

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 2, 2021

NEW ISSUE — BOOK-ENTRY ONLY

RATING: S&P: AA

In the opinion of Bond Counsel, under the Code, interest on the Series 2021 Bonds is included in gross income for Federal income tax purposes. However, under existing statutes, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). For further discussion of the tax-status of the Series 2021 Bonds, see "TAX MATTERS" herein.



\$11,430,000*

**SARATOGA COUNTY WATER AUTHORITY
Water System Refunding Revenue Bonds, Series 2021 (Taxable) (Green Bonds)**

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

Saratoga County Water Authority (the "Authority") is a public benefit corporation of the State of New York created under the Saratoga County Water Authority Act.

The Authority's Water System Refunding Revenue Bonds, Series 2021 (Taxable) (Green Bonds) (the "Series 2021 Bonds") will be issued as Additional Parity Indebtedness under the Saratoga County Water Authority General Resolution (the "General Resolution") dated as of September 1, 2008, and the Fourth Supplemental Resolution thereunder dated as of October 27, 2021 (collectively, the "Resolutions"). The Series 2021 Bonds, the outstanding Series 2014 Bonds (as defined herein), the outstanding Series 2016 Bonds (as defined herein), the 2020 EFC Bonds (as defined herein), and any bonds issued as Additional Parity Indebtedness under the General Resolution are herein referred to as the "Bonds." Computershare Trust Company, N.A. is the Trustee under the Resolutions.

The proceeds of the Series 2021 Bonds, together with other available funds of the Authority, will be used by the Authority to (i) refund all or a portion of the Authority's outstanding Water System Revenue Bonds, Series 2014 and all or a portion of the Authority's outstanding Water System Refunding Revenue Bonds, Series 2016; (ii) fund a debt service reserve fund for the Series 2021 Bonds to its requirement; and (iii) pay the costs of issuance of the Series 2021 Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds are special obligations of the Authority payable solely from the revenues and assets pledged as security for the payment thereof, including revenues received by the Authority for the delivery of water through the Water System (as defined herein) and payments from Saratoga County (the "County") under a Service Agreement dated as of September 1, 2008 (the "Service Agreement") between the County and the Authority, all subject to the terms of the Resolutions. The Service Agreement obligates the County to pay a Service Fee equal to the difference between the amount budgeted by the Authority for the payment of Debt Service on the Bonds and the Operating Costs of the Water System and certain moneys held by the Authority and available for such purposes. The County's obligation to pay the Service Fee may be suspended if the Authority fails to provide "Service", as defined in the Service Agreement. See "SECURITY FOR THE BONDS - The Service Agreement" and "APPENDIX F - Form of the Service Agreement".

Additional Parity Indebtedness may be issued on a parity with the Bonds by the Authority under the General Resolution upon the satisfaction of certain conditions. See "OTHER AUTHORITY INDEBTEDNESS."

Neither the State nor the County is liable on the Series 2021 Bonds. The Series 2021 Bonds are not a debt of either the State or the County. The faith and credit of the County are not pledged for the payments under the Service Agreement. The Series 2021 Bonds are special obligations of the Authority and are not payable out of any funds other than those of the Authority pledged therefor under the Resolutions. The Authority has no taxing power.

Interest on the Series 2021 Bonds is payable on June 1, 2022 and on each June 1 and December 1 thereafter. The Series 2021 Bonds are subject to redemption prior to maturity as described herein.

The Series 2021 Bonds will be issued as fully registered bonds without coupons in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2021 Bonds. Purchases will be made in book entry only form through DTC Participants only in the principal amount of \$5,000 or any integral multiple thereof, and no physical delivery of the Series 2021 Bonds will be made to purchasers. Payment of the principal, interest and premium, if any, will be made to purchasers by DTC through Participants.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2021 Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by Hodgson Russ LLP, Albany, New York, Bond Counsel to the Authority. Capital Markets Advisors, LLC, Great Neck, New York, has acted as Financial Advisor to the Authority. Certain legal matters with respect to the Authority will be passed upon by its counsel, Miller, Mannix, Schachner & Hafner, LLC, Glens Falls, New York. Certain legal matters with respect to the County will be passed upon by Michael Hartnett, Esq., Saratoga County Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the Series 2021 Bonds in definitive form will be available for delivery through The Depository Trust Company on or about December 22, 2021.

RAYMOND JAMES®

_____, 2021

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

\$11,430,000*

**SARATOGA COUNTY WATER AUTHORITY
Water System Refunding Revenue Bonds, Series 2021 (Taxable) (Green Bonds)**

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

\$9,295,000* Series 2021 Serial Bonds

Maturity (June 1)*	Amount*	Interest Rate	Price or Yield	CUSIP† 80348Q
2022	\$145,000			
2023	130,000			
2024	130,000			
2025	135,000			
2026	135,000			
2027	255,000			
2028	260,000			
2029	260,000			
2030	1,390,000			
2031	1,415,000			
2032	1,450,000			
2033	1,485,000			
2034	2,105,000			

\$2,135,000* Series 2021 Term Bonds

\$2,135,000* ___% Term Bonds Maturing June 1, 2044* — Price or Yield ___% CUSIP†

* Preliminary, subject to change.

† CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2021 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2021 Bonds.

SARATOGA COUNTY WATER AUTHORITY

Saratoga County Water Authority
260 Butler Road
Gansevoort, NY 12831

Governing Board

John E. Lawler, Chairman
Timothy Szczepaniak, Vice Chairman
Philip C. Barrett, Treasurer
Theodore T. Kusnierz, Jr., Deputy Treasurer
Arthur J. Johnson
Darren O'Connor
Robert D. Wilcox, Esq.

Acting Executive Director

Ed Hernandez, PE‡

Consulting Engineer

Delaware Engineering, P.C.

Financial Advisor to the Authority

Capital Markets Advisors, LLC

Legal Counsel to the Authority

Miller, Mannix, Schachner & Hafner, LLC

Bond Counsel

Hodgson Russ LLP

‡ Mr. Hernandez is acting as the Authority's Executive Director under contract through Adirondack Mountain Engineering, P.C.

No dealer, broker, salesperson or other person has been authorized by the Saratoga County Water Authority (the "Authority") to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2021 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Authority and the County and by other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

This Official Statement contains forecasts, projections and estimates that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of the Authority's revenues, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority, the Consulting Engineer or the Underwriter that the results of such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

The audited financial statements of the Authority as of December 31, 2020 are included in "APPENDIX B — Authority Financial Statements" with the consent of Cusack & Company, CPA's LLC. The audited financial statements of the County as of December 31, 2020 are included in "APPENDIX D — County Financial Statements" with the consent of EFPR Group, CPAs, PLLC.

References in this Official Statement to the Resolutions, the Service Agreement and the Continuing Disclosure Agreement do not purport to be complete. Refer to the Resolutions, the Service Agreement and the Continuing Disclosure Agreement for full and complete details of their provisions. Copies of the Resolutions, the Service Agreement and the Continuing Disclosure Agreement are on file with the Trustee.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes," "structured," "targets" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives, governmental enforcement and compliance with governmental regulations, litigation, disputes and various other events, conditions and circumstances, virtually all of which are beyond the control of the Authority and the County. These forward-looking statements speak only as of the date of this Official Statement. The Authority, the County and the Underwriter disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's or the County's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE SERIES 2021 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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APPENDIX G — Bonds to be Refunded
APPENDIX H — Form of Bond Counsel Opinion

OFFICIAL STATEMENT

\$11,430,000*

SARATOGA COUNTY WATER AUTHORITY

Water System Refunding Revenue Bonds, Series 2021 (Taxable) (Green Bonds)

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside cover and the appendices, provides certain information in connection with the issuance and sale by the Saratoga County Water Authority (the “Authority”) of its \$11,430,000* aggregate principal amount of Water System Refunding Revenue Bonds, Series 2021 (Taxable) (Green Bonds) (the “Series 2021 Bonds”). The Series 2021 Bonds are to be issued as Additional Parity Indebtedness under and secured by the Saratoga County Water Authority General Resolution dated as of September 1, 2008, as amended (the “General Resolution”) and the Fourth Supplemental Resolution thereunder, dated as of October 27, 2021 (the “Supplemental Resolution” and collectively with the General Resolution, the “Resolutions”). The Series 2021 Bonds, the outstanding Series 2014 Bonds (as defined herein), the outstanding Series 2016 Bonds (as defined herein), the 2020 EFC Bonds (as defined herein, and any bonds issued as Additional Parity Indebtedness under the General Resolution are herein referred to as the “Bonds.” Computershare Trust Company, N.A. has been appointed to act as the Trustee under the Resolutions.

The Authority was established in 1990 by the Legislature of the State of New York (the “State”) under the Saratoga County Water Authority Act, now codified as Title 8-F of Article 5 of the Public Authorities Law of the State (the “Act”), as a body corporate and politic constituting a public benefit corporation. The Act authorizes the Authority, among other things, to acquire, by purchase or by condemnation pursuant to the eminent domain procedure law, any real or personal property or any interest therein, as the Authority may deem necessary, convenient or desirable to carry out the purposes of the Act, and to maintain, improve and construct water facilities. Under current law, neither the New York Public Service Commission nor any other board or commission of like character has jurisdiction over the Authority in the management and control of its properties or operations (with the exception of certain oversight by the New York State Authorities Budget Office) or any power over or regulation of the water rates fixed by the Authority. See “THE AUTHORITY.”

In 2008, the Authority used the proceeds of its Water System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) to finance a portion of costs of providing a public bulk water supply to serve a portion of Saratoga County, New York (the “County”), using the upper Hudson River as a source, including a raw water intake structure, a pump station and a water treatment plant in the Town of Moreau, approximately 28 miles of underground water transmission main through parts of eight municipalities in the County, and all equipment and facilities used in the operation of the foregoing (the “2008 Project”).

In 2014, the Authority used the proceeds of its Water System Revenue Bonds, Series 2014 (the “Series 2014 Bonds”) to finance the cost of the construction of certain upgrades (the “2014 Project”) to the Water System (as defined below). In May 2015, the Authority entered into an installment sale agreement (the “IDA Installment Sale Agreement”) with the County of Saratoga Industrial Development Agency (the “Saratoga IDA”) in order to finance a portion of the cost of construction of a wastewater outfall project (the “IDA Project”). The IDA Installment Sale Agreement requires the Authority to pay to the Saratoga IDA interest accrued on \$1.0 million at the rate of 0.69% per annum plus repayments of \$200,000 in each year from 2021 through 2025.

In 2020, the Authority used the proceeds of a \$1,178,680 General Resolution EFC Drinking Water Statutory Installment Bond (Halfmoon/Mechanicville Project) – 2020 (the “2020 EFC Bonds”) to refund a note issued to the Environmental Facilities Corporation (“EFC”) in 2018, the proceeds of which were used to finance certain improvements to the Water System located in the Town of Halfmoon and the City of Mechanicville (the “Water Main Project”).

* Preliminary, subject to change.

In 2021, the Authority used the proceeds of a \$8,012,707 EFC Drinking Water Facility Note – 2021 (the “2021 EFC Note”) to finance upgrades to the Water System to expand the overall treatment capacity of the system (the “Expansion Project”).

For additional information regarding the 2008 Project, the 2014 Project, the IDA Project, the Water Main Project and the Expansion Project, see “THE WATER SYSTEM.”

As used herein, “Water System” means, collectively, the 2008 Project, the 2014 Project, the IDA Project, the Water Main Project, the Expansion Project and future extensions, improvements and additions thereto, and replacements thereof, and other public water supply and distribution projects to serve territory within the County undertaken by the Authority and designated by the Authority as part of the “County Water System” for purposes of the Service Agreement. See “APPENDIX A — Consulting Engineer’s Report”.

The proceeds of the Series 2021 Bonds, together with other available funds of the Authority, will be used by the Authority to (i) refund all or a portion of the outstanding Series 2014 Bonds and all or a portion of the Authority’s outstanding Water System Refunding Revenue Bonds, Series 2016 (the “Series 2016 Bonds”); (ii) fund a debt service reserve fund for the Series 2021 Bonds to its requirement; and (iii) pay the costs of issuance of the Series 2021 Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

The Series 2021 Bonds will be on parity with the outstanding Series 2014 Bonds, the outstanding Series 2016 Bonds, the 2020 EFC Bonds, the 2021 EFC Note and any other Additional Parity Indebtedness that may be issued by the Authority under the General Resolution. See “OTHER AUTHORITY INDEBTEDNESS”.

The Bonds are special obligations of the Authority. The Bonds are payable solely from the revenues, funds and assets pledged as security for the payment thereof, including revenues received by the Authority for the delivery of water, or for maintaining the capacity to deliver water, through the Water System, and payments from the County under a Service Agreement between the County and the Authority dated as of September 1, 2008 (the “Service Agreement”). The Service Agreement obligates the County to pay a Service Fee equal to the amount budgeted by the Authority for the payment of Debt Service on its Bonds and any Additional Parity Indebtedness, and the Operating Costs of the Water System less amounts held by the Authority in the Revenue Fund, the Operating Fund and the Bond Redemption and Accumulated Surplus Fund created pursuant to the General Resolution. The County’s obligation to pay the Service Fee may be suspended if the Authority fails to provide “Service” as defined in the Service Agreement. See “SECURITY FOR THE BONDS” and “APPENDIX F — Form of the Service Agreement”.

For information on the County, see “APPENDIX C — Information Concerning Saratoga County” and “APPENDIX D — County Financial Statements.”

Certain capitalized terms used in this Official Statement are defined in the Resolutions or the Service Agreement, copies of which are attached as Appendix E and Appendix F, respectively.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2021 Bonds will be used to refund the Series 2014 Bonds and the Series 2016 Bonds as more particularly described in “APPENDIX G — Bonds to be Refunded” hereto (such Series 2014 Bonds, the “Refunded Series 2014 Bonds” and such Series 2016 Bonds, the “Refunded Series 2016 Bonds”; the Refunded Series 2014 Bonds and the Refunded Series 2016 Bonds are collectively referred to as the “Refunded Bonds”).

Simultaneously with the issuance and delivery of the Series 2021 Bonds, a portion of the proceeds of the Series 2021 Bonds will be deposited in an escrow with the Trustee for the Refunded Bonds, as escrow agent for the Refunded Bonds (the “Escrow Agent”), and, together with other available funds, will be used to acquire direct non-callable obligations of the United States of America (the “Defeasance Securities”), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the redemption price of and principal of and interest coming due on the Refunded Bonds to their redemption dates. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.” At or prior to the making of such deposits, the Authority will have given

or will give, as the case may be, to the Escrow Agent irrevocable instructions to give notice of the redemption of the Refunded Bonds, and to apply the maturing principal of and interest on such Defeasance Securities, together with any uninvested cash held in escrow, to the payment of the redemption price of and principal of and interest coming due on the Refunded Bonds to their redemption dates.

In the opinion of Bond Counsel, upon (a) the deposit with the Escrow Agent of the proceeds of the Series 2021 Bonds together with other available funds and the purchase of such Defeasance Securities and (b) the giving of the irrevocable instructions described above, the Refunded Bonds will be deemed to have been paid under the terms of the General Resolution and the Second Supplemental Resolution dated as of August 1, 2014, or the Third Supplemental Resolution dated as of March 30, 2016, as applicable, under which the Refunded Bonds were issued.

SOURCES AND USES OF FUNDS

The proceeds of the Series 2021 Bonds are estimated to be applied as follows:

Sources of Funds

Par Amount of Series 2021 Bonds
Transfer from Series 2014 Bonds Debt Service Reserve Fund
Transfer from Series 2016 Bonds Debt Service Reserve Fund
Transfer from Series 2014 Bonds Debt Service Fund
Transfer from Series 2016 Bonds Debt Service Fund

Total Sources of Funds

Uses of Funds

Deposit to Escrow Account for Refunded Series 2014 Bonds
Deposit to Escrow Account for Refunded Series 2016 Bonds
Debt Service Reserve Fund
Underwriter's Discount
Issuance Costs

Total Uses of Funds

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DEBT SERVICE

The following table sets forth, for each Fiscal Year ending December 31, the amounts, rounded to the nearest dollar, required to be made available in such Fiscal Year for the payment of the principal, including Sinking Fund Installments, of and interest on the Bonds Outstanding under the General Resolution and the debt service on the IDA Installment Sale Agreement. The table does not include the 2021 EFC Note, discussed below. The table also does not include the Authority's obligations to make repayments to the County of the Service Fee Payments and other amounts due from the Authority to the County. See "SECURITY FOR THE BONDS – The Service Agreement – *Payment of Service Fee by the County*" and "OTHER AUTHORITY INDEBTEDNESS – Service Fee Repayment Obligation and Other Indebtedness – *Service Fee Repayment and Other Repayment Obligations*".

Fiscal Year	Debt Service on		Series 2021 Bonds		
	IDA Installment Sale Agreement	Debt Service on Outstanding Bonds ⁽¹⁾⁽²⁾	Principal Payments	Interest Payments	Aggregate Debt Service*
2021	\$205,060	\$2,600,630			\$2,805,690
2022	204,830	2,602,933			2,807,763
2023	203,450	2,607,278			2,810,728
2024	202,070	2,602,808			2,804,878
2025	200,690	2,606,332			2,807,022
2026	-	2,607,338			2,607,338
2027	-	2,610,904			2,610,904
2028	-	2,606,805			2,606,805
2029	-	2,610,158			2,610,158
2030	-	2,610,459			2,610,459
2031	-	2,607,599			2,607,599
2032	-	2,606,709			2,606,709
2033	-	2,607,314			2,607,314
2034	-	2,614,312			2,614,312
2035	-	2,607,529			2,607,529
2036	-	2,610,251			2,610,251
2037	-	2,606,064			2,606,064
2038	-	2,608,259			2,608,259
2039	-	2,608,350			2,608,350
2040	-	2,601,342			2,601,342
2041	-	2,607,376			2,607,376
2042	-	2,600,835			2,600,835
2043	-	2,607,107			2,607,107
2044	-	2,600,086			2,600,086
2045	-	2,316,889			2,316,889
2046	-	2,312,567			2,312,567
2047	-	2,310,356			2,310,356
2048	-	1,964,946			1,964,946
Total	\$1,016,100	\$71,463,533			\$72,479,633

* Totals may not add due to rounding.

⁽¹⁾ Includes debt service on the outstanding Series 2014 Bonds, outstanding Series 2016 Bonds and 2020 EFC Bonds. Includes debt service on the Refunded Bonds.

⁽²⁾ Does not include debt service on the 2021 EFC Note described below under "2021 EFC Note."

2021 EFC Note

The 2021 EFC Note was issued in the principal amount of \$8,012,707, matures on February 6, 2023 and bears interest at 0.26%. Interest is payable at maturity. The Authority anticipates that the 2021 EFC Note will be refinanced by Bonds issued in 2022 to EFC. No payment of principal on the 2021 EFC Note is anticipated. See Tables 6.2 and 6.3 in "APPENDIX A — Consulting Engineer's Report"

SECURITY FOR THE BONDS¹

General

The Bonds (including the Series 2021 Bonds, the outstanding Series 2014 Bonds, the outstanding Series 2016 Bonds and the 2020 EFC Bonds) and any Additional Parity Indebtedness (including the 2021 EFC Note) are special obligations of the Authority, which has no taxing power. The Bonds together are payable solely from the revenues, funds and assets pledged under the General Resolution as security for the payment of the Bonds, including revenues received by the Authority for the delivery of water, or for maintaining the capacity to deliver water, through the Water System, including payments from the County under the Service Agreement

Pledge Under the General Resolution

As security for its obligation to make payments required under the Resolutions and to secure the performance of all the covenants contained in the General Resolution, the Authority has granted to the Trustee a lien on and security interest in the Trust Estate. The "Trust Estate" includes, among other things, all amounts payable to the Authority under the Service Agreement and the Authority's other rights under the Service Agreement, Revenues received by the Authority from the operation of the Water System, and all moneys or securities held by the Trustee or the Authority in funds created under the General Resolution and earnings thereon (other than the Rebate Fund or amounts held for the purchase price of Bonds tendered for purchase in accordance with the General Resolution or a Supplemental Resolution). The security interest in accounts held by the Authority that is granted to the Trustee under the General Resolution will not be perfected, except to the extent that funds on deposit in such accounts constitute identifiable cash proceeds of the Service Agreement or the Water Supply Contracts.

The Trust Estate will be held by the Trustee in trust for the benefit of the Registered Owners of the Bonds issued and Outstanding under the General Resolution for the equal and ratable benefit of the Registered Owners of the Bonds, all of which are of equal rank, regardless of their time of issue and maturity. However, money deposited and held in the Debt Service Fund or accounts within the Debt Service Reserve Fund for the payment or security of particular Bonds will be held in trust for payment to or security for the Registered Owners of the particular Bonds for the payment of which the money has been deposited in the Debt Service Fund or the applicable account within the Debt Service Reserve Fund. Whenever Bonds are selected for redemption out of money on deposit in the Bond Redemption and Accumulated Surplus Fund, the money in such Fund in the amount necessary to pay principal, redemption premium, if any, and interest to the redemption date will be held by the Trustee in trust for the payment to the Registered Owners of the particular Bonds selected for redemption.

The Series 2021 Bonds are the fifth series of bonds to be issued under the General Resolution and will be on parity with the outstanding Series 2014 Bonds, the outstanding Series 2016 Bonds, the 2020 EFC Bonds, the 2021 EFC Note and any other Additional Parity Indebtedness that may be issued by the Authority under the General Resolution. See "OTHER AUTHORITY INDEBTEDNESS."

Neither the State nor the County is liable on the Series 2021 Bonds. The Series 2021 Bonds are not a debt of either the State or the County. The faith and credit of the County is not pledged for the payments under the Service Agreement. The Series 2021 Bonds are special obligations of the Authority and are not payable out of any funds other than those of the Authority pledged therefor. The Authority has no taxing power.

The Service Agreement

Upon completion of construction of the 2008 Project on January 28, 2010 and receipt of necessary governmental approvals, the Authority began to deliver water to its customers.

¹ The references, excerpts and summaries of all documents referred to in this section and the two sections that follow as to the resolutions, agreements and other documents described therein do not purport to be complete statements of all matters of fact relating to the Series 2021 Bonds, the security for the payment of the Series 2021 Bonds and the rights and obligations of the holders thereof. Copies of such documents are on file with the Trustee and are available upon request.

Payment of Service Fee by the County

The Service Agreement obligates the County to make Service Fee Payments on each January 1, April 1, July 1 and October 1 (“Service Fee Payment Dates”), provided the Authority continues to provide “Service” as defined in the Service Agreement. (See “ — *Suspension of Service Fee Payments*” below.)

The amount of the Service Fee payable on each Service Fee Payment Date will be the amount budgeted by the Authority to be due for Operating Costs and Debt Service in the period beginning on the day following that Service Fee Payment Date and ending on the next Service Fee Payment Date (the “Covered Period”), less the amount of cash held by the Authority or the Trustee as of the 35th day before the Service Fee Payment Date in the Revenue Fund, the Operating Fund and the Bond Redemption and Accumulated Surplus Fund and expected to be available during the Covered Period for the payment of Debt Service and Operating Costs.

The Service Agreement requires that at least 30 days before each Service Fee Payment Date, the Authority will notify the County of the amount of the Service Fee that will be due on such Service Fee Payment Date. If the Authority fails to notify the County of such amount, the County will pay the Service Fee in an amount determined on the basis of the Authority Budget.

Although the Service Agreement provides that the Bonds do not constitute a debt of the County and that the County will not be liable thereon, the holders of the Bonds are expressly made third party beneficiaries of the Service Agreement. The County’s obligations under the Service Agreement are not limited to a specific source of revenues and are therefore payable from general revenues of the County after provision for essential governmental services. See “APPENDIX F — Form of the Service Agreement”. For information with respect to the County, see “APPENDIX C — Information Concerning Saratoga County” and “APPENDIX D — County Financial Statements.”

The Service Agreement provides that the Authority will repay to the County all Service Fee Payments, together with interest thereon, at the rate of 4% per annum compounded annually from the date such Service Fee Payment was made. See “OTHER AUTHORITY INDEBTEDNESS — Service Fee Repayment Obligation and Other Indebtedness” for a discussion of the Authority’s obligations to repay the Service Fee Payments and other amounts to the County.

Debt Service Included in Service Fee

For the purposes of determining the amount of the Service Fee payable under the Service Agreement, “Debt Service” means, for any Fiscal Year, the aggregate of all payments required to be made by the Authority during such Fiscal Year with respect to the Service Agreement Revenue Bonds (as defined in the Service Agreement), including:

- (a) principal and interest on any Service Agreement Revenue Bonds;
- (b) any required deposits into a fund or account established under the General Resolution (including any deposit required to the Debt Service Reserve Fund so that the amount on deposit will be equal to the Debt Service Reserve Requirement under the General Resolution) for items not otherwise covered under clauses (a) or (c) through (g) of this definition;
- (c) the fees of any Trustee, Paying Agent or Remarketing Agent;
- (d) any letter of credit and other credit enhancement fees;
- (e) any amounts required to reimburse the issuer of a letter of credit or other credit enhancement;

(f) amounts required by the Authority for the mandatory redemption or mandatory purchase of Bonds under the General Resolution or any supplement thereunder, including optional purchase in lieu of a mandatory redemption; and

(g) all other amounts required to be paid under the General Resolution or any supplement thereunder, or any reimbursement agreement or other credit enhancement agreement.

Additional Bonds

Under the Service Agreement, the Authority may, without the consent of the County, issue additional Bonds, the debt service on which will be included in the computation of the Service Fee, for the purpose of financing the cost of:

(a) completion of any portion of the 2008 Project, including portions expected to be financed or constructed by others;

(b) any repair, replacement or relocation of components of the 2008 Project;

(c) compliance with the Governmental Requirements as required by the Service Agreement;

(d) any reconstruction, modification, extension, enlargement or relocation of any portion of the 2008 Project required as a result of the occurrence of an event within the definition of "Force Majeure";

(e) Debt Service or Operating Costs during any period in which payment of the Service Fee by the County is suspended as provided in the Service Agreement; and

(f) the construction of a water storage tank if funding is not available from other sources for that purpose.

The 2014 Project, the IDA Project, the Water Main Project and the Expansion Project each met the requirements of subsection (c) above, and debt service for the Series 2014 Bonds, the IDA Installment Sale Agreement, the 2020 EFC Bonds and the 2021 EFC Note are included in the calculation of Debt Service under the General Resolution and the Service Agreement.

The Service Agreement also provides that the Authority may also issue additional Bonds for any purpose consistent with the Act if the Authority obtains the consent of the County to the issuance of such Bonds and an acknowledgment by the County that such Bonds constitute "Service Agreement Revenue Bonds" for the purposes of the Service Agreement.

Refunding bonds issued by the Authority to refund Bonds, including the Series 2021 Bonds, also will be Bonds, and the debt service on such refunding bonds will be included in the computation of the Service Fee, if (a) the final maturity of the refunding bonds is no later than the final maturity of the Bonds being refunded and (b) the net present value of the total debt service on the refunding bonds is lower than the net present value, as of the date of the refunding, of the total remaining debt service on the Bonds being refunded. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Suspension of Service Fee Payments

If the Authority does not provide "Service" (as defined in the Service Agreement), the County may suspend payment of the Service Fee to the Authority until such time as Service is resumed. "Service" is defined in the Service Agreement to mean the supplying of potable water to Authority customers within the County by means of the Water System or by any other means, including the construction and start-up of the Water System. As defined in the Service Agreement, "Service" also includes:

(a) in the event of any interruption in the Authority's ability to supply potable water to its customers, any efforts undertaken by the Authority to restore its ability to supply potable water; and

(b) if the Authority is unable to deliver potable water through the Water System for any reason, any efforts by the Authority to develop or acquire new or alternative sources of or means to deliver potable water, including the study of potential additional or alternative water sources, transmission facilities or other facilities, and the development, construction and placement into use of such additional or alternative water sources, transmission facilities or other facilities.

Water Supply Contracts

The Authority has entered into contracts ("Water Supply Contracts") to supply potable water at wholesale to GlobalFoundries U.S., Inc. ("GF"), the Stewart's Shops Corporation ("Stewart's"), the Clifton Park Water Authority, the Wilton Water and Sewer Authority, the Towns of Ballston, Halfmoon, Malta, Moreau and Stillwater, the City of Mechanicville and the Village of Stillwater. The Authority may enter into contracts for the bulk supply of water with other purchasers on terms different from the terms of the existing Water Supply Contracts.

The Authority entered into a Water Supply Contract with GF (the "GF Water Supply Contract") under which GF has been purchasing water from the Authority for use in its operations. The initial term of the GF Water Supply Contract expired on November 30, 2021. As no notice of termination was provided, under the terms of that Agreement, it will remain effective until November 30, 2022. However, the Authority is in the process of negotiating a new Water Supply Agreement with GF. While the terms of the subsequent Agreement would change slightly, no substantive amendments have been proposed by either the Authority or GF. The Authority is currently charging GF \$3.316 per 1,000 gallons. The maximum price per gallon in each subsequent year will be the maximum price chargeable in the previous year plus 3% or the annual average year-to-year percentage increase, if any, in the Consumer Price Index for all Urban Customers, Northeast Region (1982-94-100) for all Items ("CPI"). The GF Water Supply Contract also allows a drop in rates for water consumption which exceeds four (4) million gallons per day ("mgd") for the previous quarterly usage. The current reduced rate is \$3.066 per 1,000 gallons. For the first time, GF's water usage has qualified it for this reduced rate during the present quarter through December 31, 2021. If the Authority is required by the State Department of Environmental Conservation ("State DEC"), the State Department of Health ("State DOH") or the United States Environmental Protection Agency ("USEPA") to expand or modify the Water System, the maximum price under the GF Water Supply Contract may be increased to pay the cost of the required expansion or modification. Any such increase must be shared by all users of the Water System. GF purchased an average of 3.5 mgd of water in 2020. The GF Water Supply Contract is not a requirements contract and does not require GF to purchase water solely from the Authority. Any substantial reduction in the amount of water purchased by GF under the GF Water Supply Contract could have an adverse effect on the financial condition of the Authority and could increase the amount of the Service Fee required to be paid by the County to the Authority. See "CERTAIN BONDHOLDERS' RISKS AND CONSIDERATIONS".

On or about April 26, 2013, the Authority also issued a Letter of Service to GF for a proposed second chip fabrication plant, which indicates that the Authority, subject to the issuance and/or maintenance of all necessary governmental, engineering, third party and related approvals, permissions and/or consents, and the obtaining of the necessary financing, and in the absence of any design, production, delivery and/or related issues with the Water System, anticipates having the capacity and infrastructure necessary to serve GF's new facility with an average daily flow of 5.9 mgd of water. GF completed the municipal planning process for the new plant in 2013. In April of 2021, GF announced plans to move its headquarters from Silicon Valley, California to its Luther Forest site in Saratoga County, NY. In July of 2021, GF publicly announced its plans to invest \$1 billion into its current chip fabrication plant to immediately address global chip shortages and further announced plans to construct a new chip fabrication plant at the site, which is expected to double production capacity.

The Authority also has entered into the following municipal Water Supply Contracts (“Municipal Water Supply Contracts”):

<u>Purchaser</u>	<u>Minimum Gallons/Day</u>	<u>Expiration Date</u>
City of Mechanicville	50,000	2026
Clifton Park Water Authority	1,000,000	2031
Town of Wilton Water and Sewer Authority	300,000	2031
Town of Ballston	300,000	2030
Town of Halfmoon	1,000,000	2027
Town of Malta	No minimum	2023
Town of Moreau	150,000	2024
Town of Stillwater	198,600	2025
Village of Stillwater	135,000	2021

Each Municipal Water Supply Contract had an initial term of ten years and automatically renews for successive one-year periods following the end of its initial ten-year term. Some municipal purchasers may terminate such one-year renewal periods upon notice of at least three months while other municipal purchasers must provide notice of at least one year. The Authority may terminate water delivery upon non-payment and a municipal purchaser may terminate its Municipal Water Supply Contract where there is a force majeure event.

The maximum price that may be charged by the Authority under each Municipal Water Supply Contract is \$2.322 per 1,000 gallons for the 2021 calendar year. The maximum price in each subsequent year will be the maximum price chargeable in the previous year plus 1.5%. The price charged to all municipal customers is the same. If the Authority is required by the State DEC, the State DOH or the USEPA to expand or modify the Water System, the maximum price may be increased to pay the cost of the required expansion or modification. Any such increase must be shared by all users of the Water System.

The Authority has a separate rate charge for industrial customers which is \$3.316 per 1,000 gallons for the 2021 calendar year. The maximum price in each subsequent year will be the maximum price chargeable in the previous year plus the rate of CPI or 3% whichever is greater. This rate is applicable to GF, as described above, and Stewart’s. GF and Stewart’s are the only industrial customers of the Water System. The Water Supply Contract with Stewart’s expires in 2026 and automatically renews for successive one-year periods following expiration.

The Authority also entered into a Water Supply Contract (as amended, the “Luther Forest Water Supply Contract”) with the Luther Forest Technology Campus Economic Development Corporation, a New York not-for-profit corporation (“LFTCEDC”) on or about August 6, 2007 which was thereafter amended in 2008, 2012 and 2013. While LFTCEDC has a contractual obligation to purchase a certain minimum quantity of water under the Luther Forest Water Supply Contract, LFTCEDC has never received or purchased any water from the Authority. The Authority expects that LFTCEDC will not purchase any significant volume of water from the Authority pursuant to the Luther Forest Water Supply Contract or that the Luther Forest Water Supply Contract will be terminated prior to expiration of its term.

The Authority, the County, the Board of Supervisors of the County and LFTCEDC entered into a settlement agreement related to provision of water by a private water company (the “Private Water Company”). This settlement agreement impacts the GF Water Supply Contract and the Luther Forest Water Supply Contract. See “LITIGATION” for a more complete description of the settlement agreement.

See “THE WATER SYSTEM” and “APPENDIX A — Consulting Engineer’s Report”.

Flow of Funds Under the General Resolution

The General Resolution establishes various funds to be held by the Authority and the Trustee as security for the Bonds. All moneys or securities held by the Authority or deposited with the Trustee under the General Resolution will be held in trust and applied only in accordance with the provisions of the General Resolution.

The following funds will be held by the Trustee:

- Construction Fund
- Debt Service Fund
- Debt Service Reserve Fund
- Costs of Issuance Fund
- Rebate Fund

The following funds will be held by the Authority:

- Revenue Fund
- Operating Fund
- Renewal and Replacement Fund
- Operating Reserve Fund
- Bond Redemption and Accumulated Surplus Fund

The Trustee will not have control over the deposit accounts in which funds held by the Authority will be deposited. Therefore, the Trustee will not have a perfected security interest in the funds on deposit in those accounts, except to the extent that such funds constitute identifiable cash proceeds of the Service Agreement or the Water Supply Contracts.

The Authority will deposit all of its Revenues in the Revenue Fund upon receipt by the Authority.

