



ERIE COUNTY WATER AUTHORITY

INTEROFFICE MEMORANDUM

January 22, 2020

To: Commissioners Schad, Carney, and Jones

From: Karen A. Prendergast, Chief Financial Officer

Subject: 2019 Unaudited Financial Statements

Section 1070 of the Authority's enabling statute requires the Authority to submit to the Erie County Legislature and NYS Comptroller, within the first month of each fiscal year, a detailed report of operations and fiscal transactions of the Authority during the preceding fiscal year, the financial condition of the Authority, and a statement of all receipts and expenditures during the year.

The Authority has always met this obligation by sending the New York State Comptroller, the Erie County Comptroller and the Clerk of the Erie County Legislature unaudited financial statements for the previous year by January 31st. Statements include a balance sheet, income statement, and statement of cash flows. It is my intention to follow the same process by January 31, 2020 for the year ended December 31, 2019.

The year-end financial statements are currently being prepared and an unaudited copy will be available before the January 30, 2020 Board meeting.

cc T. McCracken
M. Murphy
R. Stoll

ERIE COUNTY WATER AUTHORITY
UNAUDITED
Statements of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49,355,562	\$ 28,469,639
Restricted cash and cash equivalents	1,628,261	21,210,186
Unrestricted investments	10,327,590	9,986,408
Restricted investments	8,428,524	685,439
Customer accounts receivable, net of allowance for doubtful accounts	4,447,835	4,073,593
Materials and supplies	2,800,482	2,675,660
Accrued revenue	8,997,651	8,560,205
Prepaid expenses and other assets	3,445,075	2,907,486
Total current assets	<u>89,430,980</u>	<u>78,568,616</u>
Noncurrent assets:		
Restricted cash and cash equivalents	10,450,797	10,056,511
Restricted investments	13,490,789	14,456,262
Long term accounts receivable	2,416,774	2,567,925
Capital assets, not being depreciated	4,923,871	7,440,361
Capital assets, being depreciated, net of accumulated depreciation	394,194,029	385,428,307
Total noncurrent assets	<u>425,476,260</u>	<u>419,949,366</u>
Total assets	<u>514,907,240</u>	<u>498,517,982</u>
DEFERRED OUTFLOWS OF RESOURCES		
Post-measurement date retirement contributions	1,750,037	1,745,033
Changes in retirement system assumptions	2,148,117	4,721,300
Actual vs projected other post employment benefit factors	1,532,150	162,559
Advanced refunding of Series 2007 Bonds	1,118,244	1,184,347
Total deferred outflows of resources	<u>6,548,548</u>	<u>7,813,239</u>
LIABILITIES		
Current liabilities:		
Accounts payable	5,460,926	6,552,759
Advances for construction	1,090,586	676,381
Construction retention	1,282,568	1,534,637
Accrued interest on water revenue bonds	260,473	291,169
Accrued liabilities	1,821,071	1,693,813
Compensated absences	1,143,454	1,629,869
Water revenue bonds - current portion	3,170,000	4,517,627
Total current liabilities	<u>14,229,078</u>	<u>16,896,255</u>
Noncurrent liabilities:		
Compensated absences	3,529,157	2,847,268
Net pension liability	3,932,796	1,764,324
Long term other post employment benefit liability	90,082,536	89,646,879
Water revenue bonds - long term	57,614,273	60,784,272
Total noncurrent liabilities	<u>155,158,762</u>	<u>155,042,743</u>
Total liabilities	<u>169,387,840</u>	<u>171,938,998</u>
DEFERRED INFLOWS OF RESOURCES		
Changes in retirement system assumptions	1,328,799	5,657,193
Changes in other post employment benefit assumptions	14,766,937	12,591,975
Total deferred inflows of resources	<u>16,095,736</u>	<u>18,249,168</u>
NET POSITION		
Invested in capital assets, net of related debt	345,785,414	347,028,354
Restricted		
Debt service reserve account	862,929	2,042,226
Debt service account	976,737	1,346,228
Unrestricted	(11,652,868)	(34,273,753)
Total net position	<u>\$ 335,972,212</u>	<u>\$ 316,143,055</u>

