\$ -</u>