Quarterly Transfers to Funds

The General Resolution provided that on each Service Fee Payment Date, the Authority will make the following transfers of moneys then on deposit in the Revenue Fund:

- (1) to the Operating Fund, an amount reasonably estimated by the Authority to be sufficient to pay Operating Expenses until the next Service Fee Payment Date;
- (2) to the Debt Service Fund, an amount such that the balance in the Debt Service Fund is sufficient to make all interest and Principal Installment payments due on or before the next scheduled Service Fee Payment Date; and
- (3) to the Debt Service Reserve Fund, the amount, if any, necessary to increase the balance in the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

Annual Transfers to Funds

On the first Service Fee Payment Date of each Fiscal Year, after the transfers from the Revenue Fund set forth in the preceding paragraphs, the Authority will make the following transfers of moneys in the Revenue Fund:

- (1) to the Operating Reserve Fund, the amount, if any, necessary to increase the balance in the Operating Reserve Fund to an amount equal to 1/12 of the Authority's projected Operating Expenses for the then-current Fiscal Year, as projected by the Authority in the Authority Budget (the "Operating Reserve Requirement"); and
- (2) to the Renewal and Replacement Fund, the amount, if any, determined by the Authority in consultation with the Engineer from time to time by formal notice to the Trustee (the "Renewal and Replacement Requirement").

Additional Transfers; Service Fee Payments to the County

Following all quarterly and annual payments described above the Authority will pay to the County the amount, if any, necessary to satisfy the Authority's obligation under the Service Agreement to repay to the County the amount of Service Fee Payments previously paid by the County to the Authority under the Service Agreement. If additional surplus remains in the Revenue Fund after such payments to the County, the Authority will transfer the balance to the Bond Redemption and Accumulated Surplus Fund. See "OTHER AUTHORITY INDEBTEDNESS."

Debt Service Reserve Fund

An account in the Debt Service Reserve Fund for the Series 2021 Bonds will be funded by the deposit on the date of issuance of the Series 2021 Bonds of an amount equal to the Debt Service Reserve Requirement for the Series 2021 Bonds and, to the extent necessary, by transfers from the Revenue Fund on Service Fee Payment Dates as described under "SECURITY FOR THE BONDS — Flow of Funds".

The "Debt Service Reserve Requirement" means, for each series of Bonds issued under the General Resolution, the least of:

- (1) the maximum annual debt service with respect to the Outstanding Bonds of that series of Bonds in the then-current and all future Fiscal Years (which for Variable Rate Indebtedness will be calculated at the maximum rate permitted under the Supplemental Resolution under which the Indebtedness was issued);
- (2) an amount equal to 10% of the proceeds from the sale of that series of Bonds;
- (3) 125% of the average annual debt service with respect to the Outstanding Bonds of that series of Bonds in the then-current and all future Fiscal Years (which for any Variable Rate Indebtedness will be calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness was issued).

Amounts on deposit in the Debt Service Reserve Fund will be applied, to the extent other funds are not available in the Debt Service Fund, to pay the principal of and Sinking Fund Installments and interest on Bonds when due, whether by call for redemption or otherwise. Each Series of Bonds shall have a separate account in the Debt Service Reserve Fund that will serve as security for the payment of such Series of Bonds but not for other Series of Bonds.

If the amount in the debt service account for a Series of Bonds in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement for such Series of Bonds, the Trustee, if so directed by the Authority, will withdraw from the applicable debt service account the amount in excess of the Debt Service Reserve Requirement with respect to such Series of Bonds as of the date of such withdrawal and deposit the moneys withdrawn into the Debt Service Fund or to provide for the payment of the redemption price of and interest on Bonds of such Series to be refunded.

The Debt Service Reserve Requirement may be satisfied in whole or in part by a Reserve Fund Credit Facility. See "—Reserve Fund Credit Facility."

Reserve Fund Credit Facility

The General Resolution provides that the Authority may elect to satisfy the Debt Service Reserve Requirement in whole or in part by means of a letter of credit, insurance policy or surety bond (a "Reserve Fund Credit Facility"), subject to the following requirements:

- (1) The Reserve Fund Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the then-current rating on the Bonds and in any event equal to one of the Rating Agency's three highest long-term rating categories.

(2) The Authority may not secure any obligation to the Reserve Fund Credit Facility Provider by a Lien on the Trust Estate superior to the Lien on the Trust Estate granted to the Bondholders.

(3) Each Reserve Fund Credit Facility must have a term of at least one year (or, if less, the remaining term of the related series of Bonds) and entitle the Trustee to draw upon or demand payment at such times and for such purposes as the Trustee would be entitled to claim the funds and investments that would be on deposit in the Debt Service Reserve Fund were there no such Reserve Fund Credit Facility and receive the amount so requested in immediately available funds not later than five Business Days after such draw or demand.

(4) The Reserve Fund Credit Facility must permit a drawing by the Trustee for the full stated amount of the Reserve Fund Credit Facility if:

(i) the Reserve Fund Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Bonds, and

(ii) the Authority fails to satisfy the Debt Service Reserve Requirement by the delivery to the Trustee of cash, obligations, a substitute Reserve Fund Credit Facility, or any combination thereof, for deposit in the related account in the Debt Service Reserve Fund on or before the date of such expiration or termination.

(5) If a rating with respect to the Reserve Fund Credit Facility Provider is issued by a Rating Agency providing a rating of the Bonds is withdrawn or reduced below the rating assigned to the Bonds immediately prior to such action by the Rating Agency, the Authority must provide a substitute Reserve Fund Credit Facility within 60 days after the rating change. If no substitute Reserve Fund Credit Facility is delivered to the Trustee by the end of the 60-day period, the Authority must fund the Debt Service Reserve Requirement in not more than 48 equal monthly payments beginning not later than the first day of the month immediately after the end of the 60-day period.

(6) If the Reserve Fund Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the Authority must provide a substitute Reserve Fund Credit Facility within 60 days thereafter. If no substitute Reserve Fund Credit Facility is delivered to the Trustee by the end of the 60-day period, the Authority must fund the Debt Service Reserve Requirement in not more than 48 equal monthly payments beginning not later than the first day of the month immediately after the end of the 60-day period.

If the events described in either (5) or (6) above occur, the Trustee may not relinquish the Reserve Fund Credit Facility until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Fund Credit Facility or any combination thereof.

If a Reserve Fund Credit Facility is delivered to the Trustee, the Trustee will transfer the money and securities held in the related account of the Debt Service Reserve Fund, to the extent not needed to comply with the Debt Service Reserve Requirement, to the Bond Redemption and Accumulated Surplus Fund.

If amounts held in the Debt Service Reserve Fund containing a Reserve Fund Credit Facility are less than the Debt Service Reserve Requirement because the Reserve Fund Credit Facility has been drawn upon and has not been reinstated, the Authority shall transfer from the Revenue Fund, (after the deposits in the Operating Fund, Debt Service Fund and Debt Service Reserve Fund required under the General Resolution have been made), amounts sufficient to reinstate the Reserve Fund Credit Facility, and the Trustee will pay such amounts to the Reserve Fund Credit Facility Provider.

Other Funds under the General Resolution

Operating Fund

The Authority will deposit to the Operating Fund all amounts transferred to the Operating Fund as described under “SECURITY FOR THE BONDS — Flow of Funds” from the Revenue Fund, the Operating Reserve Fund, and the Renewal and Replacement Fund. If any unanticipated Operating Expenses in excess of the amounts set forth in the Annual Budget occur in any month, the Authority may transfer amounts from the Revenue Fund sufficient to meet the unanticipated Operating Expenses.

If the Operating Fund exceeds the amount reasonable and necessary for Operating Expenses including reserves and working capital, the Authority will redeposit the excess in the Revenue Fund for application in accordance with the Flow of Funds.

Amounts in the Operating Fund will be paid out from time to time by the Authority for reasonable and necessary Operating Expenses. If an Event of Default occurs, the Operating Fund will be transferred by the Authority to an account held in trust with the Trustee for the payment of Operating Expenses.

Debt Service Fund

The Authority will deposit to the Debt Service Fund all amounts required to be transferred to the Operating Fund as described under “SECURITY FOR THE BONDS — Flow of Funds” from the Revenue Fund, the Debt Service Reserve Fund and the Renewal and Replacement Fund.

The Trustee will pay out of the Debt Service Fund, on or within three days before each Payment Date, the amounts required for the payment of the Principal Installment, if any, and interest due on the Outstanding Bonds on such date and any amounts required for the payment of the redemption or purchase price of Bonds to be redeemed or purchased.

Operating Reserve Fund

The Authority will deposit to the Operating Reserve Fund all amounts required to be transferred to the Operating Fund as described under “SECURITY FOR THE BONDS — Flow of Funds” from the Revenue Fund. Amounts on deposit in the Operating Reserve Fund may be (i) used by the Authority to pay anticipated and unanticipated Operating Expenses or (ii) transferred to the Operating Fund.

Renewal and Replacement Fund

Under the General Resolution, the Authority will deposit to the Renewal and Replacement Fund all amounts required to be transferred to the Renewal and Replacement Fund from the Revenue Fund as described under “SECURITY FOR THE BONDS — Flow of Funds” .

Before the adoption of an Authority Budget for a Fiscal Year, the Authority will direct the Engineer to develop a Renewal and Replacement Requirement for such Fiscal Year. In establishing the Renewal and Replacement Requirement for a Fiscal Year, the Engineer may take into account the timing and amount of Revenues projected during such Fiscal Year and the timing and amount of Operating Expenses projected for such Fiscal Year. The Authority will include the recommendations of the Engineer as to the Renewal and Replacement Requirement for a Fiscal Year in the Authority Budget for the Fiscal Year.

The money in the Renewal and Replacement Fund will be paid out from time to time by the Authority upon delivery of written notice to the Trustee indicating in reasonable detail the purpose of the payment and signed on behalf of the Authority by an Authorized Officer. The money on deposit in the Renewal and Replacement Fund may be used for any one or more of the following purposes:

(1) to pay all or any part of the Cost of constructing, acquiring, completing or restoring the Project or any part thereof;

(2) to pay the Cost of Operating Expenses, renewals to or replacement of the Project or any part thereof or to pay the Cost of extraordinary maintenance and repairs;

(3) to repay the temporary loans, or any part thereof, incurred for the purpose of acquiring or constructing the Project or any part thereof, renewals and replacements or undertaking extraordinary maintenance and repairs; or

(4) to pay other debts and liabilities of the Authority incurred in connection with the operation of the Project not otherwise provided for, and to the payment of Debt Service Requirements.

If payments are made for the acquisition of land, rights-of-way and easements, the Authority must also furnish the Trustee with an opinion of Counsel satisfactory to the Trustee stating that the Authority has acquired or upon satisfactory completion of the transaction will acquire title to such lands, rights-of-way or easements.

If there are insufficient amounts in the Revenue Fund, the Operating Fund and the Operating Reserve Fund to pay Operating Expenses, the Authority may transfer amounts in the Renewal and Replacement Fund to the Operating Fund to the extent reasonably necessary to pay such Operating Expenses. If at any time there are insufficient amounts in the Debt Service Fund to pay Debt Service Requirements on any Bonds Outstanding when due, after application of amounts in the Revenue Fund and the Debt Service Reserve Fund, the Authority may transfer amounts in the Renewal and Replacement Fund to the Debt Service Fund to the extent reasonably necessary to make such payments when due.

Construction Fund

The General Resolution provides that the Trustee will make payments from the Construction Fund only on the receipt of a requisition, signed on behalf of the Authority and, if the requisition is with respect to construction costs, approved by the Engineer, stating, among other things, that the obligation was properly incurred and is a Cost of the Project, as defined in the Act and that following the payment either (i) the amount remaining on deposit in the Construction Fund is estimated to be sufficient to pay the remaining Cost of completing the Project or addition to the Project or another improvement, repair or other construction for which the payment is made or (ii) the Authority is taking appropriate steps either to reduce the Cost or raise additional moneys (whether through increasing Revenues or through the issuance of debt) so that the amount remaining or deposited in the Construction Fund is estimated to be sufficient to pay the remaining Costs of completing the Project, an addition to the Project or another improvement, repair, or construction.

If the Authority makes a determination by a resolution of its Governing Board that to complete a part of the Project would not be in the best financial interests of the Authority, the Authority will discontinue the completion of that part of the Project and the Trustee, on receipt of the resolution, will transfer any amounts remaining in the Construction Fund with respect to the discontinued part of the Project to a segregated account in the Bond Redemption and Accumulated Surplus Fund. The Trustee will apply such funds to either the redemption of the series of Bonds issued to finance the part of the Project in question or, if the Trustee receives an opinion of Bond Counsel to the effect that the exclusion of interest on such series of Bonds will not be adversely affected, the financing of Costs of another Project.

Bond Redemption and Accumulated Surplus Fund

Under the General Resolution the Authority will deposit in the Bond Redemption and Accumulated Surplus Fund the net proceeds from the sale of a Project and insurance and condemnation proceeds received as a result of damage, destruction or condemnation of a Project upon receipt thereof. Any such sale, insurance or condemnation proceeds may be applied solely for the purpose of purchasing or redeeming Bonds. The Authority may also deposit in the Bond Redemption and Accumulated Surplus Fund all Revenues on hand on the first Service Fee Payment

Date of each Fiscal Year and not otherwise on deposit in a Fund or account or required to be paid to the County to repay Service Fee Payments under the Service Agreement.

If there is a deficiency in any other Fund or account, the Trustee will make good such deficiency from moneys on deposit in the Bond Redemption and Accumulated Surplus Fund, except sale, insurance or condemnation proceeds. If there is no deficiency in any other Funds or accounts, the money in the Bond Redemption and Accumulated Surplus Fund will be paid out by the Trustee on requisitions or letters of instruction indicating the purpose of the payment and signed on behalf of the Authority by its Chairperson or Vice-Chairperson.

On the written request of the Authority, the money on deposit in the Bond Redemption and Accumulated Surplus Fund may be used to purchase or redeem any Bonds of any series at a price not greater than 100% of the principal amount thereof (or, to the extent permitted by law, the then-current optional redemption price for such series of Bonds) plus accrued interest.

Rebate Fund

The Rebate Fund will be held by the Trustee but will not be subject to the Lien of the General Resolution.

The General Resolution requires that on an annual basis, the Authority will deposit into the Rebate Fund the amount necessary to increase the balance in the Rebate Fund to the sum of the Rebate Amounts with respect to each outstanding series of Tax-Exempt Bonds. The Authority will use moneys deposited in the Rebate Fund only for the payment of the Rebate Amount to the United States. Funds on deposit in an account in the Rebate Fund in excess of the Rebate Amount for the related series of Tax-Exempt Bonds, however, may be withdrawn and paid over to the Authority.

If any amount remains in the Rebate Fund after payment in full of all series of Tax-Exempt Bonds and after payment in full of the Rebate Amount as to each such series of Tax-Exempt Bonds to the United States, such amounts will be available to the Authority for any lawful purpose.

Under the General Resolution, the duty of the Trustee to make payments to the United States is expressly limited to funds available in the Rebate Fund at the times such payments are required to be made and any other funds actually provided to the Trustee by the Authority for such payments. The Trustee has no duty to pay any amounts in excess of the amounts available in the Rebate Fund or actually provided to it by the Authority. The Trustee has no duty to determine the Rebate Amount or expend its own funds with respect to the determination that any amounts are rebatable or the calculation thereof.

OTHER AUTHORITY INDEBTEDNESS

Additional Parity Indebtedness

The Authority may issue Additional Parity Indebtedness for any lawful corporate purpose, including providing funds to refinance or refund all or any portion of the Bonds. The Trustee may not authenticate any Additional Parity Indebtedness pursuant hereto unless certain conditions are fulfilled. Among other things, the Trustee must receive:

(1) a written opinion of Bond Counsel to the effect that (i) all conditions precedent to the issuance of the Additional Parity Indebtedness pursuant to the Act, this Resolution and any relevant Supplemental Resolution have been satisfied; (ii) the Additional Parity Indebtedness, when issued, will be valid and binding obligations of the Authority in accordance with their terms; (iii) it is proper for the Trustee to authenticate the Additional Parity Indebtedness; and (iv) if the Additional Parity Indebtedness are intended to be Tax-Exempt, an opinion to the effect that interest on the Additional Parity Indebtedness is Tax-Exempt;

(2) a written statement of the Authority that no Bonds are then in Default;

(3) any additional deposit to the Debt Service Reserve Fund required with respect to the Additional Parity Indebtedness;

(4) a written statement of the Authority that such Additional Parity Indebtedness (i) is to be incurred for purposes consistent with the Act, and (ii) is within the definition of “Additional Bonds” under the Service Agreement, accompanied by, if under the Service Agreement such Additional Parity Indebtedness would not constitute Service Agreement Revenue Bonds if issued without the consent of the County, the written acknowledgement of the County that such Additional Parity Indebtedness constitutes “Service Agreement Revenue Bonds” under the Service Agreement;

(5) a certificate of an Accountant stating that, based upon an audit of the books and records of the Authority, for any period of 12 consecutive months during the 18 calendar months immediately preceding the month during which the Additional Parity Indebtedness is to be issued: (i) all deposits required to be paid into the Debt Service Fund were made, and (ii) the Debt Service Reserve Requirement was maintained in accordance with the General Resolution;

(6) a certificate of an Engineer setting forth: (i) his or her estimate of the Operating Expenses of the Authority for each of the five Fiscal Years immediately succeeding the issuance of such Additional Parity Indebtedness plus the Fiscal Year in which such Bonds are issued, and (ii) the Debt Service Requirements for each such Fiscal Year.

Additional Parity Indebtedness for Projects

If the Additional Parity Indebtedness is being issued to finance part of the Project, the Trustee must also receive a certificate of an Engineer:

(1) stating that part of the Project will be useful or desirable in connection with the operation of the Water System, will be technically feasible and are in compliance with the Authority’s water system plan, as the same may be amended from time to time;

(2) setting forth the estimated Costs of the acquisition or construction of such part of the Project, including any financing expenses and, if judged necessary, a balance for contingencies, the sources of funds expected to be applied to finance such Costs, and the time period which will be required for completion of the acquisition or construction of part of the Project;

(3) his or her opinion that the net proceeds of the Additional Parity Indebtedness, together with other moneys that are available or are reasonably expected to be available therefore, will be sufficient to pay the Costs of the acquisition or construction of part of the Project; and

(4) his or her opinion as to the date when part of the Project will be placed in commercial operation.

Additional Parity Indebtedness for Refundings

If the Additional Parity Indebtedness is being issued to finance a refunding, the Authority may provide, in lieu of the certificate of an Accountant described above, a certificate of an Accountant stating that for the then-current and each future Fiscal Year, the Debt Service Requirements for the refunding Bonds will be no more than 10% more than the Debt Service Requirements that would have existed for that Fiscal Year with respect to the portion of the Bonds being refunded.

Exceptions for Certain Additional Parity Indebtedness

If the aggregate principal amount of Additional Parity Indebtedness being issued does not exceed either \$500,000 or the Additional Parity Indebtedness is being issued for the completion of a Project, the Authority may provide the certificates that would otherwise be required to be delivered by an Accountant or an Engineer, except

that, with respect to Additional Parity Indebtedness to be issued to complete a project, that the Engineer must certify that such funds are sufficient to complete the cost of the construction of such project.

Furthermore, the Authority may issue Additional Parity Indebtedness without delivering the certificates of an Accountant or Engineer (or the Authority) described above if:

(1) all Outstanding Bonds are secured as to the payment of the principal of and interest due on such Additional Parity Indebtedness by Credit Facilities issued concurrently with the delivery of each series of Additional Parity Indebtedness and no such Credit Facility Provider has wrongfully dishonored a draw request for payment under such Credit Facility, which wrongful dishonor remains uncured, and the Credit Facility Providers of each series of Additional Parity Indebtedness consents to the issuance of the Additional Parity Indebtedness without satisfaction of such paragraphs; or

(2) if the proceeds of such Additional Parity Indebtedness will be expended on a project required to be constructed to comply with any State or federal law, rule or regulation.

Additional Parity Indebtedness on Parity

All Additional Parity Indebtedness issued from time to time under the General Resolution will be on parity with the Bonds and with all other Additional Parity Indebtedness issued under the General Resolution.

Amount of Outstanding Additional Parity Indebtedness

As described herein, the Authority has issued Additional Parity Indebtedness under the General Resolution. The Series 2014 Bonds, the Series 2016 Bonds, the 2020 EFC Bonds and the 2021 EFC Note all constitute Additional Parity Indebtedness issued by the Authority under the General Resolution.

Service Fee Repayment Obligation and Other Indebtedness

Service Fee Repayment and Other Amounts Due to the County

Under the Service Agreement, the Authority is obligated to repay to the County all amounts paid by the County as a Service Fee Payment under the Service Agreement, together with interest thereon at the rate of 4% per annum, compounded annually, from the date on which such payment is made. The repayment is due only to the extent that the revenues of the Authority from the operation of the Water System for any Fiscal Year exceed the total of (i) Operating Costs and Debt Service for such Fiscal Year and (ii) amounts that, in the opinion of the Authority's Consulting Engineer, are reasonably expected to be needed in the next Fiscal Year to pay for maintenance and repairs of the County Water System in accordance with good engineering and business practices for an essential public utility, in excess of amounts available for such purpose in the Operating Reserve Fund or the Renewal and Replacement Reserve Fund created under the General Resolution.

Any repayment of the Service Fee that is due under the Service Agreement must be paid to the County within 30 days after the delivery of annual financial statements of the Authority showing a payment is due with respect to the Fiscal Year covered by such financial statements, but the Authority may at its option repay the Service Fee Payments to the County at any time without premium or penalty. Failure of the Authority to repay the Service Fee Payments to the County will not relieve the County of its obligation to pay the Service Fee Payments in subsequent years if payment of the Service Fee Payments again becomes due. The County's right to repayment of the Service Fee is subordinate to any claim against the Authority with respect to the (i) payment of debt service on Service Agreement Revenue Bonds by or on behalf of holders of Service Agreement Revenue Bonds or by the issuer of bond insurance or other credit enhancement for the Service Agreement Revenue Bonds or (ii) the payment of Operating Costs.

Since 2009, an aggregate of \$4,117,328.05 of Service Fee Payments has been paid by the County to the Authority. In 2017 the Authority began making repayments to the County of the aggregate Service Fee Payments

plus the accrued interest thereon and made the final repayment in 2021. See “APPENDIX A — Consulting Engineer’s Report” and “APPENDIX B — Authority Financial Statements”.

In addition to the Service Fee Payments, from 2003 through 2007, the County also incurred \$3,246,587 of expenses on behalf of the Authority for costs relating to planning and development of the Water System. In 2007 the County made a cash advance to the Authority in the amount of \$250,000 that has accrued interest at the rate of 4% per annum. Such amounts are payable by the Authority to the County upon demand by the County. Partial repayment of these amounts has been made by the Authority. As of November 1, 2021, the total amount owed by the Authority to the County is \$1,855,357.37.

IDA Installment Sale Agreement

In May 2015, the Authority entered into the IDA Installment Sale Agreement with the Saratoga IDA in order to finance a portion of the cost of the IDA Project. The IDA Installment Sale Agreement requires the Authority to pay to the Saratoga IDA interest accrued on \$1.0 million at the rate of 0.69% per annum plus repayments of \$200,000 in each year from 2021 through 2025. Payments of principal and interest are due May 1 of each year. Since the IDA Project met the requirements for the issuance of Bonds under the Service Agreement, the payment obligations of the Authority under the IDA Installment Sale Agreement are included in the calculation of Debt Service under the General Resolution and the Service Agreement.

Credit Notes

The Authority may issue promissory notes or other instruments evidencing the Authority’s obligations to a Credit Facility Provider pursuant to a Credit Agreement (“Credit Notes”).

Any Credit Note that secures a Credit Facility with respect to any series of Additional Parity Indebtedness will be subordinate to the series of Additional Parity Indebtedness to which the Credit Facility relates. Therefore, a Credit Facility Provider will be entitled to share in the Trust Estate under the default provisions of the General Resolution only when all amounts due on Additional Parity Indebtedness to which the Credit Facility it has issued relates have been fully paid.

DESCRIPTION OF THE SERIES 2021 BONDS

Interest on the Series 2021 Bonds will be payable on each June 1 and December 1 (each, an “Interest Payment Date”), commencing June 1, 2022. The Series 2021 Bonds will bear interest from the date of delivery of the Series 2021 Bonds.

Optional Redemption

The Series 2021 Bonds maturing on and after June 1, 2032 will be subject to redemption prior to maturity at the option of the Authority in whole or in part on any date on and after June 1, 2031 in such amounts and in the order of maturity as determined by the Authority and as set forth in its Notice of Redemption, and by lot, or as the Authority may designate within a maturity if less than all, at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption for Term Bonds

The Series 2021 Bonds maturing on June 1, ____ are subject to mandatory redemption by the Authority in part by lot at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the principal amounts set forth in the table below:

Sinking Fund Installment Payment Date (June 1)*	Sinking Fund Installment*
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† Final Maturity

Extraordinary Optional Redemption

The Series 2021 Bonds are subject to redemption prior to maturity, at the direction of the Authority, upon the occurrence of one or more of the following events, as a whole at any time, but not in part, at a redemption price equal to 100% of the principal amount thereof; without premium, together with accrued interest to the date of redemption:

(1) The Water System is damaged or destroyed to the extent that, in the opinion of an Independent Engineer submitted to the Authority and the Trustee at the request of the Authority, either: (i) the Water System cannot be reasonably restored or repaired within a period of six months to its condition immediately preceding such damage or destruction; or (ii) the Authority would be prevented by such damage or destruction from carrying on the normal operations of the Water System, as it existed immediately prior to such damage or destruction, for a period of six months or more.

(2) Title to, or the use or possession of, all or substantially all of the Water System is condemned or taken under the exercise of the power of eminent domain by any governmental authority to such an extent that, in the opinion of an Independent Engineer submitted to the Authority and the Trustee at the request of the Authority, either: (i) the Water System cannot be reasonably restored or replaced within a period of six months to a condition of comparable usefulness to that existing immediately prior to such condemnation or taking or (ii) the Authority would be prevented thereby from carrying on the normal operations of the Water System as it existed immediately prior to such condemnation or taking for a period of six months or more.

(3) As a result of changes in the constitutions or laws of the United States of America or the State of New York or of legislative or administrative action of the United States of America or the State of New York or any political subdivision of either of them, or a final decree, judgment or order of a court or an order, rule, regulation, determination, action or refusal to take action, or refusal to issue or make any order, material permit, rule, regulation or determination, by a governmental authority or agency, after contest thereof by the Authority in good faith either: (i) the Service Agreement, or any material part of the Service Agreement, becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties; or (ii) in the reasonable judgment of the Authority, unreasonable burdens or excessive liabilities shall have been imposed upon the Authority with respect to the Water System or the operation thereof.

If the Series 2021 Bonds are to be redeemed as a result of the occurrence of any of the above events, the Authority will deliver to the Trustee not less than 45 days prior to the redemption date (i) a certificate stating the reason for such redemption and (ii) written notice of the intended redemption and the date thereof.

Notice of Redemption

When Bonds are called for redemption, whether at the option of the Authority or on mandatory redemption, the Trustee will mail a notice to the Registered Owners of the Series 2021 Bonds called for redemption, at the addresses appearing in the records kept by the Trustee, at least 25 days prior to the redemption date. The Notice of Redemption will state that on the redemption date the Series 2021 Bonds called for redemption will be payable at the Principal Office of the Trustee and that from the date of redemption interest will cease to accrue. Registered Owners of all Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Bonds may be redeemed and all rights and liabilities of the Owners will mature and accrue on the date set for such redemption, without the requirement of written notice. Any defect in or failure to give notice of redemption with respect to any particular Bond or Bonds will not affect the validity of any such redemption of other Bonds.

In addition, if Bonds to be redeemed are subject to the Book Entry System of ownership, the Trustee will cause copies of such notice of redemption to be sent to The Depository Trust Company and the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access system ("EMMA"). Unless otherwise waived by The Depository Trust Company, the notice will be sent to The Depository Trust Company at least two Business Days in advance of the date notices addressed to registered owners and national information services are deposited in the United States mail. The Trustee will not be required to advertise a notice of redemption.

The Trustee will send a second copy of a redemption notice by registered or certified mail, postage prepaid, to all registered bond owners that do not present their Bonds for payment within 30 days following the Redemption Date.

Any notice of redemption may state that the redemption contemplated therein is conditioned upon the occurrence of certain events or circumstances described therein as contemplated in the Resolutions in which case the Authority will not be obligated to redeem such Series 2021 Bonds unless the events therein described have occurred.

Effect of Redemption

If notice of redemption has been properly given, or written waivers of notice have been filed with the Trustee prior to the date set for redemption, the Series 2021 Bonds called for redemption will become due and payable on the redemption date. If an amount sufficient to pay the redemption price is on deposit with the Trustee for such purpose on the redemption date, interest on such Bonds will cease to accrue from the redemption date whether or not the Series 2021 Bonds are presented for payment. The principal amount of all Bonds or portions thereof called for redemption, together with the accrued and unpaid interest thereon to the date of redemption, will be paid by the Trustee or the Paying Agent upon presentation and surrender of the redeemed bonds in negotiable form. If any Outstanding Bond is redeemed in part, the Trustee will authenticate and deliver to the Registered Owner a new Bond or Bonds of any authorized denomination requested by such Registered Owner in an aggregate principal amount equal to the principal amount of the Outstanding Bond not called for redemption.

Book-Entry-Only System

The Series 2021 Bonds will be subject to the book-entry system of ownership and transfer and will initially be evidenced by one certificate for each maturity, in an amount equal to the aggregate principal amount of the Series 2021 Bonds of that maturity. Unless otherwise provided in the Supplemental Resolution, the Series 2021 Bonds so initially delivered will be registered in the name of "Cede & Co." as nominee for The Depository Trust Company ("DTC"). The Authority and the Trustee may treat DTC as the registered owner of all Bonds held under the book-entry system for all purposes of the Resolutions and will have no duties or responsibilities to the Direct Participants or the Beneficial Owners referred to below.

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2021 Bonds, payment of interest and principal on the Series 2021 Bonds to DTC participants (as hereinafter defined) or beneficial owners of the Series 2021 Bonds, confirmation and transfer of beneficial ownership interests in the Series 2021 Bonds, and other related transactions by and between DTC, the DTC

participants and beneficial owners of the Series 2021 Bonds is based solely on information furnished by DTC. Accordingly, the Authority neither makes nor can make any representations concerning these matters.

DTC, New York, New York, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Series 2021 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

So long as Cede & Co. is the registered owner of the bonds, as nominee of DTC, references in this Official Statement to the Bondholders or registered owners of the Series 2021 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2021 Bonds.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity of the Series 2021 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2021 Bond certificates are required to be delivered as described in the General Resolution.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2021 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2021 Bonds, or (ii) a continuation of the requirement that all of the Series 2021 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is not in effect, Series 2021 Bond certificates will be delivered as described in the General Resolution.

Each person for whom a Participant acquires an interest in the Series 2021 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2021 BONDS.**

So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2021 Bonds (other than under the captions "TAX MATTERS" and "CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12" herein) means Cede & Co., as aforesaid, and not the Beneficial Owners of the Series 2021 Bonds.

Any references to any action required or permitted by the Beneficial Owner relates only to those permitted by act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2021 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. The Authority

does not have any responsibility or obligations to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2021 Bonds; (c) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolution to be given to Bondholders; (d) the timely delivery or implementation of any optional or mandatory tender notices or payments to, among, or between the Authority, the Registrar and the Paying Agent, DTC, the DTC Participants or the Beneficial Owners; (e) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the Series 2021 Bonds; or (f) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bondholder.

Transfer and Exchange of Certificated Bonds

DTC may discontinue providing its services with respect to the Series 2021 Bonds at any time by giving notice to the Authority discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry-only transfers through DTC at any time. If the book-entry-only system is discontinued, the Series 2021 Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. Principal of and interest on the Series 2021 Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State to be named as fiscal agent by the Authority upon termination of the book-entry-only system. Interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent.

The Record Date of the Series 2021 Bonds will remain the fifteenth day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Certificate of the Authority authorizing the sale of the Series 2021 Bonds. The fiscal agent will not be obligated to make any such transfer or exchange of Bonds between the 15th day of the calendar month preceding an interest payment date and such interest payment date.

THE WATER SYSTEM

As used herein, “Water System” means, collectively, the 2008 Project, the 2014 Project, the IDA Project, the Water Main Project, the Expansion Project and future extensions, improvements and additions thereto, and replacements thereof, and other public water supply and distribution projects to serve territory within the County undertaken by the Authority and designated by the Authority as part of the “County Water System” for purposes of the Service Agreement.

2008 Project

The 2008 Project consisted of the construction of a public bulk water supply using the upper Hudson River as a source, to serve the territory within the County. The 2008 Project included (i) a raw water intake structure in the upper Hudson River in the Town of Moreau, New York; (ii) a raw water pump station and a water treatment plant on an approximately 30-acre parcel of land at the corner of Butler and Potter Roads in the Town of Moreau; (iii) a water storage tank at the Luther Forest Technology Campus; and (iv) approximately 28 miles of 30” -36” diameter underground water transmission main located mostly beneath existing roads or utility rights-of-way through the towns and/or city of Moreau, Greenfield, Wilton, Saratoga Springs, Milton, Ballston, Stillwater and Malta, together with all equipment and facilities used in the construction and operation thereof and portions that are expected to be constructed by others, as well as structures, facilities or other improvements required for the repair, replacement or relocation of any of the foregoing. Completion of construction and initial start-up of the 2008 Project occurred in 2009.

2014 Project

The 2014 Project consisted of a series of upgrades to the Water System which allows it to meet the Stage 1 and 2 Disinfection By-Products Rules (“DBPR”) which were enacted in 1996 and 1998 as amendments to the Safe Drinking Water Act. The DBPR built upon the original Total Trihalomethane Rule by lowering the allowable limits of trihalomethanes (“THMs”) in a system’s distribution system, introducing monitoring and limits for five haloacetic acids (“HAA5s”), introducing maximum disinfectant levels, and requiring systems to reassess their monitoring points in their distribution systems. THMs and HAA5s are by-products of disinfection that are suspected of causing health effects. The 2014 Project included upgrades that incorporate Granular Activated Carbon (“GAC”) to treat the water for removal of organics that generate the disinfection by-products. The 2014 Project also included a 2,600 square foot building, piping, valving, chemical feed, control and electrical upgrades to support the proposed GAC treatment system. The 2014 Project was completed in June 2015.

IDA Project

The IDA Project consisted of the acquisition of an easement in certain parcels of land, the construction thereon of an outfall structure and diffuser system, the acquisition therein and thereon of various equipment and machinery, all of the foregoing owned and operated by the Authority as a water outfall project that will improve existing plant performance, reliability and water quality. The IDA Project was substantially completed in September 2016.