ERIE COUNTY WATER AUTHORITY
UNAUDITED
Statements of Revenue, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenue	\$ 79,062,911	\$ 79,010,108
Operating expenses:		
Operation and administration	27,067,363	28,496,565
Maintenance	15,101,712	15,212,914
Depreciation	13,906,284	13,038,530
Other post-employment benefit expense	<u>3,758,128</u>	<u>4,669,997</u>
Total operating expenses	59,833,487	61,418,006
Operating income	<u>19,229,424</u>	<u>17,592,102</u>
Nonoperating revenues (expenses):		
Interest income on investments	1,265,176	1,006,077
Interest on loans receivable	82,672	86,443
Interest capitalization during construction	-	145,112
Interest expense	<u>(2,180,069)</u>	<u>(1,691,686)</u>
Total nonoperating revenues (expenses)	<u>(832,221)</u>	<u>(454,054)</u>
Net income before contribution in aid of construction	18,397,203	17,138,048
Contribution in aid of construction	<u>1,431,954</u>	<u>1,113,001</u>
Change in net position	19,829,157	18,251,049
Net Position - beginning of year	316,143,055	297,892,006
GASB Statement 75 Implementation		
Net Position - end of year	\$ 335,972,212	\$ 316,143,055

The notes to the financial statements are an integral part of these statements.

ERIE COUNTY WATER AUTHORITY
UNAUDITED

Statement of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 78,117,165	\$ 79,980,969
Payments to contractors	(17,914,853)	(17,005,771)
Payments to employees including fringe benefits	<u>(27,825,045)</u>	<u>(27,113,506)</u>
Net cash provided by operating activities	32,377,267	35,861,692
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(20,407,588)	(25,170,671)
Bond issuance	-	27,966,074
Bond repayment	(4,205,001)	(9,380,000)
Interest paid on revenue bonds	(30,696)	(1,959,733)
Advances for construction	414,205	168,680
Contribution in aid of construction	<u>1,431,954</u>	<u>1,113,001</u>
Net cash used by capital and related financing activities	(22,797,126)	(7,262,649)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(52,726,844)	(72,825,231)
Proceeds from sale or maturity of investments	43,614,377	79,659,697
Interest received	<u>1,230,610</u>	<u>995,781</u>
Net cash provided (used) by investing activities	(7,881,857)	7,830,247
Net increase (decrease) in cash	1,698,284	36,429,290
Cash and cash equivalents - beginning of year (including amounts restricted for future construction, debt service reserve, debt service, and customer deposits)	59,736,336	23,307,046
Cash and cash equivalents - end of year (including amounts restricted for future construction, debt service reserve, debt service, and customer deposits)	\$ 61,434,620	\$ 59,736,336

(continued)

ERIE COUNTY WATER AUTHORITY
UNAUDITED

Statement of Cash Flows
Years Ended December 31, 2019 and 2018

(concluded)

	<u>2019</u>	<u>2018</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ 19,229,424	\$ 17,592,102
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	13,906,284	13,038,530
Other post-employment benefits expense	3,758,128	4,669,997
GASB 75 implementation		
Changes in assets, deferred outflows and liabilities:		
(Increase) decrease in accounts receivable	(374,242)	992,594
(Increase) decrease in material and supplies	(124,822)	(306,089)
(Increase) decrease in accrued revenue	(437,446)	(331,352)
(Increase) decrease in other assets	(440,001)	282,136
(Increase) decrease in loans receivable	151,151	108,250
(Increase) decrease in deferred outflows	(2,972,805)	(1,562,923)
Increase (decrease) in accounts payable	(1,091,833)	281,425
Increase (decrease) in other accrued liabilities	127,258	58,565
Increase (decrease) in compensated absences	195,474	1,784,591
Increase (decrease) in net pension liability	2,168,472	(3,508,317)
Increase (decrease) in other post employment liability	435,657	(14,663,424)
Increase (decrease) in deferred inflows	(2,153,432)	17,425,607
Total adjustments	13,147,843	18,269,590
Net cash provided by operating activities	\$ 32,377,267	\$ 35,861,692