EFC Project No. 18278 – The Water Main Project

The Water Main Project consisted of the construction of a new 15,000 linear feet 20” diameter ductile iron pipeline to extend water service to the Town of Halfmoon and the City of Mechanicville. The project was completed and both communities have active purchase agreements with the Authority and are fulfilling their purchase obligations. The Water Main Project was initially financed by the issuance of a Note (the “2018 EFC Note”) by the Authority to the EFC in 2018 pursuant to a Project Finance Agreement (“PFA”) between the Authority and the EFC, dated September 27, 2018. The 2018 EFC Note was retired in 2020 when the Authority subsequently issued to the EFC the 2020 EFC Bonds pursuant to a PFA, dated November 1, 2020.

EFC Project No. 18538 – The Expansion Project

The Expansion Project consists of construction of improvements to expand overall treatment capacity and will increase facilities capacity to 18 mgd. Construction of the expansion project commenced in 2020 and is anticipated to be substantially complete in December 2021. In addition, the Authority began construction of an additional sludge lagoon in 2021, which is anticipated to be substantially complete in May 2022. The Expansion Project was initially financed by the issuance of a Note (the “2020 EFC Note”) by the Authority to the EFC in 2020 pursuant to a PFA between the Authority and the EFC, dated February 6, 2020. The 2020 EFC Note was retired in 2021 when the Authority subsequently issued to the EFC the 2021 EFC Note pursuant to a PFA, dated September 16, 2021.

Future Capital Projects

The Authority is contemplating pursuing two capital projects in the next several years to increase capacity to the southern portion of the Water System. The first is addition of a second 5 million gallon water storage tank to land owned by the Authority in the Town of Stillwater, Saratoga County. This would double the water storage capacity of this site. The Authority anticipates project design taking place in 2022 with project construction in 2023. The second project is addition of a water storage tank and pump station to be placed on lands yet to be identified in southern Saratoga County. The size of this tank has yet to be determined but an early estimate is 150,000 gallons. Together with a pump station, this capital project would likewise increase capacity to the southern portion of the Water System. Ultimate construction of this project is not anticipated until 2024 or 2025. The Authority anticipates pursuing a combination of grant funding and financing for both capital projects, but the full cost of these projects is not known at this time.

Financial Operations

For additional information about existing water demands, Water System revenues and expenses and historical cash flow for fiscal years 2011 through 2020, see “APPENDIX A – Consulting Engineer’s Report.”

SUMMARY OF CONCLUSIONS OF CONSULTING ENGINEER

The Authority has engaged Delaware Engineering, P.C. as its consulting engineer (the “Consulting Engineer”). The conclusions of the Consulting Engineer stated in the Consulting Engineer’s Report are that the Consulting Engineer is of the opinion that:

1. The Authority is generating sufficient revenues, including sales and the Service Fee, to pay debt service on the Series 2014 Bonds, the Series 2016 Bonds, the 2020 EFC Bonds and the 2021 EFC Note and its obligations on the IDA Installment Sale Agreement (collectively referred to in this section as the “Authority Debt Obligations”), and meet the other financial obligations relating to the operation of the Water System, including the costs of Water System operation. The Series 2021 Bonds will reduce or eliminate the Series 2014 Bonds and the Series 2016 Bonds. The Series 2021 Bonds will maintain or reduce the Authority’s overall debt service requirements.

2. The experience and qualifications of the Authority’s Board and management team are commensurate with their duties and responsibilities.

3. The Water System complies with all other currently applicable and currently pending environmental and health regulations.

4. The capital budget (sources of funding) is adequate to finance the required components of the existing Water System and funds are reasonably expected to be available when needed to pay operating and debt service costs.

5. In light of the Water Supply Contracts in place and the current water sales, it is anticipated that the sale of water by the Authority will equal or exceed 7.1 mgd in 2021. The Consulting Engineer notes in the Consulting Engineer’s Report that the existing Water Supply Contracts have initial 10-year terms followed by successive automatic one-year renewal periods, but has no reason to believe that the Water Supply Contracts will not be continually renewed during the forecast period.

6. Based on the Service Agreement, the transfer of Service Fee payments, if required, from the County to the Authority will continue to be accomplished in a timely fashion for the payment of the Authority Debt Obligations and the proper operation of the Water System, and no foreseen events of service failure are anticipated. The Authority began repaying the outstanding balance on past Service Fee payments in 2017.

7. The Authority will be able to provide service as defined in the Service Agreement throughout the forecast period.

8. The projected water rates and rate increases are not in excess of the amount required to support the debt service on the Authority Debt Obligations and operation and maintenance expenses identified in the Consulting Engineer’s Report and the projected water rates are not excessive.

9. The assumptions and projections used by the Authority and forward-looking information used within the Consulting Engineer’s Report are reasonable.

Therefore, based on the information and estimates summarized in the Consulting Engineer’s Report, it is the opinion of the Consulting Engineer that the Authority will generate revenue throughout the forecast period sufficient to provide for operation of the Water System, while also meeting its debt service obligations on the Authority Debt Obligations and all other outstanding obligations.

The Consulting Engineer has not independently verified the accuracy of the information provided by the Authority. While the Consulting Engineer believes such sources are reliable and the information obtained to be appropriate for the analysis undertaken and the conclusions reached in the Consulting Engineer's Report, as is often the case, there will likely be differences between actual and projected results, some of the estimates used in the Consulting Engineer's Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the data and results projected in the Consulting Engineer's Report and actual results achieved, and those differences may be material. Any statements in the Consulting Engineer's Report involving estimates or matters of opinion, whether or not so specifically designated, are intended as such, and not as representation of fact. The Consulting Engineer's Report summarizes the work completed up to the date of the issuance of the Report. Changed conditions occurring or becoming known after such date could affect the material presented to the extent of such change.

See "APPENDIX A — Consulting Engineer's Report" for the complete text of the Consulting Engineer's Report.

PROJECTED FINANCIAL RESULTS OF THE WATER SYSTEM

"APPENDIX A – Consulting Engineer's Report" includes projections of the Authority's revenues, operating expenses and debt service obligations for the next 10 years of operation. The projections are based on certain assumptions and forecasts. Although the Authority believes that the assumptions and forecasts are reasonable, assumptions and forecasts are inherently subject to significant uncertainties. Actual results are likely to differ, perhaps materially, from those projected. Accordingly, the projections contained in the Consulting Engineer's Report are not necessarily indicative of future performance, and the Authority does not assume any responsibility for the accuracy of such projections. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2021 Bonds are cautioned not to place undue reliance on the projections. Since the projections cover multiple years, such information by its nature becomes less reliable with each successive year.

The financial projections do not take into account any circumstances or events occurring after the date they were prepared. The Authority does not intend to update or otherwise revise the projections to reflect circumstances existing after the date they were prepared or to reflect the occurrence of future events, even if any or all of the assumptions are shown to be in error, other than under its continuing annual disclosure obligations under SEC Rule 15c2-12 (see "CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12" herein).

THE AUTHORITY

Purpose and Powers

The Authority, a public benefit corporation of the State of New York, was established under the Saratoga County Water Authority Act enacted in law as Chapter 678 of the Laws of 1990 of New York State and codified as Title 8-F of Article 5 of the New York Public Authorities Law.

Under, and as more fully detailed in the Act, the Authority is given the follow powers, among others:

- to construct, improve, maintain, develop, expand or rehabilitate water facilities within the district and to pay the costs thereof;
- to operate and manage and to contract for the operation and management of such facilities or property of the Authority;
- to enter into contracts, and to carry out the terms thereof, for the wholesale provision of water produced by supply facilities constructed, owned or operated by the Authority, to municipalities and private water companies and to carry out the terms thereof, from the transmission of water for new or existing supply facilities;

- to obtain, store, treat, distribute, supply and sell water for domestic, commercial and public purposes at retail to individual consumers within the district;
- to apply to the appropriate agencies and officials of the federal, state and local governments for licenses, permits or approvals of its plans or projects as it may deem necessary or advisable and upon such terms and conditions as it may deem appropriate, to accept, in its discretion, such licenses, permits or approvals as may be tendered to it by such agencies or officials;
- to apply for and to accept any gifts or grants or loans of funds or property or financial or other aid in any form from the federal government or any agency or instrumentality thereof, or from the state or any agency or instrumentality thereof, or from any other source, for any and all purposes specified in the Act, and to comply, subject to the provisions of the Act, with the terms and conditions thereof;
- to purchase water in bulk from any person, private or public benefit corporation or municipality when necessary or convenient for the operation of such water system; and
- to fix rates and collect charges for the use of the facilities of, or services rendered by, or commodities furnished by the Authority such as to provide revenues sufficient at all times to pay, as the same become due, the principal of and interest on the Authority's bonds, notes, or other obligations of the Authority together with the maintenance of proper reserves therefor, in addition to paying as the same shall become due, the expense of operating and maintaining the properties of the Authority together with the proper maintained reserves, capital reserves, repair reserves, tax stabilization reserves and other contingency reserves, and all such other obligations and indebtedness of the Authority provided that no such rates or charges may be changed until a public hearing on such changes has been held upon not less than fourteen (14) days' notice thereof to each customer, either by mail or by publication once in a newspaper having general circulation within the County.

County Support Authorized

The Act provides that the County may from time to time appropriate sums of money to or on behalf of the Authority to defray project costs or any other costs and expenses of the Authority and that, subject to the rights of bondholders, the moneys so appropriated will be subject to repayment by the Authority to the County in such manner and at such time or times as set by the County for such repayment. Pursuant to this authority, the County entered into the Service Agreement. See "THE COUNTY", "APPENDIX C — Information Concerning Saratoga County" and "APPENDIX D — County Financial Statements".

Governing Board

Under the Act, the Authority is governed by a board of seven members, all Saratoga County residents. The Act provides that the initial members will be appointed by the chair of the County Board of Supervisors and confirmed by the Board of Supervisors, and that at least four members will be elected officials, with five members residing in municipalities with which the Authority has a service or distribution contract, one or more of which may be one of the aforementioned elected officials. Subsequent appointments will be made in the same manner, according to the Act, which was amended in September 2014 to modify the Authority's prior statutory requirement that each municipality with a service or distribution contract be represented on the board.

The Act provides that members serve without compensation, but are entitled to reimbursement of their actual and necessary expenses, including travel expenses incurred in the discharge of their duties. The Act also provides that members may be removed from office for the same reasons that officers of the County may be removed from office, and also may be removed by the county board of supervisors, after notice and an opportunity to be heard, for inefficiency, neglect of duty or misconduct in office or for unexcused failure to attend three consecutive regular meetings of the Authority.

The Act requires the Authority to have a chairman, a vice chairman, a treasurer and a secretary, all of which (except the secretary) must be members of the Authority's board. The board may appoint additional officers.

Brief biographies of the present members of the Authority's governing board, its officers and its key staff are included in the Consulting Engineer's Report attached hereto as Appendix A.

Authority Financial Statements

The Authority's audited financial statements for the annual period ending December 31, 2020 are attached hereto as Appendix B.

Corporate Existence; Limitation on Termination While Obligations Outstanding

The Act provides that the corporate existence of the Authority will continue until terminated by law. No such law may take effect so long as the Authority has any obligations outstanding unless adequate provision is made for the payment or satisfaction thereof. Upon termination of the Authority, all remaining properties of the Authority will pass to the County.

Agreement with the State

Under the Act, the State agrees with the holders of any bonds issued by the Authority that the State will not alter or limit the rights vested in the Authority by the Act to purchase, construct, maintain, operate, enlarge or dispose of any project, or any part thereof, for which bonds of the Authority have been issued, to establish and collect rates and other charges for providing water services, or to fulfill the terms of any agreement made with or for the benefit of the holders of the bonds or with any public corporation or person with reference to such project or part thereof, or in any way impair the rights and remedies of the bondholders, until the bonds, together with the interest thereon, are fully paid and discharged. The Act authorizes the Authority to include the State's pledge and agreement in any agreement with bondholders, and such pledge and agreement has been included in the General Resolution.

THE COUNTY

Pursuant to the Act, the Authority and the County entered into the Service Agreement. See "SECURITY FOR THE BONDS — Service Agreement". For information concerning the County see "APPENDIX C — Information Concerning Saratoga County" and "APPENDIX D — County Financial Statements".

LITIGATION

There is no litigation now pending or, to the best of the Authority's knowledge, overtly threatened which in any manner (a) restrains or enjoins, or seeks to restrain or enjoin, the issuance or delivery of the Series 2021 Bonds, (b) questions or affects the validity of the Series 2021 Bonds or the proceedings and authority under which they are to be issued, (c) contests the creation, organization, or existence of the Authority, (d) questions the right of the Authority to operate the Water System or the Authority's right to conduct its activities in accordance with the provisions of the Act, the Service Agreement and the Resolutions, (e) restrains or enjoins, or seeks to restrain or enjoin, the execution and delivery of the Service Agreement by the County or the Authority, or the performance by either party thereto of any of their respective obligations thereunder, including payment of the Service Fee by the County in accordance with the terms of the Service Agreement, (f) questions or affects the validity of the Service Agreement or the proceedings and authority under which it was authorized by the County and the Authority or (g) questions or affects in any way the validity of the existing Service Agreement or the Water Supply Contracts or the proceeding and authority under which they were respectively authorized by the parties thereto.

In April 2008 the Authority, the County, the Board of Supervisors of the County and LFTCEDC entered into a settlement agreement (the "Settlement Agreement") with the Private Water Company, pursuant to which the Private Water Company agreed to withdraw all objections, opposition and litigation claims relating to the 2008 Project. Pursuant to the Settlement Agreement, the Private Water Company was designated as: (a) the sole water supply provider for "Pod 5" within the Luther Forest Technology Campus, (b) the sole alternate or "back-up" water source for construction activity within the Luther Forest Technology Campus, (c) the sole alternate or "back-up" water supply source for the 2008 Project within the Luther Forest Technology Campus in the event the Authority and/or the County were unable to provide water to such users/owners or tenants of the land serviced by the 2008

Project or within the Luther Forest Technology Campus, and (d) the sole secondary backup alternate water supply source after commencement of 2008 Project operation in the event that any tenant/owner requests or requires a “back up” or secondary supply of water to the Luther Forest Technology Campus. GF is located within the Luther Forest Technology Campus and, at all times relevant, the Authority has been able to meet GF’s water demand. The Authority does not anticipate litigation resulting from the Settlement Agreement.

CERTAIN BONDHOLDERS’ RISKS AND CONSIDERATIONS

Investment in the Series 2021 Bonds may involve certain risks and each investor should carefully consider the risks involved to determine whether to purchase any of the Series 2021 Bonds. Prospective investors should carefully examine this Official Statement and their individual financial condition (including the diversification of investment portfolio) in order to make a judgment as to whether the Series 2021 Bonds are an appropriate investment.

The Authority has identified and summarized below certain “bondholders’ risks” that could adversely affect the finances of the Authority, the operation of the Water System and/or the funds available for payment of the Series 2021 Bonds, which should be considered by prospective investors. The following discussion is not intended to be exhaustive, but includes certain major factors, which should be considered along with other factors set forth elsewhere in this Official Statement, including the Appendices hereto.

Water Purchaser Concentration

In 2020, revenue derived from the GF Water Supply Contract comprised approximately 48% of the Authority’s total revenue. The amount of water purchased by GF under the GF Water Supply Contract may be adversely affected by a reduction in operations at GF’s facilities in the County, international and national economic conditions, competitive conditions within its industry and general market conditions. Any substantial reduction in the amount of water purchased by GF under the GF Water Supply Contract could potentially have an adverse effect on the financial condition of the Authority and could increase the amount of the Service Fee required to be paid by the County to the Authority.

Geographic Concentration

The number of customers using the Water System may be adversely affected by regional and local economic conditions, competitive conditions, changes in population and general market conditions. There can be no assurance that the Water System will be able to maintain the current number of existing users if there are changes in the resident and/or commercial population of the service area.

Water Supply

Although the quantity and quality of water available to the Authority is believed to be adequate, it is possible that circumstances could change this condition.

Governmental Regulation

The federal and State government significantly regulates water systems. Future regulations and conditions affecting the acquisition, development ownership and operation of the Water System could increase the operating expenses of the Water System or could otherwise have a material adverse effect on the financial condition of the Authority.

Reliance on Saratoga County

The last Service Fee Payment made by the County to the Authority was made on February 13, 2015. The Authority projects that it will continue to have sufficient revenue to pay Debt Service on the Bonds and the Operating Costs of the Water System without further reliance upon Service Fee Payments from the County. However, prior to 2016, the Authority relied on the receipt of Service Fee Payments to pay Debt Service on the

Bonds and the Operating Costs of the Water System. There is no assurance that in future years the Authority will not have to again rely on the receipt of Service Fees Payments in order to have sufficient revenue to pay Debt Service on the Bonds and the Operating Costs of the Water System.

Impact of COVID-19

The outbreak of the novel coronavirus (“COVID-19”) has affected travel, commerce and financial markets globally, and continues to affect national, state and local economies, including the Authority’s service area and the County. The degree of any such impact to the Authority’s operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties as to its duration and severity, as well as with regard to what actions governmental authorities might take to contain or mitigate its impact. The Authority’s drinking water quality and water supply have not been affected by the outbreak of the virus. Nonetheless, there can be no assurance that the spread of COVID-19 will not have a materially adverse impact on the financial condition of the Authority. The Authority has experienced some increases in costs associated with the purchase of necessary chemicals, equipment and materials, but these increases have been relatively negligible in comparison to overall production costs and are expected to be temporary.

Impact of Climate Change

The issue of climate change variability is receiving increasing attention nationally and worldwide. Some scientific experts are predicting a worsening of weather volatility in the future associated with climate variability. Many climate variability predictions, if true, present several potential challenges to water systems, such as: increased frequency and duration of droughts; increased precipitation and flooding; increased frequency and security of storms and other weather events; challenges associated with changes in temperature or increases in ocean levels; potential degradation of water quality; decreases in available water supply and changes in water usage patterns; increases in disruptions in service; increased costs to repair damaged facilities; or increased costs to reduce risks associated with the increasing frequency of natural events, including to improve the resiliency and reliability of the Water System. Despite any planning and mitigating efforts on the part of the Authority, the magnitude of the impact on the Water System’s operations or financial condition from environmental risks is indeterminate and is unpredictable. There can be no assurance that the Water System will not encounter natural disaster risks such as flooding or catastrophic sea level rise in the future or that such risks will not have an adverse effect on the operation or financial condition of the system.

LEGALITY OF THE SERIES 2021 BONDS FOR INVESTMENT

Under the Act, bonds of the Authority are made securities in which all public officers and public bodies of the State and all municipalities in the State, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, investment companies and other persons carrying on a banking business, and administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriter in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”) under the Securities Exchange Act of 1934, as amended, the Authority and the County will undertake in a written agreement for the benefit of the holders and beneficial owners of the Series 2021 Bonds (the “2021 Agreement”) to provide to the MSRB through EMMA on an annual basis no later than 270 days after the end of each respective fiscal year of the Authority and the County, commencing with the Authority’s fiscal year ending December 31, 2021 and the County’s fiscal year ending December 31, 2021, certain financial and operating data of the type included in this Official Statement and as specified in the 2021 Agreement (the “Annual Information”). In addition, the Authority and the County will undertake, for the benefit of the holders and beneficial owners of the Series 2021 Bonds, to provide to the MSRB through EMMA, in a timely manner not in excess of ten business days, notices of any of the specified events

enumerated in the Rule. Any filing to be made under the 2021 Agreement may be made solely by transmitting such filing to the MSRB through EMMA as provided at <http://emma.msrb.org>.

The Annual Information will consist of:

- (1) the annual audited financial statements of each of the Authority and the County for the preceding fiscal year;
- (2) financial data relating to the actual operations of the Authority during the preceding fiscal year (presented on a cash basis) providing the information contained in Table 4.1 (“Existing and Projected Water Demand”), Table 6.1 (“Historical Cash Flow”) and Table 6.2 (“Projected Cash Flow”) of the Consulting Engineer’s Report;
- (3) financial and operating data with respect to the County of the type included in APPENDIX C; and
- (4) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Authority and the County.

All or any portion of the Annual Information may be incorporated in the Annual Information by reference to any other documents that have been filed with the MSRB through EMMA.

The filings that the Authority and the County will undertake to provide as described above, include notices of any of the following events with respect to the Series 2021 Bonds (each of which is described in the 2016 Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021 Bonds, or other material events affecting the tax-exempt status of the Series 2021 Bonds; (7) modifications to the rights of the holders of the Series 2021 Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2021 Bonds, if material; (11) rating changes, (12) bankruptcy, insolvency, receivership or similar event of the Authority or the County; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the Authority or the County, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority or the County, any of which affect security holders; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority or the County, any of which reflect financial difficulties. “Financial Obligation” (i) means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B), but (ii) shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. In addition, the Authority and the County will undertake, for the benefit of the holders of the Series 2021 Bonds, to provide to the MSRB through EMMA, in a timely manner, notice of any failure by the Authority and the County, as the case may be, to provide the Annual Information and financial statements by the date required in the Authority’s and the County’s undertakings described above.

The sole and exclusive remedy for breach or default under the 2021 Agreement described above is in action to compel specific performance of the undertakings of the Authority and the County and no person, including a holder of the Series 2021 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the 2016 Agreement shall not constitute an Event of Default under the Resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under

the 2021 Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

Copies of the 2021 Agreement will be on file at the office of the Authority.

Under continuing disclosure agreements executed by the Authority and the County with respect to the 2014 Bonds, the 2016 Bonds and the 2008 Bonds, during the past five years, (i) the Authority filed a portion of its audited financial statements for fiscal year 2016 and did not file the complete audited financial statements, and no notice of failure to timely file such audited financial statements was filed; (ii) information required to be included in the County's financial and operating data for fiscal years 2016 and 2017 with respect to largest taxpayers, and for fiscal years 2018, 2019 and 2020 with respect to State aid, was not included in the County financial and operating data filed for such fiscal years, and no notice of failure to file such information was filed with respect to fiscal years 2018, 2019 and 2020; (iii) the County's audited financial statements for fiscal years 2017 and 2018 were not linked to applicable CUSIP numbers for the Bonds, although such audited financial statements were filed on EMMA prior to the applicable deadline under the Authority's continuing disclosure agreements; and (iv) the County's audited financial statements for fiscal year 2020 were not timely filed, and no notice of failure to file such information was filed.

BONDS AS SECURITY FOR DEPOSIT

Under the Act, bonds and notes of the Authority are made securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities in the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

TAX MATTERS

Introduction

In the opinion of Hodgson Russ LLP, under the Code, interest on the Series 2021 Bonds is included in gross income for Federal income tax purposes. However, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2021 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS AND TAX CONSEQUENCES OF PURCHASING OR HOLDING THE SERIES 2021 BONDS.

General

The following discussion summarizes certain United States ("U.S.") federal tax considerations generally applicable to holders of the Series 2021 Bonds that acquire the Series 2021 Bonds in the initial offering. For purposes of this discussion, the Series 2021 Bonds are hereinafter referred to as the "Federally Taxable Bonds". The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, and any such change could have retroactive effect. Prospective investors should also note that no rulings have been or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, financial institutions, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S-corporations, estates and trusts, persons holding the Series 2021 Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary

generally is limited to investors that acquire the Series 2021 Bonds pursuant to this initial offering for the issue price that is applicable to such Series 2021 Bonds (i.e., the price at which a substantial amount of the Series 2021 Bonds are sold to the public) and who will hold the Series 2021 Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Federally Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust).

As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Federally Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Federally Taxable Bonds, the tax treatment of such partnership or a partner in such a partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Federally Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in Federally Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest on Federally Taxable Bonds. Payments of interest on the Federally Taxable Bonds will be included in gross income for U.S. federal income tax purposes of a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder’s regular method of accounting for tax purposes, provided such interest is “qualified stated interest,” as defined below.

Disposition of Federally Taxable Bonds. Except as discussed above, upon the sale, exchange, redemption or retirement of a Federally Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such Federally Taxable Bond and such U.S. Holder’s adjusted tax basis in such Federally Taxable Bond. A U.S. Holder’s adjusted tax basis in a Federally Taxable Bond increased by accrued market discount, if any, if the U.S. Holder has included such market discount in income, and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Federally Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Federally Taxable Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long-term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Non-U.S. Holders

A Non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Federally Taxable Bonds on its own behalf will not be subject to U.S. federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on Federally Taxable Bonds, unless the Non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the Federally Taxable Bonds;
- certifies that the owner is not a U.S. Holder; and
- provides the beneficial owner’s name and permanent residence address.

A “Withholding Agent” is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN (“W-8BEN”), which is effective for the remainder of the year of signature plus three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A Non-U.S. Holder that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Federally Taxable Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Federally Taxable Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A Non-U.S. Holder of Federally Taxable Bonds whose income from such Federally Taxable Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder, provided the holder furnishes to the Withholding Agent a Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner’s Form W-8BEN (or substitute form).

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax on any amount that constitutes capital gain upon retirement or disposition of Federally Taxable Bonds, unless the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such Federally Taxable Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a Non-U.S. Holder in these circumstances should consult his tax advisor.

Federally Taxable Bonds will not be includible in the estate of a Non-U.S. Holder unless, at the time of the decedent’s death, income from such Federally Taxable Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Federally Taxable Bonds to registered owners who are not “exempt recipients” and who fail to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Federally Taxable Bonds to a U.S. Holder must be reported to the IRS, unless U.S. Holder is an exempt recipient or establishes an exemption. Compliance with identification procedures described in the preceding section would establish an exemption from backup withholding for those Non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Federally Taxable Bond to or through a broker, the broker must report the sale and withhold the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a Non-U.S. Holder (and certain other conditions are met). Certification of the registered owner’s Non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Defeasance

Under the terms of the General Resolution, bonds authorized by the Authority may be legally defeased prior to their stated maturity. Prospective purchasers of the Federally Taxable Bonds should be aware that, for U.S. federal income tax purposes, any such legal defeasance will be treated as a taxable exchange of such Federally

Taxable Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of Federally Taxable Bonds could differ from the timing and character of the amounts that would have been includable in gross income in respect of such Federally Taxable Bonds had the legal defeasance not occurred. Prospective purchasers of the Federally Taxable Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

State and Local Income Tax

Bond Counsel to the Authority is of the opinion that under existing statutes, including the Authority Act, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2021 Bonds.

Interest on the Series 2021 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion, however, as to the tax treatment of the Series 2021 Bonds under other state or local jurisdictions. Each purchaser of Series 2021 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2021 Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Certain requirements and procedures contained or referred to in the General Resolution and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel.

All quotations from and summaries and explanations of provisions of law do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

Form of Opinion of Bond Counsel

The proposed form of the approving opinion of Bond Counsel for the Series 2021 Bonds is attached hereto as Appendix H. See "Form of Approving Opinion of Bond Counsel" in APPENDIX H. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of an opinion by recirculation of the Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in such opinion subsequent to its date.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2021 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2021 BONDS.

UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase all, but not less than all, of the Series 2021 Bonds from the Authority at an aggregate purchase price of \$_____ (consisting of the principal amount of the Series 2021 Bonds less underwriter's discount of \$_____) and to make a public offering of the Series 2021 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all of the Series 2021 Bonds if any are purchased. The initial public offering prices of the Series 2021 Bonds may be changed

from time to time by the Underwriter. The Series 2021 Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Series 2021 Bonds into investment trusts) at prices lower than such public offering prices.

RATING

The Series 2021 Bonds have been rated “AA” by S&P Global Ratings. Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions made by such rating agency. There is no assurance that any rating will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the rating agency if, in its judgment, circumstances warrant. Any lowering, suspension or withdrawal of the rating might have an adverse effect upon the market price or marketability of the Series 2021 Bonds. The Underwriter and the Authority undertake no responsibility after the issuance of the Series 2021 Bonds to assure the maintenance of any of the ratings, or to oppose any revision or withdrawal thereof.

GREEN BONDS

The Authority is self-designating the Series 2021 Bonds as “Green Bonds” as the proceeds will be used exclusively for projects and activities that further the Authority’s mission of providing safe drinking water to users within its service area.

The proceeds of the Series 2021 Bonds will be applied to refund the Refunded Bonds. The proceeds of the Refunded Series 2016 Bonds were applied to refund the Authority’s Water System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”), the proceeds of which were used to finance the 2008 Project. The proceeds of the Refunded Series 2014 Bonds were applied to finance the 2014 Project. See “THE WATER SYSTEM.”

The purpose of the Authority is to provide clean drinking water to meet water demands of the general public, commercial and industrial customers, and all infrastructure funded in previous projects is used by the Authority to provide clean drinking water.

The 2008 Project included (i) a raw water intake structure in the upper Hudson River in the Town of Moreau, New York; (ii) a raw water pump station and a water treatment plant on an approximately 30-acre parcel of land at the corner of Butler and Potter Roads in the Town of Moreau; (iii) a water storage tank at the Luther Forest Technology Campus; and (iv) approximately 28 miles of 30”-36” diameter underground water transmission main located mostly beneath existing roads or utility rights-of-way through the towns and/or city of Moreau, Greenfield, Wilton, Saratoga Springs, Milton, Ballston, Stillwater and Malta, together with all equipment and facilities used in the construction and operation thereof and portions that constructed by others, as well as structures, facilities or other improvements required for the repair, replacement or relocation of any of the foregoing.

The 2014 Project consisted of a series of upgrades to the Water System to allow it to meet the Stage 1 and 2 Disinfection By-Products Rules (DBPR) enacted in 1996 and 1998 as amendments to the Safe Drinking Water Act (SDWA). The DBPR builds upon the original Total Trihalomethane Rule (“TTHM”) by lowering the allowable limits of trihalomethanes (“THMs”) in a system’s distribution system, introducing monitoring and limits for five haloacetic acids (“HAA5s”), introducing maximum disinfectant levels, and requiring systems to reassess their monitoring points in their distribution systems. THMs and HAA5s are by-products of disinfection that are suspected of causing health effects. The proposed water system upgrades will maintain the capability of producing 14 million gallons per day (“mgd”) of potable water, and, if permitted, will also be expandable to 26 mgd to meet potential additional future demands. The Water Project includes upgrades that incorporate Granular Activated Carbon (“GAC”) to treat the water for removal of organics that generate the disinfection by-products. The project included a 2,600 square feet building, piping, valving, chemical feed, control and electrical upgrades to support the proposed GAC treatment system.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization, issuance, sale and delivery of the Series 2021 Bonds is subject to the approval of Hodgson Russ LLP, Albany, New York, whose legal services as Bond Counsel have been retained by the Authority.

The proposed text of the legal opinion is set forth in APPENDIX H hereto. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expressed any opinion concerning any of the matters referenced in the opinion subsequent to its date.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2021 Bonds and the status of interest on the Series 2021 Bonds for federal and state income tax purposes, as described in the section "TAX MATTERS" and will make no statement regarding the accuracy and completeness of this Official Statement.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances, including changes in law, that may thereafter occur or become effective.

The issuance of the Series 2021 Bonds is subject to the approval of legality by Hodgson Russ LLP, Albany, New York, Bond Counsel. Certain legal matters with respect to the Authority will be passed upon by its counsel, Miller, Mannix, Schachner & Hafner, LLC, Glens Falls, New York. Certain legal matters with respect to the County will be passed upon by its counsel, Michael Hartnett, Esq. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

The legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds express the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ROLE OF TRUSTEE

Computershare Trust Company, N.A. has been appointed to serve as Trustee under the Resolutions. The role of the Trustee is to carry out those duties it has agreed to under the Resolutions. The Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information given in this Official Statement or for the recitals contained in the Resolutions or for the validity, sufficiency, or legal effect of any of such documents. Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Authority of the proceeds from the sale of the Series 2021 Bonds. The Trustee has no duty to, has not undertaken to evaluate, and has not evaluated, the risks, benefits, or propriety of any investment in the Series 2021 Bonds and makes no representation, and has reached no conclusions, regarding the investment quality of the Series 2021 Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

FINANCIAL ADVISOR

Capital Markets Advisors, LLC, Great Neck, New York is serving as Financial Advisor to the Authority with respect to the issuance of the Series 2021 Bonds. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2021 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and has been retained by the

Authority to assist in compliance with the undertaking by the Authority to provide continuing secondary market disclosure.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations was independently verified by Causey Demgen & Moore P.C. (the "Verification Agent"). These computations, which were provided by Raymond James & Associates, Inc., indicate the sufficiency of the receipts from the Defeasance Securities, together with an initial cash deposit, to pay to the redemption price of and interest on the Refunded Bonds to their respective redemption dates. The Verification Agent relied upon assumptions and information supplied by the Underwriter on behalf of the Authority and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

SOURCES OF INFORMATION

The Authority has furnished all information contained herein other than information specifically attributed herein to other sources.

The Consulting Engineer's Report, included as Appendix A hereto, and the heading "SUMMARY OF CONCLUSIONS OF CONSULTING ENGINEER" hereinabove have been prepared by Delaware Engineering, P.C., and are included in this Official Statement in reliance upon the expertise of such firm as consultants knowledgeable with respect to the design and operation of water systems or facilities. All financial forecasts contained herein have been prepared by the Authority and reviewed for accuracy by Delaware Engineering, P.C.

The information in Appendices C and D hereto has been obtained from the County, and the information on the inside cover hereof relating to the initial offering prices of the Series 2021 Bonds has been furnished by the Underwriter of the Series 2021 Bonds.

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2021 Bonds, the security for the payment of the Series 2021 Bonds, and the rights of the holders thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

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The execution and delivery of this Official Statement have been duly authorized by the Authority.

SARATOGA COUNTY WATER AUTHORITY

DATED: _____, 2021

By: _____
John E. Lawler, Chairman

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APPENDIX A — Consulting Engineer's Report

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SARATOGA COUNTY WATER AUTHORITY

SARATOGA COUNTY, NEW YORK

CONSULTING ENGINEER'S REPORT FOR

SARATOGA COUNTY WATER AUTHORITY WATER SYSTEM REFUNDING REVENUE BONDS, 2021



DELAWARE ENGINEERING, D.P.C.

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DATE: NOVEMBER 29, 2021

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1.0 EXECUTIVE SUMMARY

This Report has been prepared to evaluate the operations of the Saratoga County Water Authority (the "Authority" or "SCWA") and determine the Authority's capacity to generate revenues sufficient to provide for operating expenses, the payment of debt service, the funding of reserves related to the Authority's proposed refinancing of approximately \$10-\$20 million in Water System Refunding Revenue Bonds, Series 2021 (the "Series 2021 Bonds") and its other outstanding obligations. The bond proceeds will be used solely for the refunding all or portions of the existing Series 2014 and Series 2016 Bonds. The Series 2021 Bonds do not increase the Authority's existing debt service.

The existing "Water System" consists of a water filtration plant with the capability of producing 14 million gallons per day ("mgd") of potable water. The SCWA is in the final construction phase of an upgrade to the Water System which will increase the system capacity to 18 mgd, with this work anticipated to be complete in December 2021. The Water System, upon obtaining all approvals, is expandable to 26 mgd to meet potential additional future demands. The Water System uses the upper Hudson River as a source, and includes a raw water intake structure, a pump station and a water treatment plant in the Town of Moreau, approximately 28 miles of underground water transmission main through parts of eight municipalities in Saratoga County, and all equipment and facilities used in the operation of the foregoing. The existing Water Treatment Plant ("WTP") utilizes various operations for the treatment of water. Raw water is obtained from the Hudson River and is screened, coagulated, filtered and disinfected prior to discharge to its customers. The Water System was substantially completed in 2010 and has been operating successfully ever since.

The existing WTP utilizes chemical coagulation, membrane filtration, pH adjustment, and disinfection. Treated water is conveyed to a clearwell system and a pump station conveys the finished water to water customers along the finished water transmission main. In 2014, the Authority upgraded the WTP with the installation of a granular activated carbon treatment process within the WTP to treat the water for removal of organics that generate the disinfection by-products. These upgrades were substantially completed in May of 2015. Testing for disinfection by-products that have been completed since the project was placed into service show that the system is operating as designed and that the SCWA has maintained compliance with the Disinfection By-Products rules and regulations.

The Authority has also completed an outfall project (“IDA Project”) to discharge wastewater from the treatment process to the Hudson River downstream of the intake. The purpose of the IDA Project was to reduce the recycling of organic materials and other contaminants within the treatment process and to improve the efficiency of plant operation. The Authority has completed an installation sales agreement with the IDA to fund the project (the “IDA Installment Sales Agreement”). These upgrades were substantially completed in September of 2016. The removal of the recycled organics from the treatment process has resulted in improved WTP plant performance.

In 2020, the Authority commenced construction on an expansion of the overall treatment capacity. This project adds additional contact tank capacity, membrane feed pumping capacity, additional membrane racks, additional clearwell capacity and additional distribution pumping capacity. The 2020 expansion project increases the facilities capacity to 18 mgd. Substantial completion is scheduled to occur in December of 2021. The Authority began construction of an additional sludge lagoon in 2021, with substantial completion expected in May of 2022.

The Authority is contemplating pursuing two Capital Projects in the next several years to increase capacity to the southern portion of the Water System. The first is addition of a second 5 million gallon water storage tank to land owned by the Authority in the Town of Stillwater, Saratoga County. This would double the water storage capacity of this site. The Authority anticipates project design taking place in 2022 with project construction in 2023. The second project is addition of a water tank and pump station to be placed on lands yet to be identified in southern Saratoga County. The size of this tank has yet to be determined but an early estimate is 150,000 gallons. Together with a pump station, this Capital Project would likewise increase capacity to the southern portion of the Water System. Ultimate construction of this project is not anticipated until 2024 or 2025. The Authority anticipates pursuing a combination of grant funding and financing for both Capital Projects, but the full cost of these projects are not known at this time.

The Authority currently has twelve contracts to supply and deliver potable water to municipalities and other entities within Saratoga County (the “County”). These contracts are with the City of Mechanicville, Town of Halfmoon, Town of Ballston, Clifton Park Water Authority, Town of Moreau, Town of Stillwater, Village of Stillwater, Wilton Water and Sewer Authority, Town of

Malta, GlobalFoundries, Luther Forest Technology Campus Economic Development Corporation (“LFTCEDC”) and Stewart Shops Corporation.

The Authority has an existing service agreement with the County (the “Service Agreement”) whereby the County is obligated to pay a Service Fee to the Authority so long as any Bonds remain outstanding and the Authority is meeting its obligations under the Service Agreement to build and operate the Water System. The amount of the Service Fee is equal to the amount budgeted by the Authority to be due for operating costs and debt service less the amount of cash on hand that is expected to be available to the Authority from operating revenues during the covered period for the payment of debt service and operating costs. Since 2015, the Authority has operated with sufficient revenues to cover operating costs and debt service and no longer needs to obtain any additional service fee payments from the County; however, the service fee payments are still required under the Service Agreement.

The Authority is obligated to repay the County for any and all amounts paid by the County as a Service Fee, with interest at the rate of 4 percent per annum compounded annually, but only to the extent that the annual revenues of the Authority from the operation of the Water System for any fiscal year exceed the total of operating costs, debt service, required deposits and amounts the Authority reasonably considers will be needed to pay for maintenance and repairs in the next fiscal year. The Authority began repayments to the County in 2017.

The Water System’s revenue requirements include operating expenses (personnel, utilities, water treatment, maintenance, materials and supplies, and miscellaneous expenses), debt service, and funding of reserves. The Authority is required to maintain operating and reserve funds including an Operating Fund, a Bond Redemption and Accumulated Surplus Fund, a Debt Service Reserve Fund, a Renewal and Replacement Fund and an Operating Reserve Fund.

The current contracted municipal water rate of \$2.322 per 1,000 gallons is applied to all existing municipal customers served by the Water System and the rate is scheduled to increase by 1.5 percent in each year of the forecast period. Information on other water contract prices that have been negotiated throughout the region indicates that the Authority’s rate of \$2.322 per 1,000 gallons compares favorably, which increases the likelihood that additional customers will purchase

water from the Authority in the future and preclude any communities from choosing to construct their own systems.

The non-municipal rate is \$3.316 per 1,000 gallons. The GlobalFoundries agreement has a tiered rate consisting of \$3.316 for flows under 4.0 mgd and a rate of \$3.066 for flows over 4.0 mgd (based on quarterly usage). This discount of \$0.25 for flows over 4.0 mgd applies only to GlobalFoundries. All other commercial and industrial customers pay the \$3.316 rate.

In light of the water supply contracts in place and the current water sales, it is anticipated that sale of water by the Authority will equal or exceed 7.1 mgd in 2021. We note that the existing contracts have ten-year terms that expire as follows:

- Wilton Water and Sewer Authority – 2031
- City of Mechanicville – 2026
- Clifton Park Water Authority – 2031
- GlobalFoundries – 2021
- Stewart's Shops Corp. – 2026
- Town of Ballston – 2030
- Town of Halfmoon - 2027
- Town of Malta – 2023
- Town of Moreau – 2024
- Town of Stillwater – 2025
- Village of Stillwater – 2021
- Luther Forest Technology Campus Economic Development Corporation – 2022

All contracts are automatically renewed for successive one-year terms if not terminated and the Authority expects that all contracts will be so renewed upon expiration of the initial 10-year terms.

After reviewing the existing Water System, capital and Operations and Maintenance (“O&M”) costs and projections, projected water demands, proposed water rates, the Service Agreement, the credentials of the Authority, and to the best of the Engineer’s knowledge, information and belief, we are of the opinion that:

1. The Authority is generating sufficient revenues, including sales and the Service Fee, to pay debt service on the 2014 IDA Installment Sales Agreement, Series 2014 Bonds, Series 2016 Bonds, the 2020 NYSEFC Bond, the 2021 NYSEFC Note (collectively the "Authority Debt Obligations") and meet the other financial obligations relating to the operation of the Water System, including the costs of Water System operation. The Series 2021 Bonds will reduce or eliminate the Series 2014 and 2016 Bonds. The Series 2021 Bonds will maintain or reduce the Authorities overall debt service requirements.
2. The experience and qualifications of the Authority's Board and management team are commensurate with their duties and responsibilities.
3. The Water System complies with all other currently applicable and currently pending environmental and health regulations.
4. The capital budget (sources of funding) is adequate to finance the required components of the existing water system and funds are reasonably expected to be available when needed to pay operating and debt service costs.
5. In light of the water supply contracts in place and the current water sales, it is anticipated that sale of water by the Authority will equal or exceed 7.1 mgd in 2021. It is noted that the existing Water Supply Contracts have initial 10-year terms followed by successive automatic one-year renewal periods. We have no reason to believe that the Water Supply Contracts will not be continually renewed during the forecast period.
6. Based on the Service Agreement, that the transfer of Service Fee payments, if required, from the County to the Authority will continue to be accomplished in a timely fashion for the payment of the Authority Debt Obligations and the proper operation of the Water System, and no foreseen events of service failure are anticipated. The Authority begin repaying the outstanding balance on past service fee payments in 2017.
7. The Authority will be able to provide service as defined in the Service Agreement throughout the forecast period.
8. The projected water rates and rate increases are not in excess of the amount required to support the debt service on the Authority Debt Obligations and operation and maintenance expenses identified in this Report and the projected water rates are not excessive.

9. The assumptions and projections used by the Authority and forward-looking information used within this Report are reasonable.

Therefore, based on the information and estimates summarized in this Report, it is our opinion that the Authority will generate revenue throughout the forecast period sufficient to provide for operation of the Water System, while also meeting its debt service obligations for the Authority Debt Obligations and all other outstanding obligations. However, there will likely be differences between actual and projected results, some of the estimates used in this Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are also likely to be differences between the data and results projected in this Report and actual results achieved, and those differences may be material.

The technical data reviewed in preparing this Report includes existing records, the existing permits and numerous documents, as provided by the Authority. Any statements in this Report involving estimates or matters of opinion, whether or not so specifically designated, are intended as such, and not as representation of fact. The Report summarizes the work completed up to the date of the issuance of the Report. Changed conditions occurring or becoming known after such date could affect the material presented to the extent of such changes.

2.0 INTRODUCTION

2.1 Purpose

This Report has been prepared to evaluate the operations of the Saratoga County Water Authority (the "Authority" or "SCWA") and determine the Authority's capacity to generate revenues sufficient to provide for operating expenses, the payment of debt service related to the Authority Debt Obligations, and the funding of reserves related to the Authority's proposed approximately \$10-\$20 million in Water System Revenue Bonds . The bond proceeds will be used for the refunding all or portions of the existing Series 2014 and Series 2016 Bonds and the Series 2021 do not increase the Authority's overall debt service requirements. Terms not defined herein may be found in the Service Agreement, dated September 1, 2008, and the General Resolution, dated September 1, 2008.

2.2 Organization

This Consulting Engineer's Report includes the following sections:

- **Section 1 Executive Summary** – presents a summary of the Report.
- **Section 2 Introduction** – provides general information and purpose of the Report.
- **Section 3 Organization and Management** – provides a description of the Authority and its organization and management.
- **Section 4 Water System Description** – presents a summary of the service area, projected water demands, Water System facilities, and regulatory requirements.
- **Section 5 Financial Feasibility** – contains projections of the Authority's financial condition, projected revenues and expenditures, and sources of capital project funding.
- **Section 6 Conclusions** – presents a summary of the findings and conclusions relating to the feasibility of the Water System providing revenues sufficient to, among other things, provide for the debt service on the proposed bond issue.

3.0 ORGANIZATION AND MANAGEMENT

3.1 The Saratoga County Water Authority

The Authority is a public benefit corporation as defined by the Saratoga County Water Authority Act (“Act”), Title 8-F of Article 5 of the New York State Public Authorities Law. The Authority is charged with providing water services for the public benefit. The Authority is empowered to borrow money and issue notes, bonds or other obligations in order to pay the costs of water projects. Bonds issued by the Authority are not considered debt of the State of New York (the “State”) or any municipality thereof. However, the State pledges not to alter or limit the rights of the Authority involving any projects that are being funded through bonds that the Authority had issued. The Authority is empowered to fix rates and collect charges for use of the facilities and services rendered in order to provide revenues for paying the principal and interest of bonds, notes and/or other obligations together with the maintenance of proper reserves and for regular operation and maintenance (“O&M”) expenses. No public service commission or entity of like character has jurisdiction over the Authority in management and control of operations or in regulation of rates fixed and charges collected.

The Act also states that powers of the Authority are vested in and exercised by a governing board of seven members. The members are appointed by the chairperson of the Board of Supervisors of Saratoga County (“County”). The officers of the Authority (other than the secretary) are required to be members of the Board. In addition to a secretary, officers include a chairperson, vice chairperson, and treasurer. These members are appointed by the chairperson of the County Board of Supervisors and confirmed by the County Board of Supervisors.

3.2 Organization and Management

The Chairperson of the Authority is John E. Lawler. Mr. Lawler has served as Supervisor of the Town of Waterford since 1994 and was elected to his 13th term in 2019. Previous to that he served as a Waterford Town Councilman and Town of Waterford Planning Board Chairman. He served as Chairman of the Saratoga County Board of Supervisors in 2000 and has chaired or served on a number of County committees. Mr. Lawler is Senior Vice President of SEFCU and holds his series 6 NASD license as well as his NYS insurance licenses. Mr. Lawler holds an MBA from Rensselaer

Polytechnic Institute.

The Vice Chairperson of the Authority is Timothy Szczepaniak. Mr. Szczepaniak is a former Ballston Town Supervisor and was previously a Town of Ballston Board member for 10 years. Mr. Szczepaniak is currently employed by Knolls Atomic Power Laboratory. He holds a degree in Criminal Justice from Southern Vermont Collage Bennington. Mr. Szczepaniak has served the Town of Ballston and the County of Saratoga in many capacities and is the current chairman of the EDC for Ballston. He is also a member of the Elks Club of Saratoga and the Schenectady Veterans Association.

The Treasurer of the Authority is Phillip C. Barrett. Mr. Barrett serves as the Clifton Park Town Supervisor and joined the Authority Board in January of 2020. Mr. Barrett is currently serving his tenth term as Clifton Park Town Supervisor. Mr. Barrett graduated from Providence College, where he received a RTOC Scholarship. Lessons learned as an Army Officer and invaluable experience attained through working in the private sector prepared Mr. Barrett for his time as a government executive. In the private sector, he most recently worked as a VP for Key Bank.

Deputy Treasurer Theodore T. Kusnierz currently serves as the Supervisor of the Town of Moreau and joined the Authority Board in January of 2020. He previously served as Chief of Staff and Director of Policy and Operations for New York State Senator Patty Ritchie. Mr. Kusnierz served on the Moreau Town Board for 16 years, has been a Republican state committee member, was the first state Senate appointee to the Historic Saratoga-Washington on the Hudson Partnership, and is on the Crandall Public Library's strategic five-year planning committee. A native of Moreau, Kusnierz co-owns Candy Cane Farms, a 255-acre family-run landscape and Christmas tree plantation, which also houses 50 head of registered black angus cattle.

Board Member Arthur J. Johnson previously served as the Wilton Town Supervisor from 2002 to 2020. Mr. Johnson also was previously the Town Assessor and a Town Councilman for the Town of Wilton. Mr. Johnson is retired from the NYS Dept. of Taxation and Finance after 34 years of service. He has served on several committees for the Saratoga County Board of Supervisors, as well as Chairman of the Economic Development Committee and the Empire Zone Administrative Board. Mr. Johnson holds an accounting degree from Albany Business College and has attended SUNY Albany.

Board Member Darren O'Connor was appointed Town Supervisor in 2018. He also served as a member for Community Affairs in the Town of Malta in 2016. Mr. O'Connor is currently Of Counsel at the Law Firm of Allen & Desnoyers in Albany, NY and brings a wealth of legal expertise to the SCWA Board. He has worked as a staff and supervising attorney for Legal Aid, clerk to NY Court of Appeals Judge Judith Kaye, a litigator with Debevoise & Plimpton in New York City, Assistant Attorney General and Deputy Counsel to the NY State Police. Mr. O'Connor holds a BA Degree and a JD Degree from Fordham University.

Board Member Robert D. Wilcox is a resident of Clifton Park and joined the Board in January of 2021. Mr. Wilcox has previously served as legal counsel to the Clifton Park Water Authority and Saratoga County Sewer District #1. He currently serves as legal counsel to the Clifton Park Planning Board. Mr. Wilcox is a former member of the Clifton Park – Halfmoon Public Library and Clifton Park IDA. Mr. Wilcox holds a BA from Boston College, MA (Criminal Justice) from SUNY Albany and JD from Western New England University.

The Acting Executive Director of the Authority is Ed Hernandez, P.E. Mr. Hernandez has acted as the Executive Director since 2011. Mr. Hernandez currently serves under an annual contract through Adirondack Mountain Engineering, P.C. which renews automatically. Mr. Hernandez has over 25 years of experience in the field of civil and environmental engineering, including acting as a City Engineer, the Director of Engineering for a regional water and wastewater authority and Permitting Manager for a state regulatory agency. He has extensive knowledge of water operations and holds a NYSDOH certification as a Grade 1A water operator. Mr. Hernandez has a Bachelor of Science in Environmental Engineering from the University of Florida and a Master of Business Administration from the University of North Florida. Mr. Hernandez is a registered professional engineer in New York, Florida and Massachusetts.

3.3 Service Agreement with Saratoga County

The Authority has entered into a Service Agreement with the County whereby the Authority agrees to operate and maintain the Water System, defined herein, in accordance with good engineering and business practices for an essential public utility and in any event will:

- (i) keep the Water System in good safe condition, repair and working order and condition;

- (ii) promptly make all necessary repairs, replacements and renewals to the Water System (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen);
- (iii) maintain the Water System in a neat and orderly condition and in a condition which permits compliance with and operate the Water System in compliance with, all applicable Governmental Requirements, including without limitation all federal, state and local laws relating to labor, wages, nondiscrimination, water quality, pollution discharge, environmental control, safety and other regulatory requirements;
- (iv) protect the Water System against deterioration, other than that attributable to ordinary wear and tear;
- (v) cause the Water System to continue to have the capacity and functional ability to perform on a continuing basis, in normal operation, at design capacity, the functions for which it was specifically designed;
- (vi) comply with such standards and perform periodic maintenance inspections as required to enforce warranty and similar claims against contractors for the Water System and any standards imposed by any insurance policies in effect at any time with respect to the Water System or any part thereof;
- (vii) provide all necessary labor, materials and equipment for the proper operation and maintenance of the Water System;
- (viii) cause the Water System at all times to be operated and maintained as a public water system; and
- (ix) maintain the safety of the Water System at a level consistent with applicable law and the sound operation of a water system.

Under the Service Agreement, the County is obligated to pay a Service Fee to the Authority on a quarterly basis so long as any debt remains outstanding and the Authority is meeting its performance obligations under the Service Agreement to build and operate the Water System. The amount of the Service Fee is equal to the amount budgeted by the Authority to be due for operating costs and debt service in the period commencing on the day following that Service Fee payment

date and concluding on the next ensuing Service Fee payment date, less the amount of cash held by the Authority or Trustee as of the 35th day before the Service Fee payment date in the Revenue Fund, Operating Fund, and the Bond Redemption and Accumulated Surplus Fund that is expected to be available during the covered period for the payment of debt service and operating costs. The Authority is obligated to repay the County for any and all amounts paid by the County as a Service Fee, with interest at the rate of 4 percent per annum compounded annually, but only to the extent that the annual revenues, other than payment pursuant to the Service Agreement, of the Authority from the operation of the System for any fiscal year exceed the total of operating costs, debt service, required deposits and amounts the Authority reasonably considers will be needed to pay for maintenance and repairs in the next fiscal year.

Since 2009, an aggregate of \$4,117,328.05 of Service Fee Payments has been paid by the County to the Authority. In 2017 the Authority began making repayments to the County of the aggregate Service Fee Payments plus the accrued interest thereon. In addition to the Service Fee Payments, from 2003 through 2007, the County also incurred \$3,246,587 of expenses on behalf of the Authority for costs relating to planning and development of the Water System. In 2007 the County made a cash advance to the Authority in the amount of \$250,000 that has accrued interest at the rate of 4% per annum. Such amounts are payable by the Authority to the County upon demand by the County. Partial repayment of these amounts have been made by the Authority. As of November 1, 2021, the total amount owed by the Authority to the County is \$1,855,357.37.

4.0 WATER SYSTEM DESCRIPTION

4.1 General

The Water System consists of a regional water system that makes finished water available to municipalities and certain other customers within Saratoga County.

4.2 Service Area Description

The existing service area generally consists of local municipal governments and private water companies within certain portions of the County. The Authority currently has twelve contracts to supply and deliver potable water to municipalities and other entities within Saratoga County (the "County"). These contracts are with the City of Mechanicville, Town of Halfmoon, Town of Ballston, Clifton Park Water Authority, Town of Moreau, Town of Stillwater, Village of Stillwater, Wilton Water and Sewer Authority, Town of Malta, GlobalFoundries, Luther Forest Technology Campus Economic Development Corporation ("LFTCEDC") and Stewart Shops Corporation. The LFTCEDC does not currently take any water.

4.3 Existing Water Demands

The daily average of water treated and delivered to customers from August 2020 to August 2021 was 7.12 mgd. The highest monthly average daily flow occurred in August 2021 and was recorded at 8.22 mgd.

4.4 Projected Water Demands

The projected average daily demand for the Luther Forest Technology Campus Economic Development Corporation (LFTCEDC) and specifically by GlobalFoundries reached 3.6 mgd in 2021 and may be as high as 9.4 mgd if a second chip fabrication plant is constructed. Due to the uncertainty of the timing and the amount of future water demands, including the possibility that GlobalFoundries may seek to obtain a portion of their supply from another water provider for purposes of redundancy, more conservative estimates of water demand of 3.48 mgd was included in this Report over a 30-year forecast period, as shown in Table 4.1.

**Table 4.1
Existing and Projected Water Demands**

Year	CPWA		WWSA		Ballston		Stillwater (V)		Moreau		GlobalFoundries		Stillwater (T)		Halfmoon (T)		Mechanicville		TOTAL
	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	Demand (mgd)	Growth (Annual %)	
2020	1.278	0.50%	0.300	0.50%	0.549	0.50%	0.170	0.00%	0.150	0.50%	3.480	0.00%	0.219	0.50%	1.000	0.50%	0.000	0.50%	7.146
2021	1.284	0.50%	0.302	0.50%	0.552	0.50%	0.170	0.50%	0.151	0.50%	3.480	0.00%	0.220	0.50%	1.005	0.50%	0.150	0.50%	7.313
2022	1.291	0.50%	0.303	0.50%	0.555	0.50%	0.171	0.50%	0.152	0.50%	3.480	0.00%	0.221	0.50%	1.010	0.50%	0.151	0.50%	7.333
2023	1.297	0.50%	0.305	0.50%	0.557	0.50%	0.172	0.50%	0.152	0.50%	3.480	0.00%	0.222	0.50%	1.015	0.50%	0.152	0.50%	7.352
2024	1.304	0.50%	0.306	0.50%	0.560	0.50%	0.173	0.50%	0.153	0.50%	3.480	0.00%	0.223	0.50%	1.020	0.50%	0.152	0.50%	7.371
2025	1.310	0.50%	0.308	0.50%	0.563	0.50%	0.173	0.50%	0.154	0.50%	3.480	0.00%	0.225	0.50%	1.025	0.50%	0.153	0.50%	7.391
2026	1.317	0.50%	0.309	0.50%	0.566	0.50%	0.174	0.50%	0.155	0.50%	3.480	0.00%	0.226	0.50%	1.030	0.50%	0.154	0.50%	7.410
2027	1.323	0.50%	0.311	0.50%	0.569	0.50%	0.175	0.50%	0.155	0.50%	3.480	0.00%	0.227	0.50%	1.036	0.50%	0.155	0.50%	7.430
2028	1.330	0.50%	0.312	0.50%	0.571	0.50%	0.176	0.50%	0.156	0.50%	3.480	0.00%	0.228	0.50%	1.041	0.50%	0.155	0.50%	7.450
2029	1.337	0.50%	0.314	0.50%	0.574	0.50%	0.177	0.50%	0.157	0.50%	3.480	0.00%	0.229	0.50%	1.046	0.50%	0.156	0.50%	7.470
2030	1.343	0.50%	0.315	0.50%	0.577	0.50%	0.178	0.50%	0.158	0.50%	3.480	0.00%	0.230	0.50%	1.051	0.50%	0.157	0.50%	7.489
2031	1.350	0.50%	0.317	0.50%	0.580	0.50%	0.179	0.50%	0.158	0.50%	3.480	0.00%	0.231	0.50%	1.056	0.50%	0.158	0.50%	7.510
2032	1.357	0.50%	0.319	0.50%	0.583	0.50%	0.180	0.50%	0.159	0.50%	3.480	0.00%	0.233	0.50%	1.062	0.50%	0.158	0.50%	7.530
2033	1.364	0.50%	0.320	0.50%	0.586	0.50%	0.180	0.50%	0.160	0.50%	3.480	0.00%	0.234	0.50%	1.067	0.50%	0.159	0.50%	7.550
2034	1.370	0.50%	0.322	0.50%	0.589	0.50%	0.181	0.50%	0.161	0.50%	3.480	0.00%	0.235	0.50%	1.072	0.50%	0.160	0.50%	7.570
2035	1.377	0.50%	0.323	0.50%	0.592	0.50%	0.182	0.50%	0.162	0.50%	3.480	0.00%	0.236	0.50%	1.078	0.50%	0.161	0.50%	7.591
2036	1.384	0.50%	0.325	0.50%	0.595	0.50%	0.183	0.50%	0.162	0.50%	3.480	0.00%	0.237	0.50%	1.083	0.50%	0.162	0.50%	7.611
2037	1.391	0.50%	0.327	0.50%	0.598	0.50%	0.184	0.50%	0.163	0.50%	3.480	0.00%	0.238	0.50%	1.088	0.50%	0.162	0.50%	7.632
2038	1.398	0.50%	0.328	0.50%	0.601	0.50%	0.185	0.50%	0.164	0.50%	3.480	0.00%	0.240	0.50%	1.094	0.50%	0.163	0.50%	7.653
2039	1.405	0.50%	0.330	0.50%	0.604	0.50%	0.186	0.50%	0.165	0.50%	3.480	0.00%	0.241	0.50%	1.099	0.50%	0.164	0.50%	7.674
2040	1.412	0.50%	0.331	0.50%	0.607	0.50%	0.187	0.50%	0.166	0.50%	3.480	0.00%	0.242	0.50%	1.105	0.50%	0.165	0.50%	7.695
2041	1.419	0.50%	0.333	0.50%	0.610	0.50%	0.188	0.50%	0.167	0.50%	3.480	0.00%	0.243	0.50%	1.110	0.50%	0.166	0.50%	7.716
2042	1.426	0.50%	0.335	0.50%	0.613	0.50%	0.189	0.50%	0.167	0.50%	3.480	0.00%	0.244	0.50%	1.116	0.50%	0.167	0.50%	7.737
2043	1.433	0.50%	0.336	0.50%	0.616	0.50%	0.190	0.50%	0.168	0.50%	3.480	0.00%	0.246	0.50%	1.122	0.50%	0.167	0.50%	7.758
2044	1.441	0.50%	0.338	0.50%	0.619	0.50%	0.191	0.50%	0.169	0.50%	3.480	0.00%	0.247	0.50%	1.127	0.50%	0.168	0.50%	7.779
2045	1.448	0.50%	0.340	0.50%	0.622	0.50%	0.192	0.50%	0.170	0.50%	3.480	0.00%	0.248	0.50%	1.133	0.50%	0.169	0.50%	7.801
2046	1.455	0.50%	0.342	0.50%	0.625	0.50%	0.193	0.50%	0.171	0.50%	3.480	0.00%	0.249	0.50%	1.138	0.50%	0.170	0.50%	7.823
2047	1.462	0.50%	0.343	0.50%	0.628	0.50%	0.194	0.50%	0.172	0.50%	3.480	0.00%	0.251	0.50%	1.144	0.50%	0.171	0.50%	7.844

*2020 data is actual metered water usage. 2021-2047 are projected water usage.

Note that Table 4.1 does not include the water demands from the Town of Malta (water usage of ~ 0.006 mgd), Stewart’s Shops Corp. (water usage of ~ 0.0009 mgd) or LFTCEDC (currently uses no water) as the volumes of these contracts are negligible to the overall system usage.

4.5 Existing Water Treatment System

The source of supply for the Water System is the upper Hudson River between the villages of Corinth and South Glens Falls. A raw water intake structure, pumping station and raw water transmission main conveys the source water to the water treatment plant (“WTP”) site for treatment. The intake, raw water pump station, and WTP are located in the Town of Moreau, Saratoga County, New York.

The WTP has the capability of producing 14 million gallons per day (“mgd”) of potable water. The Authority is in the final construction phase of an upgrade to the WTP which will increase the system capacity to 18 mgd, with this work anticipated to be complete in December 2021. The Water System, upon obtaining all approvals, is expandable to 26 mgd to meet potential additional future demands. The WTP utilizes various operations for the treatment of water. Water is pumped

through four raw water intake pumps and a 36" raw water transmission line to the existing water treatment facility. At the intake water is screened to prevent debris and fish from entering the system. As the water enters the treatment facility, coagulants and chemicals for pH adjustment are introduced for the removal of color, turbidity, organic materials and other contaminants that may be present in the water. Water then enters the contact basin (the 2021 upgrade adds a second basin) which provides mixing and contact time for the various treatment chemicals to impact the water. Water from the contact basins is pumped to the membrane filtration process via three (the 2021 upgrade adds a fourth pump) vertical turbine pumps. The membrane filtration process consists of seven racks (the 2021 upgrade adds two additional membranes for a total of nine) of hollow fiber tubes with a pore size of 0.1 micron. Each rack has a capacity of 2 mgd. After the water is filtered, some or all of the filtered water is then directed to the granular activated carbon system. Sodium hypochlorite is added for disinfection and orthophosphates are added for corrosion control. Treated water is conveyed to a baffled clearwell (a second clearwell was added with the 2021 upgrade), and a pump station conveys the finished water to water customers along the finished water transmission main. The route of the transmission main makes water available to the City of Mechanicville, Town of Halfmoon, Town of Ballston, Clifton Park Water Authority, Town of Moreau, Town of Stillwater, Village of Stillwater, Wilton Water and Sewer Authority, Town of Malta, the Luther Forest Technology Campus and GlobalFoundries, all of which are located in the County.

The intake facilities are located upstream of areas of the Hudson River that are known to have been impacted by polychlorinated biphenyls ("PCBs"). All known PCB contamination is located downstream of the WTP intake and it is not feasible for this contamination to propagate upstream against the current and into the vicinity of the WTP intake. The presence of dams in the Hudson River provides an additional barrier to the propagation of contaminants upstream of the contaminated areas. The intake facilities are in the reach of river downstream of the Spier Falls Dam and upstream of the Sherman Island Hydroelectric Station dam in the Town of Moreau. As a result of being located within this pool, the river level is influenced by the operation of the two hydroelectric plants.

The owner of the Sherman Island Hydro Development, including the Sherman Island Reservoir and uplands located in the Town of Moreau, is Erie Boulevard Hydropower, L.P. ("Erie Boulevard

Hydropower”). The Authority has a contract with Erie Boulevard Hydropower for withdrawing water from the Hudson River at the Sherman Island Reservoir. Under the contract, Erie Boulevard Hydropower has provided an easement to the Authority to construct an intake pipe and allow right of ingress and egress on the lands owned by Erie Boulevard Hydropower and to withdraw up to 14 mgd of water from the reservoir. In return, the Authority is required to pay Erie Boulevard Hydropower annually for the water withdrawn from the reservoir, in accordance with the following schedule:

- \$5,000 per year per mgd of annual average daily withdrawal of water.

Under the contract, Erie Boulevard Hydropower reserves the right to renegotiate the fees associated with the withdrawal of water every four (4) years as well as to take action to minimize disruption to their facilities and power generation. In the event renegotiated fees are requested and a resolution to such request is not reached by both parties after three written proposals, Erie Boulevard Hydropower has the right to raise the water withdrawal rates in accordance with published rates of inflation for the State of New York. To date, Erie Boulevard Hydropower has not presented any fee increases.

4.6 Regulatory Compliance

The WTP currently complies with all other current NYSDOH and USEPA water quality requirements. A summary of these requirements and the WTP design considerations associated with regulatory compliance are included below.

4.6.1 Surface Water Treatment Rule (“SWTR”)

The SWTR requires surface water treatment plants to achieve certain levels of treatment to ensure consumer safety, primarily by requiring filtration and disinfection of the source water. The regulations require the water treatment process to meet 99.9% (3-Log) removal for *Giardia Lamblia* and 99.99% (4-Log) removal for viruses. The WTP meets these regulatory requirements.

4.6.2 Total Coliform Rule (“TCR”)

The TCR establishes a maximum contaminant level (“MCL”) based on the presence or absence of total coliforms, modifies monitoring requirements including testing for fecal coliforms or *E. coli*, requires use of a sampling plan, and also requires a minimum of ten (10) samples per month for

the Water System. The WTP remains in compliance with these regulatory requirements.

4.6.3 Interim Enhanced Surface Water Treatment Rule (“IESWTR”)

The IESWTR builds on the SWTR by adding protection from *Cryptosporidium* through strengthened combined filter effluent turbidity performance standards and individual filter turbidity provisions for filtered systems that serve greater than 10,000 people. In addition, the IESWTR builds on the TCR by requiring sanitary surveys for all public water systems using surface water and ground water under the direct influence of surface water. The IESWTR also requires covers for all new finished water storage facilities and includes disinfection benchmark provisions to ensure continued levels of microbial protection while taking the necessary steps to comply with the DBP standards. The turbidity level of a system's combined filtered water at each plant must be less than or equal to 0.3 nephelometric turbidity units (“NTUs”) in at least 95 percent of the measurements taken each month and the turbidity level of a system's combined filtered water must at no time exceed 1 NTU (under the SWTR, these turbidity requirements are 0.5 NTU and 5 NTU, respectively). Additionally, the effluent from each filter must be continuously monitored for turbidity. The WTP is designed to comply with the turbidity standards imposed by the IESWTR. The WTP has turbidity monitoring for each membrane unit, and is in compliance with these regulatory requirements.

4.6.4 Long Term 2 Enhanced Surface Water Treatment Rule (“LT2ESWTR”)

The LT2ESWTR further improves monitoring and treatment of microbial pathogens by requiring surface water systems to sample for *Cryptosporidium* and, depending on the results, possibly enhance their treatment. The WTP undergoes sampling and is in compliance with this requirement.

4.6.5 Filter Backwash Rule (“FBRR”)

The FBRR requires that recycled filter backwash water, thickener supernatant, and liquids from dewatering processes be returned to a location such that all processes of a system's conventional or direct filtration are employed. Systems may apply to the State for approval to recycle at an alternate location. By establishing the FBRR, EPA hopes to improve public health performance at conventional and direct filtration plants by reducing the likelihood that recycling practices would allow microbes, such as *Cryptosporidium*, to pass through to finished drinking water. The FBRR will help ensure that microbial removal improvements of the Interim and Long Term 1 Enhanced

Surface Water Treatment Rules are not compromised by backwash recycling practices. The WTP complies with the FBRR by returning its filter backwash to a point prior to all treatment steps.

4.6.6 Lead and Copper Rule (“LCR”)

The LCR is intended to protect public health by minimizing lead and copper levels in drinking water, primarily by reducing water corrosivity. Lead and copper enter drinking water mainly from corrosion of lead and copper containing plumbing materials. The LCR requires distribution system monitoring at locations such as homes and, as the Authority is a wholesaler, it will not have direct responsibility for LCR compliance monitoring. However, the WTP adjusts pH, and also adds orthophosphate to the finished water, which adds a protective film to the surface of pipes to protect them from corrosion.

4.6.7 New York State Public Health Law - Drinking Water Supplies (Title 10 NYCRR Part 5)

As the primacy agency responsible for enforcing USEPA's drinking water regulations, the State Department of Health (“DOH”) is tasked with enforcing the State's regulations regarding drinking water. To maintain primacy, a state must promulgate laws that are at least as stringent as the federal regulations, enforce them, and report the results to USEPA. Title 10, Part 5, Subpart 5-1 of the New York Codes, Rules and Regulations (“NYCRR”) codifies New York's implementation of USEPA's regulations with essentially the same requirements as listed above. The WTP has been designed to meet all USEPA and New York State requirements. DOH has been involved with reviewing the design of the WTP (the original construction and subsequent upgrade projects) and transmission main since the beginning of the design process.

4.6.8 Bioterrorism Act

The Authority is subject to the requirements of the 2002 Public Health Security and Bioterrorism Preparedness and Response Act (Bioterrorism Act). The Bioterrorism Act amended the SDWA by adding Section 1433. Section 1433(a) requires that a Community Water System (CWS) serving a population greater than 3,300 conduct a Vulnerability Assessment (VA), certify to USEPA that the VA was conducted, and submit a copy of the VA to EPA. Section 1433(b) requires the same CWSs to prepare or revise Emergency Response Plans (ERPs) and certify to USEPA that an ERP has been completed. The purpose of the VA is to identify the mission, highest priority facilities and assets, and to propose cost effective improvements that will reduce the vulnerabilities associated with these

assets. The ERP incorporates the results of the VA and includes plans, procedures, and identification of equipment that can be implemented or utilized in an emergency event. The Authority maintains an approved VA and ERP as part of existing operations.

5.0 FINANCIAL FEASIBILITY

The purpose of this section is to review the Authority's projected operating results, system financing, and anticipated revenues in order to provide an opinion as to ability of the Authority to support the 2021 Bonds.

5.1 Bond Refunding – Series 2021 Bonds

The Authority intends to issue approximately \$10-\$20 million in Water System Revenue Bonds, Series 2021 to refund portions of the existing Series 2014 and Series 2016 Bonds. Anticipated annual debt service payments for the Bonds were provided by the Authority's Financial Advisor, Capital Market Advisors, LLC ("CMA"), and are shown in Table 6.2 (located at the end of this section).

5.2 Cash Flow Forecast

A cash flow forecast for the Authority has been prepared to forecast revenues, expenses, net cash flow, water fund balances, debt service coverage ratios, and future water rates. Revenue and expense projections for a ten-year period (2021 through 2030) have been prepared based on the water demand assumptions described in Section 4.3 and 4.4 of this Report. Historical annual cash flow from 2011 through 2020 is presented in Table 6.1. Projected annual cash flow is presented in Table 6.2. Projected debt service coverage ratios are presented in Table 6.3.

5.2.1 Revenues

Projected water revenues include revenues from the sale of water services, the Service Fee and other miscellaneous revenues including interest income. These revenues are used to cover the costs of operating and maintaining the water utility and providing water service to customers.

Projected water revenues are based on the provisions of the current contracts and water demand estimates described in Section 4.3 and 4.4 of this Report. The current municipal water rate is \$2.322 per 1,000 gallons, and is applied to all current municipal customers served by the Water System, and the rate will increase by 1.5 percent in each year of the ten-year forecast period in accordance with the water service contracts. GlobalFoundries, the Authority's largest customer,

has a tiered rate consisting of \$3.316 for flows under 4.0 mgd and a rate of \$3.066 for flows over 4.0 mgd (based on quarterly usage).

5.2.2 Expenses

Water System expenses include operating expenses (personnel, utilities, water treatment, maintenance, materials and supplies, and miscellaneous expenses), lease payments and debt service. The types of costs included in each of the expense categories are shown below:

- Personnel – Includes labor (salaries and wages), and benefits (pensions, group insurance, workers compensation, Medicare premiums) for six full time employees and two part time employees:
 - Chief Operator (1 – full time position)
 - Assistant Chief Operator (1 – full time position)
 - Operator (4 – full time position)
 - Confidential Secretary (1 – full time position)

The following positions are contract employees:

- Executive Director

- Utilities – Primarily electricity and other related utility costs.

- Chemicals – Includes the purchase and usage of coagulants, sodium hydroxide, sodium hypochlorite, citric acid, orthophosphates, and activated carbon.

- Materials and Supplies – Includes equipment parts, administrative supplies, computer equipment, and fuel.

- Residual Solids Handling and Disposal – Includes the cost of handling and disposal of solids generated by the water treatment process.

- Payment to Erie Boulevard Hydroelectric – Payment is \$5,000 per year per mgd of annual average daily withdrawal of water.

A detailed projection of future operating expenses was developed based on current and historical operating expenses. Based on a review of this information, the following estimates were made to forecast future operating expenses:

- Personnel expenses are projected to increase by approximately 2.0 percent (labor) and 3.0 percent (benefits) annually over the forecast period.
- Operating expenses that are impacted by water demand (e.g., utilities, chemicals, and sludge processing and disposal) are projected to increase by inflation plus the projected rate of increase in water demand.
- Other operating expenses (including maintenance, materials and supplies, services, and miscellaneous) are projected to increase by the rate of inflation (assumed to be approximately 2.2 percent per year) over the forecast period.
- Anticipated debt service payments for the Bonds were based on debt repayment schedules provided by CMA and the Authority, as shown on Table 6.2.

5.2.3 Project Debt Service Coverage

The Series 2021 Bonds will be utilized solely to refund portions of the 2014 and 2016 Bonds. However, with the negotiated contracts and associated water rates that have been established, projected water demands, and Service Fees, it is anticipated that the Authority will maintain a revenue bond debt service coverage ratio, calculated as net revenues divided by revenue bond debt service of 1.0 or greater in each year of the forecast period. These estimates are based upon the forecasted water demand, O&M cost assumptions, rate projections, and other estimates. As is often the case, there will likely be differences between actual and projected demand, O&M costs, and other estimates, and these differences could impact the actual debt service coverage ratios achieved. Projected debt service coverage ratios are presented in Table 6.3.

5.3 Projected Water Rates

The existing contracted municipal water rate (\$2.322 per 1,000 gallons) is applied to all current municipal customers served by the Water System, and the rate will contractually increase by a minimum of 1.5 percent in each year of the forecast period. The current tiered non-municipal rate (GlobalFoundries and Stewart Shops) is \$3.316 per 1,000 gallons and this will contractually increase by at a minimum of 3.0% each year.

**TABLE 6.1
HISTORICAL CASH FLOW- Saratoga County Water Authority**

DESCRIPTION	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
REVENUES										
Municipal Metered Water Sales ¹	\$ 1,871,136	\$ 1,698,048	\$ 1,444,190	\$1,152,176	\$1,736,660	\$ 1,923,622	\$ 1,542,061	\$ 1,732,352	\$ 1,881,123	\$ 3,121,727
Non-Municipal Metered Water Sales	\$ 970,007	\$ 1,551,037	\$ 1,964,621	\$2,673,863	\$3,834,847	\$ 3,596,564	\$ 3,925,392	\$ 4,423,300	\$ 4,406,747	\$ 4,246,631
Legal Settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,715,274	\$ -	\$ -	\$ -	\$ -
County Service Fee Payment	\$ 421,328	\$ 1,656,000	\$ 890,000	\$ 900,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 889,548	\$ (371)	\$ (44,755)	\$ (53,539)	\$ (103,863)
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,345	\$ 30,558	\$ 42,847	\$ 192,465	\$ 160,588
Grant Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,879	\$ 173,121	\$ 2,372,722
Non-Operating Miscellaneous Revenues	\$ 7,136	\$ 27,484	\$ 100,540	\$ 43,745	\$ 11,810	\$ 8,814	\$ 100	\$ 807	\$ 16,323	\$ 10,553
Total Revenues	\$ 3,269,607	\$ 4,932,569	\$ 4,399,351	\$4,769,784	\$5,833,317	\$ 10,150,167	\$ 5,497,740	\$ 6,281,430	\$ 6,616,240	\$ 9,808,358
EXPENSES										
Operating Expenses										
Labor and Wages	(558,160)	(478,394)	\$ (479,955)	\$ (509,953)	\$ (357,248)	\$ (323,277)	\$ (352,022)	\$ (373,891)	\$ (376,964)	\$ (369,625)
Benefits	(218,867)	(212,777)	\$ (229,895)	\$ (208,982)	\$ (165,701)	\$ (175,965)	\$ (196,751)	\$ (176,824)	\$ (173,578)	\$ (218,113)
Professional Service Contracts	(441,326)	(310,479)	\$ (316,739)	\$ (338,419)	\$ (267,083)	\$ (207,807)	\$ (240,174)	\$ (203,776)	\$ (199,590)	\$ (187,586)
Supplies and Materials	(240,486)	(332,097)	\$ (274,335)	\$ (298,352)	\$ (271,852)	\$ (411,395)	\$ (360,564)	\$ (409,532)	\$ (393,278)	\$ (436,784)
Other Operating Expenses	(194,071)	(309,610)	\$ (254,145)	\$ (207,945)	\$ (213,958)	\$ (203,095)	\$ (266,020)	\$ (218,512)	\$ (367,267)	\$ (299,464)
Utilities	(367,841)	(260,870)	\$ (345,066)	\$ (363,283)	\$ (326,665)	\$ (296,768)	\$ (332,999)	\$ (352,863)	\$ (331,215)	\$ (397,862)
Total Operating Expenses	\$ (2,020,751)	\$ (1,904,227)	\$ (1,900,135)	\$ (1,926,934)	\$ (1,602,507)	\$ (1,618,307)	\$ (1,748,530)	\$ (1,735,398)	\$ (1,841,892)	\$ (1,909,434)
Non Operating Expenses (Loss on Investments)	\$ -	\$ -	\$ (48,503)	\$ -	\$ (1,325)	\$ -				
Debt Service										
2008 Water Revenue Bonds	(2,590,963)	(2,592,313)	\$ (2,593,213)	\$ (2,593,813)	\$ (2,593,613)	\$ (1,021,181)	\$ -	\$ -	\$ -	\$ -
2014 Water Revenue Bonds (\$4.9M)	\$ -	\$ -	\$ -	\$ (47,389)	\$ (213,250)	\$ (282,550)	\$ (285,800)	\$ (282,875)	\$ (284,000)	\$ (284,875)
2016 Refunding Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,194,591)	\$ (2,266,494)	\$ (2,263,344)	\$ (2,263,544)	\$ (2,266,294)
Bond Issuance Costs	\$ -	\$ -	\$ -	\$ (297,539)	\$ -	\$ (511,941)	\$ -	\$ -	\$ (5,400)	\$ (30,043)
County Service Fee Repayment (i=4%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,000,000)	\$ (1,000,000)	\$ (2,000,000)	\$ -
Total Debt Service	\$ (2,590,963)	\$ (2,592,313)	\$ (2,593,213)	\$ (2,938,741)	\$ (2,806,863)	\$ (3,323,579)	\$ (4,865,610)	\$ (3,859,535)	\$ (4,866,260)	\$ (3,091,668)
TOTAL EXPENSES	\$ (4,611,714)	\$ (4,496,540)	\$ (4,541,851)	\$ (4,865,675)	\$ (4,410,695)	\$ (4,941,886)	\$ (6,614,140)	\$ (5,594,933)	\$ (6,708,152)	\$ (5,001,102)
CASH FLOW	\$ (1,342,107)	\$ 436,029	\$ (142,500)	\$ (95,891)	\$ 1,422,622	\$ 5,208,281	\$ (1,116,400)	\$ 686,497	\$ (91,912)	\$ 4,807,256
Increase in Rate from Previous Year		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	0.50%
Municipal Water Rate (\$ /1,000 Gal)	\$ 2.050	2.081	2.112	\$ 2.144	\$ 2.176	\$ 2.209	\$ 2.242	\$ 2.276	\$ 2.310	\$ 2.322

¹ Municipal Water Sales in 2010 and 2011 included a minimum purchase requirement by Luther Forest Technology Campus that did not materialize.
 Note that the historical cash flows are based on the SCWA Financial Statements
 Short Term EFC construction note financing not included

**TABLE 6.2
PROJECTED CASH FLOW- Saratoga County Water Authority**

DESCRIPTION	1	2	3	4	5	6	7	8	9	10
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
REVENUES										
Municipal Metered Water Sales ¹	\$ 2,622,384	\$ 2,661,720	\$ 2,701,646	\$ 2,742,170	\$ 2,783,303	\$ 2,825,052	\$ 2,867,428	\$ 2,910,440	\$ 2,954,096	\$ 2,998,408
Non-Municipal Metered Water Sales ²	\$ 3,817,794	\$ 3,932,328	\$ 4,050,298	\$ 4,171,807	\$ 4,296,961	\$ 4,425,870	\$ 4,558,646	\$ 4,695,405	\$ 4,836,267	\$ 4,981,355
Total Revenues	\$ 6,440,178	\$ 6,594,048	\$ 6,751,943	\$ 6,913,977	\$ 7,080,264	\$ 7,250,922	\$ 7,426,074	\$ 7,605,845	\$ 7,790,363	\$ 7,979,763
EXPENSES										
Operating Expenses										
Labor and Wages	\$ (411,766)	\$ (424,119)	\$ (436,843)	\$ (449,948)	\$ (463,446)	\$ (477,350)	\$ (491,670)	\$ (506,420)	\$ (521,613)	\$ (537,261)
Benefits	\$ (190,815)	\$ (196,539)	\$ (202,435)	\$ (208,508)	\$ (214,764)	\$ (221,207)	\$ (227,843)	\$ (234,678)	\$ (241,718)	\$ (248,970)
Professional Service Contracts	\$ (298,701)	\$ (307,662)	\$ (316,892)	\$ (326,399)	\$ (336,191)	\$ (346,276)	\$ (356,665)	\$ (367,365)	\$ (378,386)	\$ (389,737)
Supplies and Materials	\$ (546,667)	\$ (563,067)	\$ (579,959)	\$ (597,358)	\$ (615,279)	\$ (633,737)	\$ (652,749)	\$ (672,332)	\$ (692,502)	\$ (713,277)
Other Operating Expenses	\$ (275,298)	\$ (283,557)	\$ (292,064)	\$ (300,826)	\$ (309,851)	\$ (319,146)	\$ (328,721)	\$ (338,582)	\$ (348,740)	\$ (359,202)
Utilities	\$ (455,260)	\$ (468,918)	\$ (482,985)	\$ (497,475)	\$ (512,399)	\$ (527,771)	\$ (543,604)	\$ (559,912)	\$ (576,710)	\$ (594,011)
Total Operating Expenses	\$ (2,178,508)	\$ (2,243,863)	\$ (2,311,179)	\$ (2,380,514)	\$ (2,451,930)	\$ (2,525,487)	\$ (2,601,252)	\$ (2,679,290)	\$ (2,759,668)	\$ (2,842,458)
Non Operating Expenses (Loss on Investments)	\$ -									
Debt Service										
2022 EFC Bond ³	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)
2020 EFC Bond	\$ (52,836)	\$ (60,139)	\$ (56,359)	\$ (56,264)	\$ (56,162)	\$ (61,044)	\$ (60,859)	\$ (60,636)	\$ (60,364)	\$ (60,040)
2016 Water Revenue Bonds	\$ (2,262,294)	\$ (2,261,794)	\$ (2,269,544)	\$ (2,265,044)	\$ (2,268,794)	\$ (2,265,294)	\$ (2,264,794)	\$ (2,262,044)	\$ (2,267,044)	\$ (2,269,294)
2014 Water Revenue Bonds (\$4.9M)	\$ (285,500)	\$ (281,000)	\$ (281,375)	\$ (281,500)	\$ (281,375)	\$ (281,000)	\$ (282,250)	\$ (284,125)	\$ (282,750)	\$ (281,125)
2014 IDA Installment Sales Agreement	\$ (206,900)	\$ (205,520)	\$ (204,140)	\$ (202,760)	\$ (201,380)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt Service	\$ (3,208,530)	\$ (3,209,453)	\$ (3,212,418)	\$ (3,206,568)	\$ (3,208,711)	\$ (3,008,338)	\$ (3,008,903)	\$ (3,007,805)	\$ (3,011,158)	\$ (3,011,459)
County Service Fee Repayment	\$ (2,000,000)	\$ (1,140,732)	\$ (714,625)	\$ -						
County Service Fee Repayment (i=4%)	\$ -									
TOTAL EXPENSES	\$ (7,387,038)	\$ (6,594,048)	\$ (6,238,222)	\$ (5,587,082)	\$ (5,660,641)	\$ (5,533,825)	\$ (5,610,155)	\$ (5,687,095)	\$ (5,770,826)	\$ (5,853,917)
PROJECTED CASH FLOW	\$ (946,860)	\$ (0)	\$ 513,721	\$ 1,326,895	\$ 1,419,623	\$ 1,717,096	\$ 1,815,919	\$ 1,918,750	\$ 2,019,537	\$ 2,125,845
¹ Assumes 0.5% growth and 1.5% Annual Rate Increase, and Increases in Year 2020 by 1,000,000 GPD from Water Sales to Halfmoon and Mechanicville										
² Assumes no growth and 3% Annual Rate Increase										
³ Assumes a conversion in 2022 to EFC Bonds of \$8,012,707 at 2.5% for 28 years										
Short Term EFC construction note financing not included										

**TABLE 6.3
PROJECTED DEBT SERVICE COVERAGE - Saratoga County Water Authority**

DESCRIPTION	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
REVENUES										
Operating Revenues	\$ 6,440,178	\$ 6,594,048	\$ 6,751,943	\$ 6,913,977	\$ 7,080,264	\$ 7,250,922	\$ 7,426,074	\$ 7,605,845	\$ 7,790,363	\$ 7,979,763
Less Operating Expenses	\$ (2,178,508)	\$ (2,243,863)	\$ (2,311,179)	\$ (2,380,514)	\$ (2,451,930)	\$ (2,525,487)	\$ (2,601,252)	\$ (2,679,290)	\$ (2,759,668)	\$ (2,842,458)
NET REVENUES	\$ 4,261,670	\$ 4,350,185	\$ 4,440,764	\$ 4,533,463	\$ 4,628,334	\$ 4,725,434	\$ 4,824,822	\$ 4,926,555	\$ 5,030,695	\$ 5,137,304
2022 EFC Bond	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)	\$ (401,000)
2020 EFC Bond	\$ (52,836)	\$ (60,139)	\$ (56,359)	\$ (56,264)	\$ (56,162)	\$ (61,044)	\$ (60,859)	\$ (60,636)	\$ (60,364)	\$ (60,040)
2016 Water Revenue Bonds	\$ (2,262,294)	\$ (2,261,794)	\$ (2,269,544)	\$ (2,265,044)	\$ (2,268,794)	\$ (2,265,294)	\$ (2,264,794)	\$ (2,262,044)	\$ (2,267,044)	\$ (2,269,294)
2014 Water Revenue Bonds (\$4.9M)	\$ (285,500)	\$ (281,000)	\$ (281,375)	\$ (281,500)	\$ (281,375)	\$ (281,000)	\$ (282,250)	\$ (284,125)	\$ (282,750)	\$ (281,125)
2014 IDA Installment Sales Agreement	\$ (206,900)	\$ (205,520)	\$ (204,140)	\$ (202,760)	\$ (201,380)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt Service	\$ (3,208,530)	\$ (3,209,453)	\$ (3,212,418)	\$ (3,206,568)	\$ (3,208,711)	\$ (3,008,338)	\$ (3,008,903)	\$ (3,007,805)	\$ (3,011,158)	\$ (3,011,459)
NET CASH FLOW	\$ 1,053,140	\$ 1,140,732	\$ 1,228,346	\$ 1,326,895	\$ 1,419,623	\$ 1,717,096	\$ 1,815,919	\$ 1,918,750	\$ 2,019,537	\$ 2,125,845
REPAYMENT OF COUNTY SERVICE FEE	\$ (2,000,000)	\$ (1,140,732)	\$ (714,625)	\$ -						
DEBT SERVICE COVERAGE										
Total DS Coverage	1.3	1.4	1.4	1.4	1.4	1.6	1.6	1.6	1.7	1.7
Short Term EFC construction note financing not included										

6.0 CONCLUSIONS

The Authority plans to refund portions of the existing 2014 Bonds and 2016 Bonds with new 2021 Bonds. The projection of demands in the service area over 30 years could result in an average daily demand of approximately 16 mgd and peak demand of 26 mgd. However, due to the uncertainty of the timing and the amount of future water demands, more conservative estimates of water demand (up to approximately 7.9 mgd) were estimated over the 30-year forecast period.

Delaware Engineering has reviewed the projections set forth in Tables 6.2 and 6.3. We find the information and assumptions used in the projections to be reasonable based on current information. After reviewing the existing Water System, capital and Operations and Maintenance (“O&M”) costs and projections, projected water demands, proposed water rates, the Service Agreement, the credentials of the Authority, and to the best of the Engineer’s knowledge, information and belief, we are of the opinion that:

1. The Authority is generating sufficient revenues, including sales and the Service Fee, to pay debt service on the Authority Debt Obligations and meet the other financial obligations relating to the operation of the Water System, including the costs of Water System operation and maintenance over the term of the Series 2021 Bonds. Our cash flow analysis and forecast relating to the operation of the Water System indicates that it will not be necessary that the County pay for a portion of the Water System’s financial obligations in the form of a Service Fee over the forecast period.
2. The experience and qualifications of the Authority’s Board and management team are commensurate with their duties and responsibilities.
3. The Water System complies with all other currently applicable and currently pending environmental and health regulations.
4. The capital budget (sources of funding) is adequate to finance the required components of the existing water system and funds are reasonably expected to be available when needed to pay operating and debt service costs.
5. In light of the water supply contracts in place and the current water sales, it is anticipated that sale of water by the Authority will equal or exceed 7.1 mgd in 2021. It is noted that the existing

Water Supply Contracts have initial 10-year terms followed by successive automatic one-year renewal periods. We have no reason to believe that the Water Supply Contracts will not be continually renewed during the forecast period.

6. Based on the Service Agreement, the transfer of Service Fee payments, if required, from the County to the Authority will continue to be accomplished in a timely fashion for the payment of debt service on the Authority Debt Obligations, and the proper operation of the Water System, and no foreseen events of service failure are anticipated. The Authority began repaying the outstanding balance on past service fee payments in 2017.
7. The Authority will be able to provide service as defined in the Service Agreement throughout the forecast period.
8. The projected water rates and rate increases are in excess of the amount required to support the debt service on the Authority Debt Obligations, and operation and maintenance expenses identified in this Report and the projected water rates are not excessive.
9. The assumptions and projections used by the Authority and forward-looking information used within this Report are reasonable.

Therefore, based on the information and estimates summarized in this Report, it is our opinion that the Authority will generate revenue throughout the forecast period sufficient to provide for operation of the Water System, while also meeting its debt service obligations for the Authority Debt Obligations and all other outstanding obligations. Delaware Engineering has not independently verified the accuracy of the information provided by the Authority. While we believe such sources are reliable and the information obtained to be appropriate for the analysis undertaken and the conclusions reached herein, as is often the case, there will likely be differences between actual and projected results, some of the estimates used in this Report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the data and results projected in this Report and actual results achieved, and those differences may be material. Any statements in this Report involving estimates or matters of opinion, whether or not so specifically designated, are intended as such, and not as representation of fact. The Report summarizes the work completed up to the date of the issuance of the Report.

Changed conditions occurring or becoming known after such date could affect the material presented to the extent of such change.

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APPENDIX B — Authority Financial Statements

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SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

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INDEPENDENT AUDITOR'S REPORT

To the Saratoga County Water Authority
Governing Board
Gansevoort, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Saratoga County Water Authority (the "Authority") (a component unit of Saratoga County, New York), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saratoga County Water Authority as of December 31, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 and the schedules of proportionate share of net pension liability and employer pension contributions and schedule of and funding progress - other postemployment benefit plan on pages 26 and 27 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 supplemental 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 25, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 25, 2021

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2020 AND 2019

Introduction

The accompanying Management's Discussion and Analysis of the Saratoga County Water Authority's ("SCWA") financial performance has been prepared to provide an overview of the Authority's financial activities for the years ended December 31, 2020 and 2019. This discussion and analysis is only an introduction and should be read in conjunction with the Authority's financial statements, which immediately follow this section.

Organization

The Authority is a corporate governmental agency as defined by the Saratoga County Water Authority Act, Title 8-F of Article 5 of the New York State Public Authorities Law created by an act of the New York Legislature in 1990. The Authority is governed by a governing board of seven members, appointed by the chairperson of the Board of Supervisors of Saratoga County.

The Authority is charged with providing water services for the public benefit. The Authority is empowered to borrow money and issue notes, bonds or obligations in order to pay the costs of water projects or projects for corporate purposes.

The Authority issued revenue bonds in 2008 to construct the Saratoga County Water Treatment and Transmission Facilities System (the "System"). The System does provide safe, reliable and affordable drinking water to residents of Saratoga County by drawing water from the upper Hudson River in the Town of Moreau, treating the water using a membrane filtration system and then transmitting the finished water along an approximately 28 mile line to municipal/commercial users. The primary funding for the Authority is from the users of the System.

Financial Highlights

The water treatment plant was substantially complete on January 28, 2010 with the finished water transmission main being substantially completed in 2009. Two additional segments of transmission main were constructed by others and dedicated over to the SCWA. One segment was constructed by New York State Department of Transportation as part of the Round Lake Bypass Project (NYS Project 1807.01.301). The second segment was constructed by the Towns of Malta and Stillwater as the LFTC Site Roadways project. SCWA obtained New York State Department of Health approval to go into operation, and began serving customers on February 22, 2010. The 5 million gallon tank in the Luther Forest Technology Campus was completed and placed into service on October 13, 2010.

The Authority began serving the Wilton Water & Sewer Authority in February 2010, the Clifton Park Water Authority in June 2010, the Town of Ballston in September 2010 and Global Foundries in the Luther Forest Technology Campus in October 2010. The Village of Stillwater began taking water on January 5, 2012. The Authority began providing water to the Town of Moreau in 2014 and the Town of Stillwater in 2016. The Town of Halfmoon began taking water in 2019.

The Authority will publish its Annual Drinking Water Quality Report by May 1, 2021 as required by state and federal regulations. The total water produced in 2020 was 7.13 mgd, up from 6.12 mgd in 2019.

In 2016, the Authority issued \$41,360,000 of general obligation bonds to provide resource to purchase U.S. Government and State and Local Government Services securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$42,155,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments over the next 32 years by approximately \$11.2 million and resulted in an economic gain of \$6.9 million.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2020 AND 2019

Analysis of the Authority's Financial Position

The Authority's net position increased by \$3.9 million in 2020, to \$27.4 million. The Authority's net position increased by \$252,639 in 2019, to \$23.5 million.

CONDENSED STATEMENT OF NET POSITION

	2020	2020	2019	2019	2018	2018
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
ASSETS AND DEFERRED OUTFLOWS						
Current Assets	\$ 11,804,961	15.1	\$ 8,307,364	11.0	\$ 8,815,991	11.6
Restricted Assets	3,192,173	4.0	3,088,310	4.0	2,980,185	3.9
Property, Plant, and Equipment, Net	<u>63,095,744</u>	<u>80.5</u>	<u>64,275,589</u>	<u>84.8</u>	<u>64,101,718</u>	<u>84.3</u>
Total Assets	78,092,878	99.6	75,671,263	99.8	75,897,894	99.8
Deferred Outflows of Resources	<u>297,002</u>	<u>.4</u>	<u>117,584</u>	<u>.2</u>	<u>157,429</u>	<u>.2</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 78,389,880</u>	<u>100.0</u>	<u>\$ 75,788,847</u>	<u>100.0</u>	<u>\$ 76,055,323</u>	<u>100.0</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION						
Current Liabilities	\$ 4,049,919	5.2	\$ 3,605,594	4.7	\$ 2,451,564	3.2
Long-Term Liabilities	<u>46,900,456</u>	<u>59.8</u>	<u>48,633,931</u>	<u>64.2</u>	<u>50,182,491</u>	<u>66.0</u>
Total Liabilities	50,950,375	65.0	52,239,525	68.9	52,634,055	69.2
Deferred Inflows of Resources	27,402	-	64,553	.1	189,139	.3
Net Position	<u>27,412,103</u>	<u>35.0</u>	<u>23,484,768</u>	<u>31.0</u>	<u>23,232,129</u>	<u>30.5</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 78,389,880</u>	<u>100.0</u>	<u>\$ 75,788,847</u>	<u>100.0</u>	<u>\$ 76,055,323</u>	<u>100.0</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	2020	2020	2019	2019	2018	2018
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Operating Revenue	\$ 10,006,419	98.4	\$ 6,477,314	97.1	\$ 6,283,438	99.3
Non-Operating Revenue	<u>160,588</u>	<u>1.6</u>	<u>192,465</u>	<u>2.9</u>	<u>42,847</u>	<u>.7</u>
Total Revenues	<u>10,167,007</u>	<u>100.0</u>	<u>6,669,779</u>	<u>100.0</u>	<u>6,326,285</u>	<u>100.0</u>
Depreciation	2,551,630	25.1	2,735,303	41.0	2,730,516	43.2
Other Operating Expense	1,909,434	18.8	1,858,036	27.9	1,735,398	27.4
Non-Operating Expense	<u>1,778,608</u>	<u>17.5</u>	<u>1,823,801</u>	<u>27.3</u>	<u>1,905,814</u>	<u>30.1</u>
Total Expenses	<u>6,239,672</u>	<u>61.4</u>	<u>6,417,140</u>	<u>96.2</u>	<u>6,371,728</u>	<u>100.7</u>
Change in Net Position	<u>\$ 3,927,335</u>	<u>38.6</u>	<u>\$ 252,639</u>	<u>3.8</u>	<u>\$ (45,443)</u>	<u>(.7)</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2020 AND 2019

Debt Administration

During 2008 the Authority issued \$45,000,000 Water System Revenue Bonds with a final maturity in 2048 and bearing interest at rates ranging from 3% to 5%. These bonds were refunded in 2016. In 2014, the Authority completed the issuance of \$4,340,000 million in revenue bonds to fund upgrades to the water treatment system for the treatment of disinfection by-products (DBPs) in order to meet drinking water regulations. In 2015, the Authority received funding from the Saratoga County IDA of \$1,525,000 million for the construction of a wastewater outfall in the Hudson River downstream of the raw water intake of which \$1.0 million must be repaid. In 2016, the Authority issued \$41,360,000 in Water System Refunding Revenue Bonds to refund the 2008 Water System Revenue Bonds and bearing interest at rates ranging from 3% to 5%. In 2018, the Authority received funding from the NYS Environmental Facilities Corporation to extend water pipelines to the Town of Halfmoon and the City of Mechanicville. The funding totaled \$4.7 million and included a \$3 million grant to be shared with the Town of Halfmoon (SCWA Portion was \$1.8 million), a \$900,000 zero interest 30-year loan and a \$1.8 million loan at 1.73% 30-year loan.

Capital Improvements

In 2016, the Authority completed the construction of a wastewater outfall to the Hudson River downstream of the raw water intake at a cost of \$841,000. No capital improvements were completed in 2017 or 2018. In 2019, the Authority completed construction of a \$4.7 million pipeline to the Town of Halfmoon and the City of Mechanicville. In 2021, the Authority has plans to complete construction of a \$12 million expansion to the existing water treatment plant which will be funded by a \$3.2 million grant and low interest loans through the NYS Environmental Facilities Corporation.

Economic Factors

The Authority entered into a Service Agreement with the County whereby the Authority agrees to operate and maintain the Water System in accordance with good engineering and business practices for an essential public utility. Under the Service Agreement, the County is obligated to pay a Service Fee to the Authority on a quarterly basis so long as any Bonds remain outstanding and the Authority is meeting its performance obligations under the Service Agreement to build and operate the Water System. The amount of the Service Fee will be equal to the amount budgeted by the Authority to be due for operating costs and debt service in the period commencing on the day following that Service Fee payment date and concluding on the next ensuing Service Fee payment date, less the amount of cash held by the Authority or Trustee as of the 35th day before the Service Fee payment date in the Revenue Fund, Operating Fund, and the Bond Redemption and Accumulated Surplus Fund that is expected to be available during the covered period for the payment of debt service and operating costs. The Authority is obligated to repay the County for any and all amounts paid by the County as a Service Fee, with interest at the rate of 4% per annum, but only to the extent that the annual revenues of the Authority from the operation of the System for any fiscal year exceed the total of operating costs, debt service, required deposits and amounts the Authority reasonably considers will be needed to pay for maintenance and repairs in the next fiscal year. The County is required to pay the Authority the Service Fee commencing on the date of issuance of the Series 2008 Bonds and on each quarterly Service Fee Payment Date thereafter.

There were no Service Fee Repayments to Saratoga County in 2020, however a \$2,000,000 payment was made on January 4, 2021. The current outstanding obligation to Saratoga County for service fee payments is \$3,855,357 as of December 31, 2020. In 2021, the Authority anticipates making the final service fee repayment to the County of \$1,855,358.

Contracting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with an overview of the Authority's financial resources and to demonstrate the Authority's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact the Authority's Treasurer at Saratoga County Water Authority, 260 Butler Road, Gansevoort, New York 12831.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019

Assets and Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 10,176,851	\$ 7,078,136
Accounts Receivable	1,301,527	1,153,820
Grants Receivable	254,786	-
Prepaid Expenses	<u>71,797</u>	<u>75,408</u>
Total Current Assets	<u>11,804,961</u>	<u>8,307,364</u>
Restricted Assets		
Cash and Cash Equivalents with Fiscal Agent	1,186,860	694,308
Investments with Fiscal Agent	<u>2,005,313</u>	<u>2,394,002</u>
Total Restricted Assets	<u>3,192,173</u>	<u>3,088,310</u>
Capital Assets, Net	<u>63,095,744</u>	<u>64,275,589</u>
Total Assets	<u>78,092,878</u>	<u>75,671,263</u>
Deferred Outflows of Resources		
Pension	260,968	81,550
Postemployment Benefits	<u>36,034</u>	<u>36,034</u>
Total Deferred Outflows of Resources	<u>297,002</u>	<u>117,584</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 78,389,880</u>	<u>\$ 75,788,847</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 481,196	\$ 295,173
Accrued Interest Payable	533,723	545,421
Current Installment of Bonds Payable	835,000	765,000
Due to Saratoga County IDA	200,000	-
Due to Saratoga County	<u>2,000,000</u>	<u>2,000,000</u>
Total Current Liabilities	<u>4,049,919</u>	<u>3,605,594</u>
Long-Term Liabilities		
Due to Saratoga County	1,855,357	1,831,689
Due to Saratoga County IDA	804,600	1,004,600
Notes Payable - EFC	-	2,112,940
Bonds Payable, Less Current Installment	43,767,684	43,510,406
Accrued Postemployment Benefits	102,000	80,307
Net Pension Liability	<u>370,815</u>	<u>93,990</u>
Total Long-Term Liabilities	<u>46,900,456</u>	<u>48,633,931</u>
Total Liabilities	<u>50,950,375</u>	<u>52,239,525</u>
Deferred Inflows of Resources - Pension	<u>27,402</u>	<u>64,553</u>
Net Position		
Net Investment in Capital Assets	14,246,473	13,640,656
Restricted	3,192,173	3,088,310
Unrestricted	<u>9,973,457</u>	<u>6,755,802</u>
Total Net Position	<u>27,412,103</u>	<u>23,484,768</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 78,389,880</u>	<u>\$ 75,788,847</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
User Fees	\$ 7,368,358	\$ 6,287,870
Grant Income	2,627,508	173,121
Miscellaneous	10,553	16,323
Total Operating Revenues	<u>10,006,419</u>	<u>6,477,314</u>
Operating Expenses		
Salaries and Wages	369,625	376,964
Employee Benefits	218,113	173,578
Chemicals	369,498	309,599
Contracted Management and Professional Services	175,069	185,590
Depreciation	2,551,630	2,735,303
Insurance	54,245	52,242
Legal	12,517	14,000
Other Supplies and Materials	67,286	83,679
Utilities	397,862	331,215
Water System Maintenance	89,833	178,587
Water Treatment and Distribution	155,386	136,438
Total Operating Expenses	<u>4,461,064</u>	<u>4,577,195</u>
Operating Income	<u>5,545,355</u>	<u>1,900,119</u>
Nonoperating Revenues (Expenses)		
Investment Income	160,588	192,465
Interest Expense	(1,748,565)	(1,818,401)
Bond Issuance Costs	(30,043)	(5,400)
Loss on Disposal of Assets	-	(16,144)
Total Nonoperating Revenues (Expenses)	<u>(1,618,020)</u>	<u>(1,647,480)</u>
Change in Net Position	3,927,335	252,639
Net Position, Beginning of Year	<u>23,484,768</u>	<u>23,232,129</u>
Net Position, End of Year	<u>\$ 27,412,103</u>	<u>\$ 23,484,768</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows Provided by (Used in) Operating Activities:		
Received from Customers	\$ 7,220,651	\$ 6,129,219
Grant Income Received	2,372,722	300,000
Miscellaneous Income	10,553	16,323
Paid to Suppliers and Vendors	(1,127,577)	(1,269,400)
Paid to Employees, Including Benefits	(510,274)	(555,131)
	<u>7,966,075</u>	<u>4,621,011</u>
Cash Flows Provided by (Used in) Investing Activities		
Proceeds from Sale of Assets	-	12,150
Change in Restricted Cash, Cash Equivalents and Investments	(103,863)	(53,539)
Investment Income Received	160,588	137,878
	<u>56,725</u>	<u>96,489</u>
Cash Flows Provided by (Used in) Capital and Related Financing Activities:		
Proceeds, of EFC Bond	1,178,680	2,112,940
Payments of EFC Notes	(2,112,940)	-
Interest Paid	(1,822,997)	(1,829,662)
Paid to Saratoga County	-	(2,000,000)
Payments of Revenue Bond Principal	(765,000)	(725,000)
Bond Issuance Costs Paid	(30,043)	(5,400)
Acquisition of Capital Assets	(1,371,785)	(2,820,499)
	<u>(4,924,085)</u>	<u>(5,267,621)</u>
Net Increase (Decrease) in Cash	3,098,715	(550,121)
Cash, Beginning of Year	<u>7,078,136</u>	<u>7,628,257</u>
Cash, End of Year	<u>\$ 10,176,851</u>	<u>\$ 7,078,136</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating Income	\$ 5,545,355	\$ 1,900,119
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	2,551,630	2,735,303
Loss on Sale of Assets	-	16,144
(Increase) Decrease in		
Accounts Receivable	(147,707)	(158,651)
Grants Receivable	(254,786)	126,879
Prepaid Expenses	3,611	(9,722)
Increase (Decrease) in		
Accounts Payable and Accrued Liabilities	186,023	13,667
Accrued Postemployment Benefits	21,693	-
Net Pension	60,256	(2,728)
	<u>\$ 7,966,075</u>	<u>\$ 4,621,011</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Saratoga County Water Authority (the “Authority”) was created during 1990 as a public benefit corporation under New York State Public Authorities Law, Title 8-F of Article 5. The Authority is a component unit of Saratoga County, New York (the “County”). The Authority is charged with providing water services for public benefit. A governing board of seven members, appointed by the chairperson of the Board of Supervisors of Saratoga County, governs the Authority.

The Authority began operations during February 2010 with the substantial completion of the Saratoga County Water Treatment and Transmission Facilities System (the “System”). The System is designed to provide safe, reliable, and affordable drinking water to the residents of Saratoga County.

Basis of Accounting

The Authority’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt balances.
- *Restricted net position* has constraints placed on use by the Authority’s Revenue Bonds.
- *Unrestricted net position* consists of assets, liabilities and deferred outflows and inflows that do not meet the definition of net investment in capital assets, net of related debt or restricted net position.

Revenues are recognized when earned, and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water services. The principal operating revenues of the Authority are charges to customers for user services. Operating expenses include the costs associated with providing those user services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of cash deposits and other short-term investments with original maturities of three months or less.

Statutes authorize the Authority to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Unrestricted cash deposits with financial institutions are either covered by federal depository insurance or collateralized by securities held by the pledging bank's trust department in the Authority's name, or U.S. Government and/or federal agency securities held by the Trustee. Restricted cash equivalents and investments are held in the Authority's name by their custodial agent and, therefore, not subject to custodial risk. The Authority's restricted cash equivalents are considered investments for cash flow statement purposes.

Accounts and Grants Receivable

Accounts receivable are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines if an allowance for doubtful accounts is needed by identifying troubled accounts and by using historical experience applied to an aging of accounts as well as regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. The allowance for doubtful accounts was \$0 at December 31, 2020 and 2019.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets, Net

Capital assets are recorded at cost, except for contributed property and equipment, which is recorded at fair value or the contributor's net book value if fair value is not readily ascertainable. Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. The Authority uses a capitalization threshold of \$5,000 to analyze expenses for capitalization. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to operations.

Interest expense incurred during the construction of assets is capitalized. Constructed assets financed with the proceeds of tax-exempt debt (if those funds are restricted to finance the acquisition of the assets or used to service the related debt) include capitalized interest to the extent that interest costs over the asset construction period exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings.

Depreciation is provided for in amounts to prorate the cost of depreciable assets to operations over their estimated useful lives, using the straight-line method. The estimated useful lives established to determine depreciation for vehicles, machinery and equipment vary from three to twenty years. Buildings and building improvements are depreciated over thirty years. Land improvements are depreciated over twenty years. Infrastructure is depreciated over forty years.

The Authority evaluated prominent events or changes in circumstances affecting property and equipment to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2020 and 2019.

Premium on Bonds, Net

The Authority issued the \$4,340,000 2014 Water System Revenue Bonds at an original issue premium of \$597,206. Additionally, the Authority issued the \$41,360,000 2016 Water System Refunding Revenue Bonds at an original issue premium of \$4,842,477. The premiums are amortized over the life of the bonds using the effective interest method

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences

All full-time employees meeting certain conditions are provided with vacation, sick pay and certain other leave credits based on the terms of employment. Accumulated unpaid vacation and compensatory time are accrued when incurred. Sick pay and other leave credits do not vest with the employees and are expensed when paid.

Tax Status

The Authority is exempt from federal income taxes under Internal Revenue Service Code Section 115.

Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through March 25, 2021, the date the financial statements were available to be issued. No such events or transactions were identified.

2. RESTRICTED ASSETS

In accordance with the terms of the Authority's bond indenture, the use of certain Authority assets is restricted for specific purposes as summarized below:

	<u>2020</u>	<u>2019</u>
Construction Fund	\$ 384,873	\$ 383,467
Debt Service Reserve Fund	2,782,878	2,703,045
Debt Service	<u>24,422</u>	<u>1,798</u>
Total Assets Held with Fiscal Agent	<u>\$ 3,192,173</u>	<u>\$ 3,088,310</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

2. RESTRICTED ASSETS (CONTINUED)

As of December 31, 2020, the Authority had the following investments and maturities:

	Investment Maturities (In Years)			
	<u>Cost</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
Money Market Fund	\$ 1,186,860	\$ 1,186,860	\$ 1,186,860	\$ -
U.S. Treasury Notes	<u>1,956,585</u>	<u>2,005,313</u>	<u>435,992</u>	<u>1,569,321</u>
Total	<u>\$ 3,143,445</u>	<u>\$ 3,192,173</u>	<u>\$ 1,622,852</u>	<u>\$ 1,569,321</u>

a. *Credit Risk*

The Authority's investment policy limits investments to time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by the United States of America, obligations of the State of New York, obligations of certain municipalities, school districts, or other district corporations, obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies that are authorized by State statutes, certifications of participation, and investments with the Federal Home Loan Bank ("FHLB"). The underlying investments of the money market fund consist exclusively of short-term U.S. Treasury securities.

b. *Custodial Credit Risk*

Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held either by (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. All of the Authority's investments are held under their name with the custodian.

c. *Interest Rate Risk*

The fair value of the Authority's fixed maturity investments fluctuates in response to changes in market interest rates. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument and other general market conditions. Investments in the U.S. Treasury Notes are being held as restricted assets in accordance with the Authority's bond indentures. The Authority plans to hold its investments to maturity, which minimizes the occurrence of loss on investments.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

2. RESTRICTED ASSETS (CONTINUED)

d. *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the Authority's investment in single issues. As of December 31, 2020, the Authority's investments are comprised of money market funds with underlying investments of short-term U.S. Treasury securities (37%) and fixed income securities from the U.S. Treasury Notes (63%). Management of the Authority monitors the credit ratings associated with their underlying investments.

3. CAPITAL ASSETS, NET

A summary of the Authority's capital assets, net, is as follows:

	December 31, 2019	Additions	Deletions	December 31, 2020
Land and Easement	\$ 1,080,409	\$ -	\$ -	\$ 1,080,409
Land Improvements	1,961,969	-	-	1,961,969
Buildings and Improvements	13,526,687	-	-	13,526,687
Infrastructure	61,037,049	2,847,082	-	63,884,131
Machinery and Equipment	9,373,398	29,319	-	9,402,717
Vehicles	167,135	-	-	167,135
Office Equipment and Furniture	85,558	-	-	85,558
Construction in Progress	<u>2,783,517</u>	<u>1,342,466</u>	<u>2,847,082</u>	<u>1,278,901</u>
	90,015,722	4,218,867	2,847,082	91,387,507
Less Accumulated Depreciation	<u>25,740,133</u>	<u>2,551,630</u>	<u>-</u>	<u>28,291,763</u>
Capital Assets, Net	<u>\$ 64,275,589</u>	<u>\$ 1,667,237</u>	<u>\$ 2,847,082</u>	<u>\$ 63,095,744</u>
	December 31, 2018	Additions	Deletions	December 31, 2019
Land and Easement	\$ 1,080,409	\$ -	\$ -	\$ 1,080,409
Land Improvements	1,961,969	-	-	1,961,969
Buildings and Improvements	13,289,556	274,856	37,725	13,526,687
Infrastructure	61,016,718	20,331	-	61,037,049
Machinery and Equipment	9,350,711	22,687	-	9,373,398
Vehicles	165,503	36,078	34,446	167,135
Office Equipment and Furniture	76,953	8,605	-	85,558
Construction in Progress	<u>208,606</u>	<u>2,631,305</u>	<u>56,394</u>	<u>2,783,517</u>
	87,150,425	2,993,862	128,565	90,015,722
Less Accumulated Depreciation	<u>23,048,707</u>	<u>2,735,303</u>	<u>43,877</u>	<u>25,740,133</u>
Capital Assets, Net	<u>\$ 64,101,718</u>	<u>\$ 258,559</u>	<u>\$ 84,688</u>	<u>\$ 64,275,589</u>

Depreciation expense totaled \$2,551,630 and \$2,735,303 for the years ended December 31, 2020 and 2019, respectively.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

4. NOTES PAYABLE ENVIRONMENTAL FACILITIES CORPORATION (“EFC”)

During 2020, the capital project to expand the water system was in progress. The project was funded by EFC grants and loans and is summarized as follows:

	Estimated Total Project	Incurred Through December 31, 2020
EFC Grant	\$ 3,177,337	\$ 1,127,909
EFC Loan	4,955,492	-
	<u>\$ 8,132,819</u>	<u>\$ 1,127,909</u>

5. BONDS PAYABLE

The 2014 Water System Revenue Bonds were issued at \$4,340,000 to finance costs incurred in connection with the construction of upgrades at the water treatment plant. Interest is payable semi-annually on June 1 and December 1 at 5%. Principal payments range from \$70,000 to \$275,000 and are payable annually on June 1. The bonds are collateralized by future operating revenues of the Authority and mature June 1, 2044.

The 2016 Water System Refunding Revenue Bonds were issued at \$41,360,000 to refund the 2008 Water System Revenue Bonds. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 3 to 5%. Principal payments range from \$605,000 to \$2,105,000 and are payable annually on September 1. The bonds are secured by the future operating revenues of the Authority and mature September 1, 2048.

The 2020 E.F.C. Drinking Water Statutory Installment Bond was issued at \$1,178,680. Interest is payable semi-annually on April 1 and October 1, at interest rates ranging from .25 to 2.93%. Principal payments range from \$35,000 to \$50,000 and are payable annually on October 1.

A summary of bond transactions is as follows:

	December 31, 2019	Additions	Payments/ Amortization	December 31, 2020
Bonds Payable	\$ 42,875,000	\$ 1,178,680	\$ 765,000	\$ 43,288,680
Bond Premium	4,453,989	-	269,128	4,184,861
Bond Reacquisition Price in Excess of Carrying Amount	(3,053,583)	-	(182,726)	(2,870,857)
	<u>\$ 44,275,406</u>	<u>\$ 1,178,680</u>	<u>\$ 851,402</u>	<u>\$ 44,602,684</u>
Current Installment of Bonds Payable	\$ 765,000			\$ 835,000
Bonds Payable Less Current Installment	43,510,406			43,767,684
	<u>\$ 44,275,406</u>			<u>\$ 47,602,684</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

5. BONDS PAYABLE (CONTINUED)

Future maturities of bonds payable and the related interest amounts are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 835,000	\$ 1,765,630	\$ 2,600,630
2022	873,680	1,729,253	2,602,933
2023	920,000	1,687,277	2,607,277
2024	960,000	1,642,790	2,602,790
2025	1,010,000	1,596,332	2,606,332
2026 through 2030	5,850,000	7,195,659	13,045,659
2031 through 2035	7,425,000	5,618,463	13,043,463
2036 through 2040	8,980,000	4,054,265	13,034,265
2041 through 2045	10,325,000	2,407,293	12,732,293
2046 through 2048	6,110,000	477,869	6,587,869
	<u>\$ 43,288,680</u>	<u>\$ 28,174,831</u>	<u>\$ 71,463,511</u>

6. DUE TO SARATOGA COUNTY

Saratoga County Service Agreement

On September 1, 2008, the Authority entered into a Service Agreement (the "Agreement") with the County. The Agreement requires the Authority to construct, operate and maintain the Saratoga County Water System. In turn, the Agreement requires the County to pay a service fee, if needed, to the Authority based on the Authority's annual budget. The Authority is to repay the County for any and all amounts paid by the County as a service fee plus interest at 4%. The Agreement will terminate in 2048 with the maturity of the Authority's revenue bond.

	<u>2020</u>	<u>2019</u>
Project Costs Incurred by the County (2003 to 2007), non-interest bearing	\$ 3,246,587	\$ 3,246,587
Cash Advance, June 2007, Interest at 4%	250,000	250,000
Service Fees	4,117,328	4,117,328
Accrued Interest	1,241,442	1,217,774
Repayment	<u>(5,000,000)</u>	<u>(5,000,000)</u>
	<u>\$ 3,855,357</u>	<u>\$ 3,831,689</u>

Although these liabilities are due on demand, it is the intent of the County and the Authority to have these amounts paid over a period of time, after the Authority has commenced significant operations. The Authority anticipates that it will repay \$2,000,000 to the County in 2021, and therefore that amount has been reflected as current and the remainder as long-term.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

7. DUE TO SARATOGA COUNTY IDA

In May 2015, the Authority leased the acquisition and construction of an outfall structure and diffuser system from the Saratoga County IDA for \$1,525,000. The terms of the lease require annual payments of interest only at .69% through 2020 and principal payments of \$200,000 plus interest at .69% in 2021 through 2025. \$525,000 was not required to be repaid and has been reflected in miscellaneous income in prior years. The outstanding balance at both December 31, 2020 and 2019 is \$1,004,600, which includes \$4,600 in accrued interest.

8. PENSION PLANS

General Information

The Authority participates in the New York State and Local Employees' Retirement System ("ERS"). The System is a cost sharing multiple-employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Description and Benefits Provided. The System provides 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, which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the System. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("NYSRSSL"). 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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined the System 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 must contribute 3% of their salary for their entire length 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 System's fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100% of the contributions required as follows:

2020	\$ 52,208
2019	\$ 52,555
2018	\$ 48,654

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

8. PENSION PLANS (CONTINUED)

General Information (Continued)

Chapter 260 of the laws of the State of New York allows local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ended March 31, 2005 through 2008. Chapter 57 of the laws of the State of New York allows local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ended March 31, 2011 and forward.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. The Authority has not bonded or amortized any portion of their retirement obligations.

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

At December 31, 2020 and 2019, the Authority reported a liability of \$370,815 and \$93,990, respectively, for its proportionate share of the net pension liability. The 2020 net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2020, the Authority's proportion was .0014003% percent.

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

	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ 21,824	\$ 18,509
Changes in assumptions	7,466	23,625
Net difference between projected and actual earnings on pension plan investments	190,098	-
Changes in proportion and differences between employer contributions and proportionate share of contributions subsequent to the measurement date	3,661	-
Employer contribution subsequent to the measurement date	<u>37,919</u>	<u>39,416</u>
	<u>\$ 260,968</u>	<u>\$ 81,550</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

8. PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions (Continued)

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

	<u>2020</u>	<u>2019</u>
Differences between expected and actual experience	\$ -	\$ 6,309
Changes in assumptions	6,447	-
Net difference between projected and actual earnings on pension plan investments	-	24,123
Changes in proportion and differences between employer contributions and proportionate share of contributions subsequent to the measurement date	20,955	34,121
	<u>\$ 27,402</u>	<u>\$ 64,553</u>

The net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31, 2021	\$ 64,445
December 31, 2022	46,911
December 31, 2023	66,547
December 31, 2024	55,663
	<u>\$ 233,566</u>

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

Interest rate	6.8%
Salary increase	4.2%
Inflation rate	2.5%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period August 1, 2010 - March 31, 2015.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

8. PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions (Continued)

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 returns 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 for ERS were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	4.05%
International equity	6.15%
Private equity	6.75%
Real estate	4.95%
Absolute return strategies	3.25%
Opportunistic portfolio	4.65%
Real assets	5.95%
Bonds and mortgages	.75%
Cash	- %
Inflation-indexed bonds	.50%

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 the 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.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

8. PENSION PLANS (CONTINUED)

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the Authority's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (680,551)	\$ (370,815)	\$ (85,548)

Pension Plan Fiduciary Net Position

The components of the net pension liability of the employer as of March 31, 2020 was as follows (in thousands):

	<u>ERS</u>
Employer's total pension liability	\$(194,596,261)
Fiduciary net position	<u>168,115,682</u>
Employer's net pension liability	<u>\$ (26,480,579)</u>
Ratio of fiduciary net position to the employer's total pension liability	<u>86.39%</u>

9. ACCRUED POSTEMPLOYMENT BENEFITS

Plan Description

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Revenues, Expenses and Change in Net Position when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

9. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

The Authority provides postemployment healthcare benefits for certain eligible retirees.

The Authority provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans.

Employees Covered by Benefit Terms

As of January 1, 2020, the following employees were covered by the benefit terms:

<i>Inactive employees or beneficiaries currently receiving benefits payments</i>	-
<i>Inactive employees entitled to but not yet receiving benefit payments</i>	-
<i>Active employees</i>	<u>7</u>
<i>Total Participants covered by OPEB Plan</i>	<u><u>7</u></u>

Total OPEB Liability

The Authority's total OPEB liability of \$102,000 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.74%
Healthcare Cost Trend Rates:	
2019 Trend (Pre 65/Post 65)	6.67%/3.00%
2020 Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2029
Salary Increases	2.00%

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

9. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligations Index*, based on the 20 year AA municipal bond rate as of December 31, 2019.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006).

Changes in the Total OPEB Liability

	<u>2020</u>	<u>2019</u>
OPEB Liability, Beginning of Year	\$ 80,307	\$ 22,617
Changes for the Year:		
Service Cost	19,493	18,973
Interest	2,200	1,636
Assumption Changes and Differences Between Actual and Expected Experience	<u>-</u>	<u>37,081</u>
OPEB Liability, End of Year	<u>\$ 102,000</u>	<u>\$ 80,307</u>

At December 31, 2020, the Authority reported deferred outflows of resources related to postemployment benefits of \$36,034 (\$11,355 as a result of actual vs. expected expense and \$24,679 as a result of assumption changes).

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

The January 1, 2020 valuation was prepared using a discount rate of 2.74%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower as well as the current discount rate.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 2.74%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 134,641</u>	<u>\$ 102,000</u>	<u>\$ 77,269</u>

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

9. ACCRUED POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The January 1, 2020 valuation was prepared using the trend rate of 6.67%/3.00%. The following presents the total OPEB liability using a healthcare cost trend rate 1% higher and 1% lower as well as the current healthcare cost trend rate.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 6.67%/3.00%	1% Increase
Total OPEB Liability	<u>\$ 71,407</u>	<u>\$ 102,000</u>	<u>\$ 145,682</u>

10. NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consists of the following:

	2020	2019
Capital Assets, Net	\$ 63,095,744	\$ 64,275,589
Revenue Bonds	(44,602,684)	(44,275,406)
Notes Payable EFC	-	(2,112,940)
Due to Saratoga County - Non Service Fee Balance	(3,246,587)	(3,246,587)
Due to Saratoga County IDA	(1,000,000)	(1,000,000)
	<u>\$ 14,246,743</u>	<u>\$ 13,640,656</u>

11. COMMITMENTS AND CONTINGENCIES

Water Supply Contracts

The Authority has entered into water service agreements with ten separate customers: Clifton Park Water Authority, Town of Ballston, Town of Malta, Town of Moreau, Town of Halfmoon, Town of Stillwater, Wilton Water and Sewer Authority, Village of Stillwater, Stewart's Corporation and Global Foundries US, Inc. Terms of said agreements are for the provision of water services as described by the individual agreements. The terms of each of the agreements are for ten (10) years subject to various conditions and qualifying events. 84% and 83% of the Authority's operating revenue in 2020 and 2019, respectively, was comprised of user fees received by the Authority related to three of the water service agreements.

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Authority is also involved in suits and claims (possible actions) arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such possible actions would not result in losses that would materially affect the net position of the Authority or the results of its operations.

Environmental Risks

Certain facilities are subject to federal, state and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Authority expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Authority. The Authority believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state and local requirements.

12. UNCERTAINTY

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Authority and its future financial position and results of operations is not presently determinable.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND EMPLOYER PENSION CONTRIBUTIONS
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net pension liability	.0014003%	.0013266%	.0014876%	.0016183%	.001661%
Authority's proportionate share of the net pension liability	\$ 370,815	\$ 93,990	\$ 48,011	\$ 152,062	\$ 267,419
Authority's covered payroll	\$ 369,625	\$ 376,964	\$ 373,891	\$ 352,022	\$ 323,277
Authority's proportionate share of the net pension liability as a percentage of its covered - employee payroll	100.3%	24.9%	12.8%	43.1%	82.7%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.7%	90.6%
Contractually required contribution	\$ 52,208	\$ 52,555	\$ 48,654	\$ 44,155	\$ 55,622
Contributions in relation to the contractually required contribution	\$ 52,208	\$ 52,555	\$ 48,654	\$ 44,155	\$ 55,622
Contribution deficiency (excess)	-	-	-	-	-
Authority's overall payroll	\$ 369,625	\$ 376,964	\$ 373,891	\$ 352,022	\$ 323,277
Contributions as a percentage of covered payroll	14.1%	13.9%	13.0%	12.5%	17.2%

The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPEB Liability, Beginning of Year	\$ 80,307	\$ 22,617	\$ 14,308	\$ 7,049	\$ 4,257
Changes for the Year:					
Service Cost	19,493	18,973	5,777	5,664	834
Interest	2,200	1,636	541	266	170
Assumption Changes and Differences Between Actual and Expected Experience	<u>-</u>	<u>37,081</u>	<u>1,991</u>	<u>1,329</u>	<u>1,453</u>
OPEB Liability, End of Year	<u>\$ 102,000</u>	<u>\$ 80,307</u>	<u>\$ 22,617</u>	<u>\$ 14,308</u>	<u>\$ 6,714</u>
Covered Payroll	<u>\$ 369,625</u>	<u>\$ 376,964</u>	<u>\$ 366,221</u>	<u>\$ 359,040</u>	<u>\$ 351,859</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>\$ 27.60%</u>	<u>\$ 21.30%</u>	<u>\$ 6.18%</u>	<u>\$ 3.99%</u>	<u>\$ 1.91%</u>

Note: 10 years of historical information was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

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**INDEPENDENT AUDITOR’S 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***

To the Saratoga County Water Authority Governing Board
Gansevoort, New York

We have audited, 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, the statement of net position of the Saratoga County Water Authority (the “Authority”), as of December 31, 2020, and the related statement 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 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the 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.

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 determination of financial statement amounts. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 25, 2021

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2020

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified? _____ Yes ___X___ No

• Significant deficiency(ies) reported identified that are material weaknesses? _____ Yes ___X___ No

Noncompliance material to financial statements? _____ Yes ___X___ None reported

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

None.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS RELATED TO INVESTMENT
GUIDELINES FOR PUBLIC AUTHORITIES**

To the Saratoga County Water Authority Governing Board
Gansevoort, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Saratoga County Water Authority Governing Board (the "Authority", a New York State public benefit corporation), which comprise the statement of net position as of December 31, 2020, and the related statements of revenue, expenses and change in net position and cash flows for the year ended and the related notes to the financial statements, and have issued our report thereon dated March 25, 2021.

We conducted our audit 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.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the Authority's own investment policies as well as applicable laws, regulations, and the State Comptroller's Investment Guidelines. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced requirements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management of the Authority, the Governing Board, and the New York State Comptroller and is not intended to be and should not be used by anyone other than those specified parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 25, 2021

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APPENDIX C — Information Concerning Saratoga County

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BOARD OF SUPERVISORS

Chair of the Board of Supervisors

THEODORE T. KUSNIERZ – Supervisor, Town of Moreau

Town of Ballston	ERIC CONNOLLY	City of Mechanicville	THOMAS RICHARDSON
Town of Charlton	JOE GRASSO	Town of Milton	BENNY L. ZLOTNICK, JR.
Town of Clifton Park	PHILIP C. BARRETT	Town of Moreau	THEODORE T. KUSNIERZ
Town of Clifton Park	JONATHAN G. SCHOPF	Town of Northumberland	WILLARD H. PECK
Town of Corinth	RICHARD B. LUCIA	Town of Providence	SANDRA WINNEY
Town of Day	PRESTON ALLEN, SR.	Town of Saratoga	THOMAS N. WOOD
Town of Malta	DARREN O'CONNOR	City of Saratoga Springs	MATTHEW E. VEITCH
Town of Edinburg	JEAN RAYMOND	City of Saratoga Springs	TARA N. GASTON
Town of Galway	MICHAEL A. SMITH	Town of Stillwater	EDWARD D. KINOWSKI
Town of Greenfield	DANIEL PEMRICK	Town of Waterford	JOHN E. LAWLER
Town of Hadley	ARTHUR M. WRIGHT	Town of Wilton	JOHN LANT
Town of Halfmoon	KEVIN J. TOLLISEN		

COUNTY OFFICIALS

County Administrator	STEVE BULGER	Treasurer / CFO	ANDREW B. JAROSH
Deputy County Administrator	RIDGE HARRIS	Deputy Treasurer	D'ARCY PLUMMBER
County Clerk	CRAIG HAYNER	Director of Finance	STEPHANIE HODGSON
County Attorney	MICHAEL HARTNETT	First Assistant Co. Atty.	MICHELLE GRANGER

GENERAL INFORMATION

OVERVIEW

Saratoga County, located in the upper Hudson Valley and foothills of the Adirondack Mountains in upstate New York, is a key driver of the U.S. Census Bureau's Albany-Schenectady-Troy Standard Metropolitan Statistical Area. The County's 814 square miles include the cities of Saratoga Springs and Mechanicville, the incorporated villages of Ballston Spa, Corinth, Galway, Round Lake, Schuylerville, South Glens Falls, Stillwater, Victory, and Waterford, and nineteen townships.

Saratoga County's economy is built on a diverse mix of industries with multiple well-established primary economic drivers. While agriculture and tourism have been the County's largest industries, manufacturing is the fastest-growing segment of its economy. Its chief manufacturers produce microchips, paper products, chemicals, electronic equipment, knit goods, and ladies' wearing apparel. There are several nationally known manufacturers located within Saratoga County. One specialized facility for energy and propulsion research is located within the County: the West Milton Atomic Project, in the Town of Milton.

Saratoga County is home to several internationally known tourist attractions. The County is well-known for horse racing and hosts the Saratoga Race Course, the oldest horse racing venue in the United States, and the Horse Racing National Hall of Fame. Based on a 2006 Economic Impact Study conducted by the New York Racing Association, the horse racing industry provides a total annual regional impact of between \$202,000,000 and \$232,000,000. Tax revenue to the County generated by the race course in 2017 was between \$8,500,000 and \$9,000,000. These taxes include sales tax, room taxes on lodging, property, admissions and other sundry taxes.

Supplementing this international tourist attraction are the Saratoga Casino and Raceway, the Saratoga Battlefield National Park – site of the turning point of the American Revolution, the Saratoga Spa State Park – featuring natural mineral springs and the Saratoga Performing Arts Center – the summer home of the New York City Ballet and Philadelphia Orchestra and host to dozens of Live Nation concerts each year from the biggest names in music, and the National Museum of Dance. The City of Saratoga Springs, with its rich Victorian-era history, has been nationally recognized and awarded several distinctions for its downtown area, seasonal celebrations, restaurants and pubs, and was the inspiration for Disney's Saratoga Springs Resort and Spa. The Saratoga Springs City Center has also become the centerpiece of the County's growing year-round convention and trade-show industry.

The County is home to the world's most advanced semiconductor foundry manufacturing facility and one of the largest construction projects in the United States. GlobalFoundries Fab 8, a \$6.9 billion, 2 million square foot computer chip manufacturing facility in the Luther Forest Technology Park located in the Towns of Malta and Stillwater, began production in January 2012 with over 3,000 employees. In July 2012, the company announced a \$2.3 billion 90,000 square foot expansion of its cleanroom, which was completed in 2014 and significantly expanded the facility's production capacity. In April 2014, Samsung and GlobalFoundries announced a partnership to develop 14-nanometer computer chips to be used in smartphones and tablets, and in October 2014, GlobalFoundries announced its acquisition of IBM's global commercial semiconductor technology business and its plan to be IBM's exclusive server processor semiconductor technology for low-nanometer chips for the next decade. GlobalFoundries gained substantial intellectual property as a result of this deal making GlobalFoundries the holder of one of the largest semiconductor patent portfolios in the world and further solidifying its position as a world leader in semiconductor foundry technology. In April 2021, GlobalFoundries announced plans to move its corporate headquarters from California's Silicon Valley to its facilities in Saratoga County. In July 2021, NY Senator Chuck Schumer announced that GlobalFoundries will build a second chip fab creating thousands of high-paying new jobs on the site in a project estimated at over \$8 billion through a combination of federal and private funding. This second GlobalFoundries Fab will greatly positively impact Saratoga County's economy.

While Saratoga County's economy is diverse based mostly on agriculture, tourism, and hospitality, much of its recent economic growth has been due to the expansion of GlobalFoundries resulting in increases in new home construction, business expansions, and hotel developments. Recent projects within the County include the following:

- Ellsworth Commons, a \$53 million new urban lifestyle design retail/mixed-use community in downtown Malta. It is situated on a large plot of land on Route 9 and boasts 70,000 square feet of retail and office space, 312 luxury apartments as well as 22 brownstone-style townhouses.
- Saratoga Hospital has \$16 million in projects ongoing as it looks to expand its coverage area. There are seven projects under construction, awaiting approval or recently completed. Saratoga Hospital affiliated with Albany Medical Center, and its partner Columbia Memorial Health which is helping the hospital make these types of investments.
- SKS Bottling, Saratoga Springs, located in the Grande Industrial Park, is a packaging supplier for the food and pharmaceutical industries and has purchased 22 acres to construct a new \$15.9 million headquarters and distribution center along with 118,000 square foot operations center.

- Stone Bridge Iron & Steele’s \$4.5 million 25,000-square foot facility expansion and workforce increase from 69 to 79 employees and \$3.75 million in payroll.
- Arnoff Moving and Storage completed a \$4.6 million expansion building a 43,780-square-foot addition and a 7,700-square-foot truck maintenance center in Malta.

Other noteworthy industry and economic components:

- Both Target and Ace Hardware operate large regional distribution facilities located in the town of Wilton;
- Momentive Performance Materials (MPM Silicone) is headquartered in the city of Mechanicville;
- Quad Graphics’ northeast printing and distribution center is located in the Grade Industrial Park in the city of Saratoga Springs;
- Bechtel Corporation and the U.S. Navy operate nuclear training facilities in Saratoga Springs and Milton;

The County is served by a modern system of paved roads, electricity throughout, and gas service in the urban areas. There are numerous water and sewer systems within the County. The County boasts excellent schools and libraries, keeping pace with its expanding population. Many residents of its suburban areas work in nearby cities, such as Albany, Schenectady, Troy, and Glens Falls, although there is some commuting from neighboring counties to the County’s manufacturers and other businesses.

Excellent higher education facilities are available in Saratoga Springs (Skidmore College) and in nearby communities: Rensselaer Polytechnic Institute, Russell Sage College (both in Troy), State University at Albany, Albany Medical College, Albany College of Pharmacy, Albany Law School, College of St. Rose in Albany, Union College in Schenectady, and Siena College in Loudonville. The County is also surrounded by four community colleges.

The County is served by first-rate regional and local transportation facilities including Amtrak, Canadian Pacific Railroad, Pan Am Southern Railroad, and local and inter-city bus service. The New York State Canal System extends for 32 miles along the County’s eastern border (Champlain Canal/Hudson River) and for 15 miles along its southern border (Erie Canal/Mohawk River). Interstate 87 (the Adirondack Northway) carries traffic from the New York State Thruway exit in Albany, northward to the Canadian border. The former Delaware and Hudson “Mechanicville” rail yard, which was abandoned for over twenty years, has reopened as an intermodal operation featuring both containers and automobiles. The Albany International Airport and the County’s own airport in Ballston Spa serve the commercial and general aviation needs of the County.

The County of Saratoga qualifies for \$44.58 million in Coronavirus State and Local Fiscal Recovery Funds as part of Section 603 of the American Rescue Plan Act. The first tranche (50%) was received in June 2021 and is being held in a segregated account awaiting expenditure on eligible items pending eligibility review and determination. The second tranche is schedule to be received in June 2022.

Source(s): Saratoga County officials, November 2021

WEALTH AND INCOME INDICATORS

Per capita income statistics are available for the County and State. Listed below are select figures from the 2000 Census Reports and the 2006-2010 and 2015-2019 American Community Survey 5-Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	2000	2006-2010	2015-2019	2000	2006-2010	2015-2019
County	\$ 23,945	32,189	43,065	58,213	81,251	102,897
State	23,389	30,948	39,326	51,691	67,405	84,385

Source(s): U.S. Bureau of the Census

POPULATION TRENDS

<u>Year</u>	<u>Saratoga County</u>	<u>New York State</u>	<u>United States</u>
1970	121,764	18,236,882	203,212,000
1980	153,759	17,558,072	226,505,000
1990	181,276	17,990,445	248,710,000
2000	200,635	18,976,457	284,696,157
2010	219,607	19,378,104	308,745,538
2020	235,509	20,201,249	329,500,000

Source(s): U.S. Department of Commerce, U.S. Bureau of the Census

MAJOR EMPLOYERS

<u>Company / Organization</u>	<u>Type</u>	<u>Approximate/Estimated Number of Employees</u>
Global Foundries	Computer Chip Fabrication Plant	3,000
Saratoga Hospital	Hospital & Nursing Home	2,100
Shenendehowa Central School District	Educational Institution	1,800
Bechtel Corporation / U.S. Navy	Naval Construction and Training	1,500
County of Saratoga	Local Government	1,200
Skidmore College	College	1,120
Saratoga Springs City School District	Educational Institution	1,010
Momentive Performance Materials	Silicone Products Manufacturing	1,000
Stewart's Ice Cream Company	Food Products / Fuel / Convenience Stores	990
Ballston Spa Central School District	Educational Institution	730
Target Distribution Center	Distribution Center	700
Wesley Health Care	Nursing Facility	680
Quad Graphics, Inc.	Printing	600
Saratoga Bridges	Dayhab/Rehab Facility	580
SYSCO Food Service	Food Service	400

Source(s): Saratoga County Prosperity Partnership, Saratoga County Economic Development Corporation, Saratoga County officials, December 2020.

UNEMPLOYMENT RATE STATISTICS

Annual Average Unemployment Rate

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Saratoga County	6.7 %	3.2 %	3.5 %	4.0 %	3.9 %
New York State	10.0 %	3.8 %	4.1 %	4.6 %	4.9 %

2021 Monthly Unemployment Rate

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
Saratoga County	5.3 %	5.7 %	5.1 %	4.3 %	3.8 %	4.1 %	4.1 %	4.0 %
New York State	9.4 %	9.7 %	8.4 %	7.7 %	7.0 %	7.2 %	7.4 %	7.1 %

NOTE: Figures are not seasonally adjusted

Source(s): New York State Department of Labor

COUNTY OF SARATOGA GOVERNMENT

FORM OF COUNTY GOVERNMENT

Subject to the State Constitution, the county government operates pursuant to New York State County Law and the New York State General Municipal Law and other laws governing the County generally, to the extent that such laws are applicable. The legislative power of the County of Saratoga is vested in the Board of Supervisors comprised of twenty three members elected by their respective townships and cities. The Board elects its own Chair annually to be the Chief Executive Officer of the government organization. Also pursuant to New York State law, the County has several elected officials and department-heads, each elected for four-year terms, including the Treasurer who is its Chief Fiscal Officer, the County Clerk, District Attorney, Sheriff, two Coroners, and two Election Commissioners. Non-elected department heads are civil service positions appointed by the by the Board of Supervisors; several are contractually appointed for six year terms and the remaining are appointed at will with civil service rights.

Nineteen of the Board of Supervisors' members are elected for two-year terms and the remaining four members are elected to four-year terms (Towns of Edinburg, Galway and Providence and the City of Mechanicville). Members cast population-weighted votes for Board business, regulations, policies, and other resolutions. The Board meets at both regular and special meetings throughout the year and uses the committee system. Among its powers and duties, the Board reviews and adopts the annual County Budget, levies taxes, reviews and approves any modifications to the Budget, and authorizes the incurrence of all indebtedness of the County. The Board oversees the general operation of the County government through its appointment of the County Administrator, who is responsible for the coordination and day-to-day activities of the various County agencies. The County Administrator is also the Budget Officer responsible for proposing the annual tentative budget to the Board.

FINANCIAL ORGANIZATION

The County Treasurer, the chief fiscal officer of the County, is elected at-large to a four-year term and is responsible for the administration and control of County finances including banking and investment, accounting, revenue and tax collection, accounts receivable and payable, payroll, grant administration, debt management, and other financial functions.

The Director of Finance, a civil service employee appointed by the County Treasurer when vacant, supervises the ongoing accounting and financial reporting responsibilities, and undertakes such other finance and accounting-related tasks as are assigned by the County Treasurer.

BUDGETARY PROCEDURES

The County Administrator, as the Budget Officer, prepares the annual tentative budget for the upcoming year, based on department-head requests, and proposes it to the Board of Supervisors during September of each year. The proposed budget is made available for public inspection and a public hearing is held thereon. Subsequent to the public hearing, the Board of Supervisors makes such revisions as it deems appropriate and the final budget is then adopted prior to the start of the fiscal year.

The budget is organized and presented on a departmental basis by object of expense indicating the last completed years actual expenditures, the current budget as approved and modified, the departmental request, and the County Administrator's recommendation. The budget, as adopted, gives full detail indicating therein the prior year information, the current year information, departmental requests, the County Administrator's recommendations and the final adopted budget for the County.

The Board may, during the course of the year, make changes in the appropriations and other modifications of the budget as it deems necessary.

The County did not exceed the 2% Property Tax Cap for fiscal years ending December 31, 2013, 2014, 2015, 2016, 2018, 2019, 2020, 2021; however, the County did exceed its tax cap in 2017.

The County's 2020 budget included a 3.772% increase in the property tax levy, which was under the County's tax levy limit. The County was not required to and did not vote to exceed its Tax Levy Limit for the 2020 fiscal year. The County rate remained at \$2.26 per \$1,000 of assessed value.

The County's 2021 budget included a 3.337% increase in the property tax levy, which was at the County's tax levy limit. The County was not required to and did not vote to exceed its Tax Levy Limit for the 2021 fiscal year.

INVESTMENT POLICY

Pursuant to the statutes of the State of New York, the County is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of

America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the County; (6) obligations of a New York public corporation which are made lawful investments by the County pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of County moneys held in certain reserve funds established pursuant to law, obligations issued by the County. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, or eligible letter of credit, as those terms are defined in the law.

The County Treasurer last proposed, and the Board of Supervisors last adopted, updates to the County Investment Policy in May 2019 (Resolution 134 – 2019.)

STATE AID

The County receives financial assistance from the State. In its budget for the current fiscal year, approximately 11.7% of the revenues of the County are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the County, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the County. No assurance can be given the present State aid levels will be maintained in the future. In view of the State’s continuing budget problems, future State aid reductions are possible. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the County, requiring either a counterbalancing increase in revenues from other sources to the extent available, or curtailment of expenditures

EMPLOYEES

The County provides services through approximately 1,034 full-time and 59 part-time employees. The bargaining units, approximate number of members and contract expiration dates are as follows:

<u>Bargaining Unit</u>	<u>Number of Members</u>	<u>Term of Contract</u>
CSEA	565	December 31, 2023
Saratoga County PBA – Road Patrol	124	December 31, 2022
Saratoga County PBA - Corrections	115	December 31, 2022

Source: County officials, June 2021.

FINANCIAL STATUS, INDICATORS & COMPONENTS

FISCAL STRESS MONITORING SYSTEM

The Office of the New York State Comptroller has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each municipality’s annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in “significant fiscal stress”, in “moderate fiscal stress,” as “susceptible to fiscal stress” or “no designation.” Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “no designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity’s financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

<u>Fiscal Year</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2015	No Designation	31.7
2016	No Designation	22.1
2017	No Designation	15.8
2018	No Designation	9.6
2019	No Designation	9.6
2020	No Designation	0

Source(s): Website of the Office of the New York State Comptroller.

Reference to websites implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference. For additional details regarding the Fiscal Stress Monitoring System visit the State Comptroller’s official website.

NEW YORK STATE COMPTROLLER EXAMINATIONS

The State Comptroller’s office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the County has complied with the requirements of various State and Federal statutes. These audits can be obtained from the Office of the State Comptroller website.

There are no State Comptroller’s audits of the County currently in progress or scheduled.

Source(s): Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference.

STATUS AND FINANCING OF EMPLOYEE PENSION BENEFITS

Substantially all employees of the County are members of the New York State and Local Employees’ Retirement System (“ERS”). The ERS is generally known as the “Common Retirement Fund”. The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute, and the benefits to employees, are governed by the New York State Retirement System and Social Security Law (the “Retirement System”). The Retirement System offers several plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System generally provides that all participating employers in the retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute 3% of gross annual salary towards the cost of retirement programs during their first ten years of service.

On December 12, 2009, a new Tier V was signed into law. The law is effective for new ERS hires on or after January 1, 2010 through March 31, 2012. Tier V ERS employees contribute 3 percent of their salaries. There is no provision for these contributions to cease after a certain period of service. Overtime pay in excess of \$15,000 will not be subject to ERS either in contribution from the County or the employee.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Contributions to the NYSERS since 2015 are as follows:

<u>Year</u>	<u>ERS</u>
2022 (budgeted)	\$ 11,970,725
2021	\$ 11,169,845
2020	\$ 9,401,334
2019	\$ 9,078,001
2018	\$ 8,806,295
2017	\$ 8,834,255
2016	\$ 8,903,604
2015	\$ 10,728,541

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The County does not have any early retirement incentives outstanding.

Historical Trends and Contribution Rates: Historically, there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees’ and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A schedule of average ERS rates as a percent of payroll (2018 to 2022) is shown below:

<u>Year</u>	<u>ERS</u>
2018	15.3%
2019	14.9
2020	14.6
2021	14.6
2022	16.2

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by the State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option. The 2013-14 Adopted State Budget included a provision that authorized local governments, including the County, with the option to “lock-in” long-term, stable rate pension contributions for a period of years

determined by the State Comptroller and ERS and PFRS. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

The County is not amortizing or smoothing any pension payments, nor does it intend to do so in the foreseeable future.

The investment of monies, and the assumptions underlying same, of the Retirement Systems covering the County’s employees is not subject to the direction of the County. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the County which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

OTHER POST-EMPLOYMENT BENEFITS

Other Post-Employment Benefits (“OPEB”) refers to other-than-pension benefits consisting primarily of health care benefits and may include other benefits such as disability benefits and life insurance. Prior to 2015, these benefits had generally been administered on a pay-as-you-go basis and were not reported as a liability on governmental financial statements. In 2015 the Government Accounting Standards Board (“GASB”) released new accounting standards for public OPEB plans and participating employers in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). These standards have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended December 31, 2018, the County implemented GASB 75. GASB Statement No. 75 replaced GASB Statement 45, which also required municipalities to calculate and report a net other postemployment benefit obligation. However, under GASB 45 municipalities could amortize the OPEB liability over a period of years, whereas GASB 75 requires municipalities to report the entire OPEB liability on the statement of net position.

The County has contracted with Armory Associates, LLC, an actuarial firm, to calculate its annual actuarial valuation under GASB 75 since 2018. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits.

The following outlines the changes to the Total OPEB Liability during the below fiscal year, by source:

Balance at December 31, 2018:	<u>\$ 250,265,675</u>
<u>Changes for the year</u>	
Service Cost	8,155,233
Interest	8,734,993
Difference between expected and actual experience	(2,697,158)
Changes of benefit terms	
Changes in assumptions	(16,827,874)
Benefit payments (including implicit subsidy)	<u>(8,993,383)</u>
<u>Net Changes</u>	<u>(11,628,189)</u>
Balance at December 31, 2019:	<u>\$ 238,637,486</u>

Source(s): Actuarial Valuation Report fiscal year ended December 31, 2019.

NOTE: Information for the fiscal year ended December 31, 2020 is not yet available.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

The County’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the County’s finances and could force the County to reduce services, raise taxes or both.

There is no authority in current State law to establish a reserve fund for this liability. Additional information related to this study can be obtained by contacting the County offices.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state’s OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller’s proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller’s proposed legislation will be reintroduced or enacted if introduced.

OTHER INFORMATION

No principal or interest upon any obligation of this County is past due.

The fiscal year of the County is January 1 through December 31.

Except for as shown under “STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness”, this Appendix C does not include the financial data of any political subdivision having power to levy taxes within the County.

SARATOGA COUNTY WATER AUTHORITY

The Saratoga County Water Authority initiated operations in 2008. During the SCWA’s initial ‘ramp up’ period, the County entered into a service agreement with the SCWA on September 1, 2008 obligating the County to pay a repayable service fee equal to the difference between the amount budgeted by the Authority for the payment of debt service of its 2008 bonds and the operating costs of the water system and certain moneys held by the Authority for such purposes. In 2017, the Authority became entirely self-funding due its expanding customer base and began repaying the service fees accrued. The County received \$1 million of the amounts owed for the service fees in October 2018. The Authority repaid an additional \$2 million toward this loan in 2019. The Authority did not make a payment in 2020, but did make another \$2 million payment in early 2021. The remaining balance due the County is \$1.8 million.

The County’s budgeted and actual payments to the Authority since 2011 are as follows:

<u>Fiscal Year Ending 12/31</u>	<u>Budgeted</u>	<u>Actual</u>
2022	\$ 0	
2021	\$ 0	\$ 0
2017-2020	\$ 0	\$ 0
2016	\$ 250,000	\$ 250,000
2015	\$ 500,000	\$ 250,000
2014	\$ 1,200,000	\$ 1,200,000
2013	\$ 890,000	\$ 1,063,776
2012	\$ 1,656,084	\$ 1,656,000
2011	\$ 792,100	\$ 421,328

SARATOGA COUNTY LANDFILL

The County landfill was sold to Finch Waste Company LLC in 2014 for \$4 million plus other revenue considerations. The County was receiving additional revenue from Finch under this agreement estimated to exceed \$40 million. In October 2017, Finch entered into an agreement with Waste Management of New York, LLC whereby Finch transferred the landfill to Waste Management who are contractually responsible under the following terms:

- Upfront payment of \$4 million for acquisition of the 98.37-acre landfill, contingent upon transfer of the NYSDEC Part 360 landfill permit and approval to accept paper sludge in the county landfill cells (the cells are currently permitted to accept municipal solid waste or “msw”).

- Additional upfront payment of \$2 million upon NYSDEC approval of “valley fill” construction that would join the County landfill to the adjacent existing Finch landfill.
- Annual host payments of \$100,000 (\$2 million over the facility’s estimated 20-year life) commencing after approval of the valley fill.
- Profit sharing payments in the amount of \$6.18 per ton multiplied by 200,000-250,000 tons/year, resulting in \$1.236-\$1.545 million in revenue per year and \$24.7-\$30.9 million over the facility’s estimated 20 year life. 12.5% of this revenue (capped at \$1/ton) will be paid to the Town of Northumberland. 50% of the remaining profit sharing amount will be paid to towns, villages and cities using the sales tax distribution formula; and Additional payments equivalent to 50% of the revenue generated by Finch from the sale of energy, carbon credits, renewable energy credits and energy capacity credits.

Source: 2013 County of Saratoga Annual Update Document with revised profit-sharing formula based on sale to Waste Management of NY LLC.

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TAX INFORMATION

TAXABLE VALUATION

US Dollars \$	<u>2022</u> (preliminary)	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assessed Valuation:	22,288,721,868	21,848,428,769	21,695,527,186	21,113,662,303	20,094,875,069
NYS Equalization Rate:	74.16 %	75.25 %	76.36 %	78.64 %	78.77 %
Full Valuation:	30,084,119,478	29,111,722,021	28,441,491,326	26,856,838,251	25,511,273,230
Tax Rate per \$1,000: (assessed)	2.23	2.23	2.21	2.26	2.29

PROPERTY TAX COLLECTION PROCEDURE

The County of Saratoga collects its own property taxes, with the exception of the two cities of Saratoga Springs and Mechanicville. Both cities bill the County taxes on the respective city tax bills issued by each city. For all the towns and villages, the Town and County tax bills are issued by the Town Tax Collector/Receiver of Taxes and the village tax bills are issued by the Village Tax Collector/Receiver of Taxes.

In the City of Mechanicville: Taxes are collected March 1 to March 15 without penalty. A penalty of 1% is imposed on taxes paid between March 16 and March 31; during the month of April, the penalty is 3%. After April 30, an additional 1% per month is added until paid.

In the City of Saratoga Springs: Taxes may be paid in quarterly installments. The final dates for payment without penalty are as follows: first quarter, March 1; second quarter, June 1; third quarter, September 1; fourth quarter, December 1. After those dates, penalties will accrue on the respective installment beginning with 5% and increasing 1% monthly thereafter.

The full amount of County property taxes levied in the cities is paid to the County prior to the end of its fiscal year. In the towns, taxes are payable in the month of January without penalty; 1% per month, or portion thereof, is charged thereafter. A 5% delinquency penalty is imposed on April 1st, at which time unpaid taxes are returned to the County Treasurer for collection. Proceedings to collect delinquent taxes are commenced annually.

PROPERTY TAX LEVY AND TAX COLLECTION RECORD

US Dollars \$	<u>2022</u> (tentative)	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Tax Levy:	67,087,654	65,027,000	62,627,257	60,140,155	58,582,411
Collected:		0	61,766,463	59,204,671	57,316,822
% Collected:		0 %	98.6 %	98.44 %	97.84 %

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LARGEST TAXPAYERS – 2021 Assessment Roll for 2022 County Tax Roll *

<u>Name</u>	<u>Type</u>	<u>Taxable Property Full Valuation</u>
NATIONAL GRID	Utility	\$ 516,273,814
COUNTY OF SARATOGA IDA	Public Authority	508,192,037
ERIE BOULVEVARD HYDROPOWER LP	Utility	227,983,872
STATE OF NEW YORK LAND	Government	197,772,637
REGENCY REALTY ASSOCIATES	Various Properties	137,477,800
CURTIS/PALMER HYDROELECTRIC	Industrial	135,477,800
MPM SILICONES LLC	Industrial	114,442,756
HUDSON RIVER REGULATING DIST	Public Authority	99,343,023
NYS ELECTRIC & GAS CORP	Utility	89,216,038
TARGET CORPORATION	Distribution Center	88,723,057
INDECK-CORINTH LIMITED	Industrial	71,318,900
NORTHWAY ELEVEN	Townhouses	63,001,500
SARATOGA CASINO HOLDINGS LLC	Casino	57,302,581
WILTON MALL LLC	Shopping Center	46,355,900
SARATOGA HOTEL ASSOCIATES	Hotels	35,680,581

Source(s): County Officials, November 2021

* PRELIMINARY ASSESSMENTS AS OF NOV 1, 2021

The fifteen largest taxpayers listed above have a total full valuation of \$2.388 billion which represents 8.19% of the 2020 tax base of the County.

The County currently does not have any pending or outstanding tax certioraris that are known or reasonably believed, to have a material impact on the County.

CONSTITUTIONAL TAX MARGIN

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2019 through 2020:

	<u>2020</u>	<u>2021</u>
Five-Year Average Full Valuation	\$25,211,192,340	\$26,224,660,376
Tax Limit - 1.5% of Five Year Average	378,167,885	393,369,906
Add: Exclusions From Tax Limit	2,498,434	2,501,684
Total Taxing Power	380,666,319	395,871,590
Less Total Levy	62,817,471	65,207,125
Tax Margin	\$317,848,848	\$330,664,465

NOTE: 2022 figures are unavailable at the time of publishing. The 2022 budget has not yet been adopted.

ADDITIONAL TAX INFORMATION

Real property taxes in the County are assessed by the various towns. Veterans' and senior citizens' exemptions are offered to those who qualify. The total property tax bill of a typical residence with a market value of \$200,000 is estimated to be \$5,030 including County, town, village and school district taxes.

The assessment roll of the County is constituted approximately as follows:

- 73% residential
- 17% commercial
- 2% industrial
- 8% agricultural and other

TAX CAP LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “Tax Cap Law”). The Tax Cap Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective city.)

The Tax Cap Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It was set to expire on June 15, 2020; however recent legislation has made it permanent. Pursuant to the Tax Cap Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Cap Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Cap Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Cap Law (June 24, 2011).

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This has been interpreted by the Court of Appeals, the State’s highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the city’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit”, are used and they are not tautological. That is what the words say and that is what the courts have held them to mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provision of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirements to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the *Flushing National Bank* case stated:

“So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the city’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted....While phrased in permissive language, these provisions, when read together with the requirement of the pledge of faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the *Flushing National Bank* case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

Therefore, while the Tax Cap Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Cap Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Cap Law. Whether

the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

It is likely that the Tax Cap Law will be subject to judicial review to resolve the constitutional issues raised by its adoption. Although Courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, the outcome of any such challenge cannot be predicted.

REAL PROPERTY TAX REBATE

Chapter 59 of the Laws of 2014 (“Chapter 59”), includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Cap Law. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Cap Law. The implications of this for future tax levies and for operations and services of the City are uncertain at this time.

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SALES TAX

In general, Saratoga County imposes the lowest sales tax rate of all New York State counties (tied) at a net of 7% consisting of a 4% state-imposed sales tax and a 3% county-imposed sales tax. All sales taxes collected by retailers and proprietors are remitted regularly to the New York State Department of Taxation and Finance – Sales Tax Division who is solely responsible for all collections and subsequent distribution of the counties’ portions to the counties. The NYS DTF submits monthly sales tax receipts it has collected due the County based on its distribution estimates. NYS DTF makes quarterly adjustments to balance the previous quarter’s distributions with actual filings.

In general, the County shares its gross sales tax receipts with the towns, cities, and villages within the county based on a Board-approved distribution formula that prorates amounts due to the municipalities based on property full valuations and population. Effective June 1, 2002 the City of Saratoga Springs re-imposed its own sales tax, abrogating the then existing distribution formula. For sales on or after that date, there is a 1.5% county sales tax within the City of Saratoga Springs and 3% county sales tax elsewhere in the County. In accordance with the New York State Tax Law §1262, the additional 1.5% collected outside the City of Saratoga Springs is distributed to the City of Mechanicville and each town and village within the County, proportionately to its share of the full value of taxable real property outside Saratoga Springs.

Special annual distributions are made to the City of Mechanicville (\$542,000) and the Town of Milton (\$60,000) by permission of the State Legislature and direction of the Board of Supervisors.

The County of Saratoga’s Sales Tax year includes receipts from March through February in accordance with New York State Office of the State Comptroller guidance. This means that January and February receipts are accounted for in the previous year’s sales tax revenue.

SALES TAX REVENUES

Sales tax revenues for the fiscal years ending December 31, 2012 through December 31, 2020 and the budgeted amount for the fiscal year ending December 31, 2021 are as follows:

<u>Year</u>	<u>County Portion of Sales Tax</u>	<u>Year</u>	<u>County Portion of Sales Tax</u>
2022 (Budgeted)	\$ 70,500,000	2016	59,855,291
2021 (Budgeted)	64,105,000	2015	57,988,451
2021 YTD (Through 9 months)	57,776,383	2014	56,441,633
2020	63,823,076	2013	54,164,636
2019	66,596,284	2012	52,942,529
2018	63,900,324	2011	50,921,175
2017	60,932,410	2010	48,699,790

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STATUS OF INDEBTEDNESS

CONSTITUTIONAL REQUIREMENTS

The New York State Constitution limits the power of the County (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the County and the Bonds include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the County shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The County may contract indebtedness only for a County purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal years, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining debt service is utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. The County is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The County has the power to contract indebtedness for any County purpose so long as the principal amount thereof, subject to certain limited exceptions and certain enumerated exclusions and deductions, such as water, certain sewer facilities, and cash or appropriations for current debt service, shall not exceed seven per centum of the average full valuation of taxable real estate of the County. The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown on the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four receding assessment rolls and dividing such sum by five.

STATUTORY PROCEDURE

In general, the State Legislature has authorized the power and procedure for the County to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the General Municipal Law.

Pursuant to the Local Finance Law, the County authorizes the issuance of Bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Supervisors, the legislative board of the County. The Board of Supervisors has delegated to the County Treasurer, as chief fiscal officer of the County, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the Bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- Such obligations are authorized for a purpose for which the County is not authorized to expend money, or
- There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication, or
- Such obligations are authorized in violation of the provisions of the Constitution.
- Except on rare occasions the County complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the Bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The County Board of Supervisors, as the finance board of the County, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may, and generally does, delegate the power to sell the obligations to the County Treasurer, the chief fiscal officer of the County, pursuant to the Local finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See “Payment and Maturity” under “Constitutional Requirements” herein).

In general, the Local Finance Law contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see “Details of Outstanding Indebtedness: herein”).

DEBT OUTSTANDING END OF FISCAL YEAR

Fiscal Years Ending Dec. 31:	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 (projected)</u>
Bonds	\$ 54,975,000	\$ 76,180,000	\$ 71,895,000	\$ 68,310,000	\$ 64,585,000
Bond Anticipation Notes	\$ -	\$ -	\$ -	\$ -	\$ -
State Loans	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Lease Obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Totals of All Debt Outstanding	\$ 54,975,000	\$ 76,180,000	\$ 71,895,000	\$ 68,310,000	\$ 64,585,000

DETAILS OF OUTSTANDING INDEBTEDNESS

The following table sets forth the indebtedness of the County as of June 28, 2021. Additional debt service payments have been made and are to be made by December 31, 2021:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2020-2040	\$ 67,505,000
Bond Anticipation Notes		\$ -
Total Indebtedness		\$ 67,505,000

The following table sets forth the projected indebtedness of the County as of December 31, 2021:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2020-2040	\$ 64,585,000
Bond Anticipation Notes		\$ -
Total Indebtedness		\$ 64,585,000

DEBT STATEMENT SUMMARY

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as shown as of June 28, 2021¹:

Five-Year Average Full Valuation of Taxable Real Property	\$26,928,441,249
Debt Limit - 7% thereof	1,884,990,887
Inclusions:	
Bonds	67,505,000
Bond Anticipation Notes	-
Total Inclusions	67,505,000
Exclusions	
Appropriations	2,920,000
Total Exclusions	2,920,000
Total Net Indebtedness Subject to Debt Limit	64,585,000
Net Debt-Contracting Margin	<u>\$ 1,820,405,887</u>
Percent of Debt Contracting Power Exhausted	3.43%

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as projected as of December 31, 2021¹:

Five-Year Average Full Valuation of Taxable Real Property	\$28,010,476,921
Debt Limit - 7% thereof	1,960,733,384
Inclusions:	
Bonds	64,585,000
Bond Anticipation Notes	-
Total Inclusions	64,585,000
Exclusions	
Appropriations	2,920,000
Total Exclusions	2,920,000
Total Net Indebtedness Subject to Debt Limit	61,665,000
Net Debt-Contracting Margin	<u>\$ 1,899,068,384</u>
Percent of Debt Contracting Power Exhausted	3.14%

¹ Appropriations and revenue obligations are excluded pursuant to Section 136.00 of the Local Finance Law.

BONDED DEBT SERVICE

The County of Saratoga's projected debt service payments for 2021 through 2040 is as follows:

Fiscal Year	Ending	Principal	Interest	Total
2021	\$	3,725,000	\$ 2,399,303	\$ 6,124,303
2022	\$	3,855,000	\$ 2,259,530	\$ 6,114,530
2023	\$	4,015,000	\$ 2,114,323	\$ 6,129,323
2024	\$	3,820,000	\$ 1,960,734	\$ 5,780,734
2025	\$	3,970,000	\$ 1,812,649	\$ 5,782,649
2026	\$	4,130,000	\$ 1,658,344	\$ 5,788,344
2027	\$	4,270,000	\$ 1,510,121	\$ 5,780,121
2028	\$	4,405,000	\$ 1,382,852	\$ 5,787,852
2029	\$	4,570,000	\$ 1,211,163	\$ 5,781,163
2030	\$	4,350,000	\$ 1,032,681	\$ 5,382,681
2031	\$	4,475,000	\$ 914,319	\$ 5,389,319
2032	\$	4,640,000	\$ 743,719	\$ 5,383,719
2033	\$	4,820,000	\$ 562,525	\$ 5,382,525
2034	\$	2,950,000	\$ 404,538	\$ 3,354,538
2035	\$	1,780,000	\$ 330,725	\$ 2,110,725
2036	\$	1,830,000	\$ 275,100	\$ 2,105,100
2037	\$	1,895,000	\$ 217,913	\$ 2,112,913
2038	\$	1,950,000	\$ 156,325	\$ 2,106,325
2039	\$	2,005,000	\$ 92,950	\$ 2,097,950
2040	\$	855,000	\$ 27,788	\$ 882,788
TOTALS	\$	68,310,000	\$ 21,067,601	\$ 89,377,601

ESTIMATE OF OBLIGATIONS TO BE ISSUED

The County anticipates issuing debt for three large sanitary sewer projects in the near future: a biosolids facility for \$24.5 million, an ammonia remediation facility for \$30 million, and a relining of primary interceptor sewer line at an estimated cost of \$20.0 million. The County anticipates issuing bond anticipation notes through the State Environmental Facilities Corporation in early 2022 and permanently financing the project with bonds in late 2023 following the completion of construction. Each project will be bonded in separate issues. The ammonia remediation project is closely associated with the planned construction of GlobalFoundries new facility which is receiving significant federal funding. Conversations and negotiation are underway to request federal subsidies towards that project's bonds.

The County plans on bonding approximately \$11.4 million of its \$21 million capital plan in 2022.

The County may bond for purchase and refurbishment of a new administrative services building in 2022 or 2023. Planning has commenced but no offers or agreements have been made or signed. The estimated cost for this project is estimated to be approximately \$30 million.

All of the above projects, if bonded, would increase the County's debt usage from 3.1% of its \$1.96 billion debt limit to 5.41% (before adjusting for any potential federal subsidies.)

CASH FLOW BORROWING

The County has not issued revenue anticipation notes or tax anticipation notes in the last five years, and does not anticipate issuing either in the foreseeable future.

ESTIMATED OVERLAPPING INDEBTEDNESS

In addition to the County, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the County. Bonded indebtedness, including serial bonds and notes, is estimated as of the close of the fiscal year of the respective municipalities, not adjusted to include subsequent bond issues, if any.

	<u>Indebtedness</u>	¹	<u>Exclusions</u>	²	<u>Net Indebtedness</u>
Cities	\$73,784,060		\$20,459,655	³	\$53,324,405
Towns	63,400,158		32,164,412	³	\$31,235,747
Villages	41,212,306		34,670,320	³	\$6,541,986
School Districts	362,528,177		277,053,096	⁴	\$85,475,081
Fire Districts	13,637,064.33		960,440	³	<u>\$12,676,625</u>
					\$189,253,844

(1) Outstanding bonds and bond anticipation notes re as of the close of the respective fiscal years, and are not adjusted to include subsequent bond or note sales, if any.

(2) Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

(3) Sewer and water debt, appropriations and cash on hand for debts.

(4) Estimated State Building Aid.

Source: State Comptroller's reports for fiscal year ending 2018 for cities, towns and fire districts
and fiscal year ending 2019 for school districts and villages.

DEBT RATIOS

The following table sets forth certain ratios relating to the County's net indebtedness as of June 28, 2021.

	<u>Amount</u>	<u>Per Capita</u>	<u>% of Full Value</u>
Net Indebtedness	\$64,585,000	\$280.97	0.22%
Net Indebtedness Plus Net Overlapping Indebtedness	253,838,844	1,104.30	0.87%

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FINANCIAL STATEMENTS

The County complies with the Uniform System of Accounts as prescribed for Counties in New York State by the State Comptroller. This System differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending December 31, 2016 the County is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The County hired an outside consultant to assist in implementation of GASB 34, inclusive of a physical review and documentation of all assets owned by the County. The County is currently in full compliance with GASB 34.

Audited Results for the Fiscal Year Ended December 31, 2020

The County ended the fiscal year ending December 31, 2020 with an assigned fund balance of \$38,328,064.

Summary audited information for the General Fund for the period ending December 31, 2020 is as follows:

Revenues:	\$ 252,272,367
Expenditures:	<u>243,274,554</u>
Excess (Deficit) Revenues Over Expenditures:	<u>\$ (10,396,367)</u>
Total General Fund Balance at December 31, 2019:	<u>\$ 48,724,431</u>
Total General Fund Balance at December 31, 2020:	<u>\$ 38,328,064</u>

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom.

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BALANCE SHEET

Fiscal Years Ending December 31:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$25,108,784	\$26,352,229	\$39,151,797	\$36,141,784	\$34,575,774
Receivables:					
Taxes	15,316,254	15,937,843	17,013,244	18,039,983	18,725,193
Accounts	4,491,158.00	10,403,666.00	688,431.00	3,247,825	0
Other Governments	37,878,149	37,641,228	35,431,346	38,585,771	46,503,122
Due From Other Funds	6,285,441.00	7,306,777.00	3,513,635	-	-
Inventories	47,498	40,926	0	43,780	37,912
Other Receivables	447,241	0	43,961	-	1,346,535.00
TOTAL ASSETS	\$89,574,525	\$97,682,669	\$95,842,414	\$96,059,143	\$101,188,536
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable & Accrued Liabilities	\$5,110,016	\$7,660,256	\$5,478,469	\$5,916,195	\$7,216,489
Other Liabilities	0	0	0	0	2,166,504
Retainage	0	0	2,226	-	-
Due to Other Funds	7,785,171	8,418,582	1,635,070.00	-	-
Due to Other Governments	21,940,099	23,149,691	22,569,643	23,498,168	30,917,635
Deferred Revenue	21,609,877	27,590,833	19,525,278	17,920,349	24,559,849
TOTAL LIABILITIES	\$56,445,163	\$66,819,362	\$49,210,686	\$47,334,712	\$64,860,477
<u>FUND EQUITY</u>					
Nonspendable	\$47,498	\$40,926	\$43,961	\$43,780	\$37,914
Restricted	706,741	658,775	753,947	799,416	1,055,065
Assigned	5,006,183	6,860,028	19,582,350	19,362,540	11,708,392
Unassigned	27,368,940	23,303,578	26,251,470	28,518,695	23,526,688
TOTAL FUND EQUITY	\$33,129,362	\$30,863,307	\$46,631,728	\$48,724,431	\$36,328,059

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REVENUES, EXPENDITURES, & CHANGE IN FUND BALANCE

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
OPENING FUND BALANCE	\$20,029,283	\$33,129,362	\$30,863,307	\$46,631,728	\$48,724,431
REVENUES:					
Real Property Taxes	\$54,401,712	\$55,523,077	\$56,816,822	\$59,204,671	\$61,766,463
Other Tax Items	126,144,082	127,830,766	133,746,531	137,566,309	131,976,537
Departmental Income	10,855,735	11,553,280	10,888,505	11,760,077	11,309,091
Intergovernmental Charges	2,628,257	4,415,827	3,883,888	5,398,458	5,202,890
Use of Money and Property	404,025	447,847	566,107	784,946	518,904
Licenses and Permits	77,262	117,764	86,963	82,710	68,358
Fines and Forfeitures	382,209	369,493	413,415	312,504	216,059
Sale of Property and Compensation					
of Loss	7,167,053	2,142,477	12,913,246	2,257,354	2,516,809
Miscellaneous	1,349,706	635,488	2,121,411	1,410,443	959,608
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	27,013,122	25,387,155	24,206,642	28,971,351	20,379,629
Revenues from Federal Sources	26,801,939	17,259,185	17,960,184	17,435,308	17,358,019
Total Revenues	\$257,225,102	\$245,682,359	\$263,603,714	\$265,184,131	\$252,272,367
Balance and Revenues	277,254,385	278,811,721	294,467,021	311,815,859	300,996,798
Employee Benefits					
General Government Support	\$83,367,877	\$84,111,269	\$87,059,593	\$91,053,237	\$92,814,141
Education	18,014,888	20,000,026	20,359,226	22,098,755	19,843,415
Public Safety	35,651,038	38,490,862	39,036,204	41,419,131	41,755,616
Health	17,840,856	16,918,696	17,727,361	18,358,109	18,820,270
Transportation	327,518	687,584	814,813	424,884	3,474,316
Economic Assistance and					
Opportunity	63,633,042	59,501,780	60,154,629	62,123,006	60,056,308
Culture and Recreation	814,337	1,094,680	1,068,146	1,137,442	761,368
Home and Community Services	3,208,114	3,367,903	3,270,609	3,756,448	3,247,254
Debt Service	3,244,184	3,222,597	1,292,300	3,335,271	2,501,866
Total Expenditures	\$226,101,854	\$227,395,397	\$230,782,881	\$243,706,283	\$243,274,554
OTHER FINANCING SOURCES					
(USES):					
Operating Transfers In	\$0	\$0	\$0	\$0	
Operating Transfers (Out)	(18,023,169)	(20,553,017)	(17,052,412)	(19,385,145)	
Total Other Financing Sources (Uses)	(18,023,169)	(20,553,017)	(17,052,412)	(19,385,145)	
Adjustment					
Balance before adjustments	\$33,129,362	\$30,863,307	\$46,631,728	\$48,724,431	
Changes in Reserves	0	0	0	0	
CLOSING FUND BALANCE	\$33,129,362	\$30,863,307	\$46,631,728	\$48,724,431	

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GENERAL FUND REVENUES, EXPENDITURES, & CHANGE IN FUND BALANCE

Fiscal Years Ending December 31:	2020		2021
	Adopted <u>Budget</u>	<u>Audited</u>	Adopted <u>Budget</u>
<u>Revenues</u>			
Real Property Taxes	\$ 62,627,257	\$ 61,766,463	\$ 65,027,000
Real Property Tax Items	4,953,750	3,671,367	4,000,000
Non-Property Tax Items	131,121,847	128,305,170	129,251,347
Departmental Income	11,319,090	11,309,091	10,814,206
Intergovernmental Charges	3,124,754	5,202,890	7,914,098
Use of Money & Property	690,730	518,904	665,821
Licenses and Permits	90,000	68,358	90,000
Fines and Forfeitures	366,640	216,059	305,000
Sale of Property and Compensation for Loss	2,056,000	2,516,809	4,260,000
Miscellaneous	2,741,765	959,608	2,259,445
Interfund Revenues	-	-	-
Revenues from State Sources	31,159,664	20,379,630	32,688,298
Revenues from Federal Sources	22,998,134	17,358,018	22,710,337
Total Revenues	<u>\$ 273,249,631</u>	<u>\$ 252,272,367</u>	<u>\$ 279,985,552</u>
<u>Expenditures</u>			
General Government Support	\$ 98,114,809	\$ 92,814,143	\$ 98,338,408
Education	21,475,000	19,843,415	22,554,000
Public Safety	40,572,902	41,755,615	44,750,942
Health	19,074,285	18,820,269	18,882,663
Transportation	6,570,900	3,474,316	5,544,400
Economic Assistance and Opportunity	65,591,352	60,056,308	66,700,351
Culture and Recreation	1,081,643	761,369	1,122,521
Home and Community Services	3,543,495	3,247,254	3,836,271
Debt Service	2,498,434	2,501,866	2,501,684
Total Expenditures	<u>258,522,820</u>	<u>\$ 243,274,554</u>	<u>\$ 264,231,240</u>
Excess of Revenues Over (Under) Expenditures	14,726,811	\$ 8,997,813	\$ 15,754,312
Other Financing Sources (Uses):			
Operating Transfers In	0	-	-
Operating Transfers Out	0	(19,394,180)	(18,823,677)
Total Other Financing	<u>(18,292,025)</u>	<u>(19,394,180)</u>	<u>(18,823,677)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(3,565,214)</u>	<u>(10,396,367)</u>	<u>(3,069,365)</u>
<u>FUND BALANCE</u>			
Fund Balance - Beginning of Year	3,565,214	48,724,431	3,069,365
Prior Period Adjustments (net)	-	-	-
Fund Balance - End of Year	<u>-</u>	<u>\$ 38,328,064</u>	<u>\$ 0</u>

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Changes in Fund Equity

Fiscal year Ending December 31:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>COUNTY ROAD</u>					
Fund Equity - Beginning of Year	<u>\$ 700,205</u>	<u>\$ 795,584</u>	<u>\$512,342</u>	<u>\$8</u>	<u>\$694,362</u>
Prior Period Adjustments (net)	-	-	7	(490,949)	(879,693)
Revenues & Other Sources	18,966,850	19,258,573	19,939,838	22,981,545	22,084,792
Expenditures & Other Uses	18,871,471	<u>19,541,815</u>	<u>20,452,179</u>	<u>21,826,234</u>	<u>21,899,461</u>
Fund Equity - End of Year	\$795,584	\$512,342	\$8	\$694,362	\$0
<u>ROAD MACHINERY</u>					
Fund Equity - Beginning of Year	<u>\$ 179,209</u>	<u>\$ 852,411</u>	<u>\$583,476</u>	<u>\$(2)</u>	<u>\$49,999</u>
Prior Period Adjustments (net)	(1)	-	-	(1,108)	-
Revenues & Other Sources	5,193,855	6,023,037	5,224,525	4,816,654	4,392,641
Expenditures & Other Uses	<u>4,520,652</u>	<u>6,291,972</u>	<u>5,808,003</u>	<u>4,765,546</u>	<u>4,442,641</u>
Fund Equity - End of Year	\$ 852,411	\$ 583,476	\$(2)	\$49,999	\$(4)
<u>CAPITAL PROJECTS</u>					
Fund Equity - Beginning of Year	<u>\$ (809,825)</u>	<u>\$(962,429)</u>	<u>\$(31,258)</u>	<u>\$24,645,199</u>	<u>\$5,998,710</u>
Prior Period Adjustments (net)	(1)	-	1	-	-
Revenues & Other Sources	-	<u>1,354,720</u>	<u>28,860,575</u>	<u>4,248,154</u>	<u>1,009,366</u>
Expenditures & Other Uses	<u>152,605</u>	423,549	4,184,119	22,894,643	6,736,237
Fund Equity - End of Year	\$ (962,429)	<u>\$31,258</u>	<u>\$24,645,199</u>	<u>\$5,998,710</u>	<u>\$271,840</u>

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APPENDIX D — County Financial Statements

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COUNTY OF SARATOGA, NEW YORK
Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report
December 31, 2020

COUNTY OF SARATOGA, NEW YORK

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INDEPENDENT AUDITORS' REPORT

Chairman and Members of the
Board of Supervisors
County of Saratoga, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Saratoga, New York (the County), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Saratoga County Industrial Development Agency, Saratoga County Water Authority and Saratoga County Prosperity Partnership, Inc. which collectively represent 100% of the assets, 100% of the net position, and 100% of the revenue of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Saratoga County Industrial Development Agency, Saratoga County Water Authority and Saratoga County Prosperity Partnership, Inc. is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Saratoga, New York, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 1(d) to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84 - "Fiduciary Activities," during the year ended December 31, 2020. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the additional information on pages 68 through 72 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information on pages 73 and 74 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2021, on our consideration of the County'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 County'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 County's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
August 30, 2021

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis
December 31, 2020

Our discussion and analysis of the County of Saratoga, New York's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2020.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 12 and 13) provide information about the County as a whole and present a longer-term view of the County's finances and are referred to as the Government-wide financial statements. Governmental Fund financial statements begin on page 14. For Governmental Funds, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in greater detail than the Government-wide financial statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. As a whole, the aforementioned items are the County's basic financial statements.

In addition to the basic financial statements, the annual report contains required supplementary information as dictated by the Governmental Accounting Standards Board and other supplementary information in the form of combining statements for those funds that are not considered major funds and, therefore, are not presented individually in the basic financial statements.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 12, with the Government-wide financial statements. The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the full-accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the County's net position and changes in them. One can think of the County's net position, the residual of assets, deferred outflows of resources, liabilities and deferred inflows of resources, as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. One needs to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis, Continued

In the statement of net position and the statement of activities, we separate the County into two types of activities:

- **Primary Government:** All of the County's services are reported in this category, including public safety, public health, economic assistance, transportation, and general administration. Property and sales taxes, and New York State (the State) and Federal grants finance most of these activities.
- **Component Units:** The County includes the Saratoga County Industrial Development Agency, Saratoga County Water Authority and Saratoga County Prosperity Partnership, Inc. in its report as separate legal entities. Complete financial statements for these component units can be obtained from their respective administrative office.

Governmental Fund Financial Statements

Analysis of the County's major funds begins on page 14. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting its legal responsibilities for using certain taxes and grants. The County's three kinds of funds - Governmental, Proprietary and Fiduciary - use different accounting approaches.

Governmental Funds: All of the County's services are reported in the Governmental Funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified-accrual accounting which measures cash and all other financial assets that can be readily converted into cash. The Governmental Fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

Proprietary Funds: When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in Proprietary Funds. Proprietary Funds report the same way all activities are reported in the statement of net position and the statement of activities. Saratoga County Sewer District is the only Proprietary Fund.

Fiduciary Funds: The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported on the statements on pages 21 and 22.

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis, Continued

County of Saratoga General Information

The County, located in the upper Hudson Valley and foothills of the Adirondack Mountains, is part of the Census Bureau's Albany-Schenectady-Troy Standard Metropolitan Statistical Area. The County's 814 square miles include the cities of Saratoga Springs and Mechanicville, the incorporated villages of Ballston Spa, Corinth, Galway, Round Lake, Schuylerville, South Glens Falls, Stillwater, Victory, and Waterford, and nineteen townships.

Saratoga County's economy is built on a diverse mix of industries with multiple well-established primary economic drivers. While agriculture and tourism have been the County's largest industries, manufacturing is a fast-growing segment of its economy. Its chief manufacturers produce microchips, paper products, chemicals, electronic equipment, knit goods, and ladies' wearing apparel. There are several nationally known manufacturers located within Saratoga County. One specialized facility for energy and propulsion research is located within the County: the West Milton Atomic Project, in the Town of Milton.

Saratoga County is home to several internationally-known tourist attractions. The County is well-known for horse racing and hosts the Saratoga Race Course, the oldest horse racing venue in the United States, and the Horse Racing National Hall of Fame. Based on a 2006 Economic Impact Study conducted by the New York Racing Association, the horse racing industry provides a total annual regional impact of between \$202,000,000 and \$232,000,000. Tax revenue to the County generated by the race course in 2017 was between \$8,500,000 and \$9,000,000. These taxes include sales tax, room taxes on lodging, property, admissions and other sundry taxes.

Supplementing this international tourist attraction are the Saratoga Casino and Raceway, the Saratoga Battlefield National Park - site of the turning point of the American Revolution, the Saratoga Spa State Park - featuring natural mineral springs and the Saratoga Performing Arts Center - the summer home of the New York City Ballet and Philadelphia Orchestra and host to dozens of Live Nation concerts each year from the biggest names in music, and the National Museum of Dance. The City of Saratoga Springs, with its rich Victorian-era history, has been nationally recognized and awarded several distinctions for its downtown area, seasonal celebrations, restaurants and pubs, and was the inspiration for Disney's Saratoga Springs Resort and Spa. The Saratoga Springs City Center has also become the centerpiece of the County's growing year-round convention and trade-show industry.

The County is home to the world's most advanced semiconductor foundry manufacturing facility and one of the largest construction projects in the United States. Global Foundries Fab 8, a \$6.9 billion, 2 million square foot computer chip manufacturing facility in the Luther Forest Technology Park located in the Towns of Malta and Stillwater, began production in January 2012. In July 2012, the company announced a \$2.3 billion 90,000 square foot expansion of its cleanroom, which was completed in 2014 and significantly expanded the facility's production capacity. On January 8, 2013, Global Foundries announced it would begin construction on a new research and development facility at the Fab 8 campus. Featuring more than a half million square feet of flexible space to support a range of technology development and manufacturing activities, the new Technology Development

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis, Continued

Center (TDC) will play a key role in the company's strategy to develop innovative semiconductor solutions. Global Foundries currently has 3,400 employees on site which is up from the 2,176 reported in 2014. On August 31, 2018, the company announced plans in the local media to focus on improving upon its profitable 14-nanometer microchip market and away from developing new 7-nanometer chips, necessitating the layoff of 424 employees, most of whom were involved in the research and development of 7-nanometer microchips. Global Foundries has an administrative building adjacent to the facility. The site occupied by Global Foundries within the Luther Forest Technology campus is zoned for two additional chip fab facilities and discussions about building a second fab are ongoing.

In April 2014, Samsung and Global Foundries announced partnership to develop 14-nanometer computer chips to be used in smartphones and tablets. In October 2014, Global Foundries announced that it is acquiring IBM's global commercial semiconductor technology business and will be IBM's exclusive server processor semiconductor technology for low-nanometer chips for the next decade. Global Foundries will also gain substantial intellectual property as a result of this deal including thousands of patents, making Global Foundries the holder of one of the largest semiconductor patent portfolios in the world and further solidifying its position as a world leader in semiconductor foundry technology. Global Foundries purchased 60 acres of land in November 2015 for \$1.2 million as part of its plan to expand Fab 8. In addition, Global Foundries is planning to purchase another 135 acres of land for a second Fab.

A development driven by Global Foundries is Ellsworth Commons, a \$53 million new urban lifestyle design retail/mixed-use community in downtown Malta. It is situated on a large plot of land on Route 9 and boasts 70,000 square feet of retail and office space, 312 luxury apartments as well as 22 brownstone-style townhouses.

Economic growth has continued in the County due to the expansion of Global Foundries resulting in an increase of home construction, business expansion and hotel development. Recent projects within the County include the following:

- Saratoga Hospital has \$16 million in projects ongoing as it looks to expand its coverage area. There are 7 projects under construction, awaiting approval or recently completed. Saratoga Hospital affiliated with Albany Medical Center, and its partner Columbia Memorial Health which is helping the hospital make these types of investments.
- SKS Bottling, Saratoga Springs, Grande Industrial Park. The president of this packaging supplier for the food and pharmaceutical industries has purchased 22 acres to construct a new \$15.9 million headquarters and distribution center along with 118,000 square foot operations center.
- Stone Bridge Iron & Steele's \$4.5 million 25,000 square foot expansion for this iron and steel fabricator. Expand from 69 to 79 employees and \$3.75 million in payroll.
- Arnoff Moving and Storage's \$4.6 million expansion. The company built a 43,780-square-foot addition and a 7,700-square-foot truck maintenance center in Malta.

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis, Continued

The County is served by a modern system of paved roads, electricity throughout, and gas service in the urban areas. There are numerous water and sewer systems within the County. The County boasts excellent schools and libraries, keeping pace with its expanding population. Many residents of its suburban areas work in nearby cities, such as Albany, Schenectady, Troy, and Glens Falls, although there is some commuting from neighboring counties to the County's manufacturers and other businesses.

Excellent higher education facilities are available in Saratoga Springs (Skidmore College) and in nearby communities: Rensselaer Polytechnic Institute, Russell Sage College (both in Troy), State University at Albany, Albany Medical College, Albany College of Pharmacy, Albany Law School, College of St. Rose in Albany, Union College in Schenectady, and Siena College in Loudonville. The County is also surrounded by four community colleges.

The County is served by first-rate regional and local transportation facilities including Amtrak, Canadian Pacific Railroad, Pan Am Southern Railroad, and local and inter-city bus service. The New York State Canal System extends for 32 miles along the County's eastern border (Champlain Canal/Hudson River) and for 15 miles along its southern border (Erie Canal/Mohawk River). Interstate 87 (the Adirondack Northway) carries traffic from the New York State Thruway exit in Albany, northward to the Canadian border. The former Delaware and Hudson "Mechanicville" rail yard, which was abandoned for over twenty years, has reopened as an intermodal operation featuring both containers and automobiles. The Albany International Airport and the County's own airport in Ballston Spa serve the commercial and general aviation needs of the County.

County of Saratoga Government Services

Saratoga County government services are those typically provided by New York State counties. Much of any county's operation and finances are mandated by the State, and little flexibility or discretion is left to individual counties. In the case of Saratoga, the majority of its general revenues finance state mandated programs.

The services provided by County government are accounted for through a General Fund, Highway Fund, Equipment Fund, Job Training and Employment Special Revenue Fund, Federal Forfeitures Fund, various Capital Project Funds, as well as one Proprietary Fund. Through a separate fund, the County insures itself and most municipalities within the County for workers' compensation. The County also maintains a separate fund to self-insure its health insurance. Other services are provided by entities related to the County: the Saratoga County Industrial Development Agency, the Saratoga County Soil and Water District, the Saratoga County Water Authority, the Saratoga County Prosperity Partnership, Inc. and the Saratoga Lake Improvement District.

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis, Continued

The County is also the custodian of a wide variety of funds held for the benefit of others. To the extent that these funds are in the custody of the County Treasurer, they are accounted for in a Fiduciary Fund and have been included in the fund-basis financial statements (but excluded from the government-wide statements, as prescribed by the Governmental Accounting Standards Board).

The maintenance of the County's 99 bridges and 365 miles of highway are accounted for in two of the Special Revenue Funds on a modified-accrual basis. In 2020, \$27,275,175 was expended in these funds which is an increase from the previous year of \$1,692,683. Another Special Revenue Fund accounts for the County's employment and training activities to the extent that they are paid for with Federal funds under the Work Force Investment Act. During 2020, \$1,063,436 was expended and reimbursed by the Federal government.

Activities of the County's Sewer District that serves the southern and eastern portions of the County are accounted for in the County's Enterprise Fund. The Sewer District received sewage from greater than 72,000 "equivalent domestic units," through a 320-mile collector system and treated it at a 43.4 million-gallon/day treatment plant. The 2020 cost of the Sewer Fund was \$21,380,579, with revenues of \$25,559,046.

The wide variety of the remaining services provided by County government are accounted for in the County's General Fund, including:

- financial assistance and social services to the County's low-income population, the elderly, veterans, children at risk and children in general;
- public safety services such as a sheriff's road patrol, fire and other emergency response coordination and communications, a jail, and an animal shelter;
- education funding to those attending community college and to preschool children with special needs;
- health services to the general public in the form of public health service and mental health coordination and individual care in the form of home health care and mental health services;
- promotion of agriculture and tourism and other economic development activities;
- services to the court system including prosecution (District Attorney), recordkeeping (County Clerk), the holding of bail and other court funds (County Treasurer); and
- a variety of other services including the preservation and cataloging of important documents (County Clerk and Historian), motor vehicle offices, consumer protection, and environmental and forestry management.

The County serves the public and other levels of local government through the Planning Board, the Board of Elections, Real Property Tax Service, and the tax collection services of the County Treasurer. These services, together with the County's administrative costs and a small number of grants to community, historical, and cultural organizations, are provided at a total modified-accrual cost.

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis, Continued

For the year ended December 31, 2020, the General Fund expended \$243,274,554 and the general real property tax revenue amounted to \$61,766,463. Many of these services are mandated by New York State and in several areas the expenditures themselves are mandated, with the County having little or no control over the expenditure level. In most cases, the County receives State and/or Federal reimbursement for some, but not all, of those expenditures.

Analysis of the County's Budget and Fund-Basis Finances in 2020

The 2020 General Fund included \$19,394,180 in transfers to other funds, including the County Road and Road Machinery Funds. The County's Enterprise Fund, the Sewer District, had net operating income of \$4,178,467. The other budgeted funds were balanced without involving fund balance.

The County's actual expenditures in the General Fund during 2020 were \$21,338,690 under the modified budget amount. Actual revenue was lower than the modified budget by \$25,712,027. See details on page 68.

Analysis of the County's Government-Wide Financial Position During 2020

During 2020, the County's government-wide net position decreased by \$28,759,226. Governmental activities net position decreased by \$32,937,693 which was due in large part to changes in the net pension liability and the total OPEB liability and their related deferred outflows of resources and deferred inflows of resources. Business-type activities increased net position by \$4,178,467 as a result of operating revenue exceeding operating expenses.

Analysis of the County's Capital Investment and Bond Indebtedness

The County's net investment in capital assets at the end of 2020 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Related Debt</u>	<u>Net</u>
Land	\$ 4,820,105	-	-	4,820,105
Construction in progress	27,661,754	-	(21,555,537)	6,106,217
Buildings and improvements	233,573,425	(129,779,355)	(2,860,000)	100,934,070
Vehicles	27,502,861	(17,901,308)	-	9,601,553
Machinery and equipment	17,224,598	(11,652,169)	-	5,572,429
Infrastructure	<u>266,374,509</u>	<u>(118,107,112)</u>	<u>(46,306,198)</u>	<u>101,961,199</u>
Totals	\$ <u>577,157,252</u>	<u>(277,439,944)</u>	<u>(70,721,735)*</u>	<u>228,995,573</u>

Debt related to construction in progress consists of \$21,445,000 in bonds and \$110,537 in premiums.

*Sewer District is responsible for \$46,306,198 of this amount, which consists of \$44,005,000 in bonds, \$3,909,294 in premiums and \$62,727 of deferred gains on refunding, less \$1,670,823 of deferred losses on refunding.

COUNTY OF SARATOGA, NEW YORK
Management's Discussion and Analysis, Continued

Future Prospects for the County's Finances

In January 2020, Moody's Investors Service has upgraded Saratoga County issuer and general obligation limited tax (GOLT) ratings to Aa1 from Aa2. The upgrade to Aa1 reflects Saratoga County's continued financial strength and steadily growing tax base. The growing population and economy have led to growing property and sales taxes which have bolstered the county's reserve position.

In May 2021, Moody's reaffirmed the County's Aa1 rating with "no outlook" noting, "Saratoga County's credit position is excellent, and its Aa1 rating slightly exceeds the U.S. counties median of Aa2. Key credit factors include a very large tax base, a strong wealth and income profile and an exceptionally light debt burden." (The full Moody's Annual Comment should be read in its entirety and is available at www.moody.com.)

The County anticipates issuing debt for two sanitary sewer projects in the near future (12-24 months), a Regional Biosolids Facility and a relining of the Sewer District's interceptor. These projects will be funded through a combination of Environmental Facilities Corporation bond anticipation notes followed by permanent bond financing following completion of construction and an appointment of the County's American Rescue Plan Act funding.

In May 2021, the County was allotted \$44.6 million in American Rescue Plan Act (ARPA) of 2021 (H.R. 1319) Section 603 Coronavirus State and Local Fiscal Recovery Funds. \$22.3 million was received in May 2021 and the remaining \$22.3 million will be received in May 2022. The County has convened a Working Group consisting of county management and consultants to review the ARPA guidelines and rules and make recommendations to the Board regarding their use.

The County endured the 2020 pandemic shutdown while seeing only an approximate 4.3% decline in sales tax revenues. In the first half of 2021, sales tax has rebounded greatly and is on pace to exceed 2019 receipts. Further, the County's decision early in the pandemic to enact austerity measures greatly minimized the impact of suddenly reduced revenues. While all counties suffered in 2020, Saratoga County was able to maintain a relatively healthy position heading into 2021.

Requests for Additional Information

Additional information about the County's financial statements may be obtained from the Saratoga County Administrator's Office, County Municipal Center, 40 McMaster Street, Building 1, Ballston Spa, New York 12020.

COUNTY OF SARATOGA, NEW YORK
Statement of Net Position
December 31, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current:				
Cash and equivalents	\$ 48,359,172	29,240,250	77,599,422	13,231,740
Taxes receivable, net of allowance	18,725,195	-	18,725,195	-
Accounts receivable	2,236,119	721,229	2,957,348	1,301,817
State and federal receivables	37,955,388	-	37,955,388	-
Due from other governments	19,144,734	-	19,144,734	-
Loans receivable	-	-	-	1,400,000
Grants receivable	-	-	-	254,786
Prepaid expenses	2,246,076	106,202	2,352,278	79,843
Inventories	1,117,832	-	1,117,832	-
Other assets	37,914	-	37,914	-
Restricted assets - cash and equivalents	13,794,216	-	13,794,216	3,192,173
Property held for development	-	-	-	344,717
Total current assets	143,616,646	30,067,681	173,684,327	19,805,076
Noncurrent assets - capital assets, net of accumulated depreciation	162,693,809	137,023,499	299,717,308	63,106,347
Total assets	306,310,455	167,091,180	473,401,635	82,911,423
Deferred outflows of resources:				
Loss on refunding	-	1,670,823	1,670,823	-
Pension	47,468,905	2,203,373	49,672,278	260,968
OPEB	51,693,539	2,899,566	54,593,105	36,034
Total deferred outflows of resources	99,162,444	6,773,762	105,936,206	297,002
Liabilities:				
Current:				
Accounts payable	12,802,109	2,926,937	15,729,046	482,226
Accrued liabilities	775,449	554,871	1,330,320	535,250
Due to other governments	24,721,306	-	24,721,306	4,859,957
Other liabilities	84,945	-	84,945	5,500
General obligation bonds and premiums	1,658,503	2,270,465	3,928,968	835,000
Total current liabilities	40,042,312	5,752,273	45,794,585	6,717,933
Long-term liabilities:				
General obligation bonds and premiums	22,757,034	45,643,829	68,400,863	43,767,684
Compensated absences	3,257,293	160,029	3,417,322	-
Self insured claims payable	21,845,246	-	21,845,246	-
Net pension liability	68,032,424	3,157,875	71,190,299	370,815
Total OPEB liability	278,969,038	15,954,191	294,923,229	102,000
Total long-term liabilities	394,861,035	64,915,924	459,776,959	44,240,499
Total liabilities	434,903,347	70,668,197	505,571,544	50,958,432
Deferred inflows of resources:				
Gain on refunding	-	62,727	62,727	-
Pension	4,153,105	192,775	4,345,880	27,402
OPEB	12,521,111	725,775	13,246,886	-
Unearned revenue	4,851,120	-	4,851,120	-
Total deferred inflows of resources	21,525,336	981,277	22,506,613	27,402
Net position (deficit):				
Net investment in capital assets	138,278,272	90,717,301	228,995,573	14,246,473
Restricted - self-insurance workers' compensation	12,964,056	-	12,964,056	-
Restricted - self-insurance health benefits	8,236,139	-	8,236,139	-
Restricted - other	1,487,228	-	1,487,228	3,192,173
Unrestricted (deficit)	(211,921,479)	11,498,167	(200,423,312)	14,783,945
Total net position (deficit)	\$ (50,955,784)	102,215,468	51,259,684	32,222,591

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Activities
Year ended December 31, 2020

Functions	Expenses	Program Revenue			Net Revenue (Expenses) and Changes in Net Position			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Component units
Primary government:								
Governmental activities:								
General government support	\$ 107,663,159	10,857,359	4,176,685	-	(92,629,115)	-	(92,629,115)	-
Education	19,848,863	-	3,685,304	-	(16,163,559)	-	(16,163,559)	-
Public safety	70,228,495	14,168,030	1,308,978	-	(54,751,487)	-	(54,751,487)	-
Health	23,506,307	6,533,924	6,511,783	-	(10,460,600)	-	(10,460,600)	-
Transportation	33,024,624	5,727,644	5,191,680	3,779,559	(18,325,741)	-	(18,325,741)	-
Economic assistance and opportunity	71,127,900	5,847,547	25,778,014	-	(39,502,339)	-	(39,502,339)	-
Culture and recreation	1,013,691	1,501,821	18,043	759,312	1,265,485	-	1,265,485	-
Home and community services	4,261,915	2,384,343	64,150	-	(1,813,422)	-	(1,813,422)	-
Debt service	889,320	-	-	-	(889,320)	-	(889,320)	-
Total governmental activities	331,564,274	47,020,668	46,734,637	4,538,871	(233,270,098)	-	(233,270,098)	-
Business-type activities - Sewer District	21,380,579	25,322,232	-	-	-	3,941,653	3,941,653	-
Total primary government	\$ 352,944,853	72,342,900	46,734,637	4,538,871	(233,270,098)	3,941,653	(229,328,445)	-
Component units:								
Saratoga County Industrial Development Agency	418,035	9,125	-	-	-	-	-	(408,910)
Saratoga County Water Authority	6,239,672	7,378,911	2,627,508	-	-	-	-	3,766,747
Saratoga County Prosperity Partnership, Inc.	509,091	-	490,428	-	-	-	-	(18,663)
Total component units	\$ 7,166,798	7,388,036	3,117,936	-	-	-	-	3,339,174
General revenue:								
Real property tax and related tax items					66,242,657	-	66,242,657	-
Non-property tax items					128,305,170	-	128,305,170	-
Sales of property and compensation for loss					2,678,168	91,277	2,769,445	-
Use of money and property					1,803,372	124,717	1,928,089	182,439
Miscellaneous local sources					1,303,038	20,820	1,323,858	-
Total general revenue					200,332,405	236,814	200,569,219	182,439
Change in net position					(32,937,693)	4,178,467	(28,759,226)	3,521,613
Net position (deficit) at beginning of year					(18,018,091)	98,037,001	80,018,910	28,700,978
Net position (deficit) at end of year					\$ (50,955,784)	102,215,468	51,259,684	32,222,591

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Balance Sheet - Governmental Funds
December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and equivalents	\$33,067,405	1,714,104	859,320	35,640,829
Taxes receivable, net of allowance	18,725,195	-	-	18,725,195
Accounts receivable	1,346,535	-	506,848	1,853,383
State and federal receivables	35,002,196	-	2,953,192	37,955,388
Due from other governments	4,371,525	-	-	4,371,525
Due from other funds	517,886	-	-	517,886
Other assets	37,914	-	-	37,914
Restricted assets - cash and equivalents	<u>830,160</u>	<u>-</u>	<u>-</u>	<u>830,160</u>
Total assets	<u>\$93,898,816</u>	<u>1,714,104</u>	<u>4,319,360</u>	<u>99,932,280</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	9,222,670	1,442,264	1,364,067	12,029,001
Due to other governments	23,788,233	-	933,073	24,721,306
Due to other funds	<u>-</u>	<u>-</u>	<u>517,886</u>	<u>517,886</u>
Total liabilities	<u>33,010,903</u>	<u>1,442,264</u>	<u>2,815,026</u>	<u>37,268,193</u>
Deferred inflows of resources	<u>22,559,849</u>	<u>-</u>	<u>2,729,774</u>	<u>25,289,623</u>
Fund balances:				
Nonspendable	37,914	-	-	37,914
Restricted	1,055,065	271,840	160,323	1,487,228
Assigned - Maplewood Manor retiree health benefits	8,639,026	-	-	8,639,026
Assigned - appropriated	3,069,365	-	-	3,069,365
Unassigned (deficit)	<u>25,526,694</u>	<u>-</u>	<u>(1,385,763)</u>	<u>24,140,931</u>
Total fund balances	<u>38,328,064</u>	<u>271,840</u>	<u>(1,225,440)</u>	<u>37,374,464</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$93,898,816</u>	<u>1,714,104</u>	<u>4,319,360</u>	<u>99,932,280</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
 Reconciliation of the Balance Sheet - Governmental Funds to the
 Statement of Net Position
 December 31, 2020

Total fund balances - governmental funds	\$ 37,374,464
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	162,693,809
Compensated absences are expensed as paid in governmental funds, expensed as incurred, and reflected as liability on the statement of net position.	(3,257,293)
Significant inventories of materials and supplies are included in the statement of net position as current assets.	1,117,832
Internal service funds net position are not reported in the governmental funds, but included in the statement of net position.	17,318,043
Deferred property tax revenue is not available to pay current period expenditures and is therefore deferred in the funds.	8,449,718
Deferred revenue from receivables not available to pay for current period expenditures and is therefore deferred in the funds.	12,118,820
Prepaid expenses are not reported in the governmental funds.	2,246,076
Some deferred inflows and outflows of resources are not reported in the governmental funds as they do not provide for or use current resources:	
Deferred outflows of resources - pension	47,468,905
Deferred outflows of resources - OPEB, net of \$17,368 reported in workers' compensation fund	51,676,171
Deferred inflows of resources - pension	(4,153,105)
Deferred inflows of resources - OPEB, net of \$3,928 reported in workers' compensation fund	(12,517,183)
Long-term liabilities that are not due and payable in the current period are not reported in the governmental funds:	
General obligation bonds and premiums	(24,415,537)
Accrued interest	(149,930)
Total OPEB liability, net of \$74,888 reported in the workers' compensation fund	(278,894,150)
Net pension liability	<u>(68,032,424)</u>
Total net position (deficit) of the governmental activities	<u><u>\$(50,955,784)</u></u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year ended December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue:				
Real property taxes	\$ 61,766,463	-	-	61,766,463
Real property tax items	3,671,367	-	-	3,671,367
Non-property tax items	128,305,170	-	-	128,305,170
Departmental income	11,309,091	-	1,758,797	13,067,888
Intergovernmental charges	5,202,890	-	417,254	5,620,144
Use of money and property	518,904	60,225	1,129,181	1,708,310
Licenses and permits	68,358	-	-	68,358
Fines and forfeitures	216,059	-	7,493	223,552
Sale of property and compensation for loss	2,516,809	-	161,359	2,678,168
Miscellaneous local sources	959,608	-	267,905	1,227,513
State aid	20,379,629	189,828	2,328,194	22,897,651
Federal aid	17,358,019	759,312	1,633,203	19,750,534
Total revenue	<u>252,272,367</u>	<u>1,009,365</u>	<u>7,703,386</u>	<u>260,985,118</u>
Expenditures:				
General government support	92,814,141	11,900	-	92,826,041
Education	19,843,415	-	-	19,843,415
Public safety	41,755,616	5,858,783	984,237	48,598,636
Health	18,820,270	-	-	18,820,270
Transportation	3,474,316	865,552	26,306,001	30,645,869
Economic assistance and opportunity	60,056,308	-	1,063,436	61,119,744
Culture and recreation	761,368	-	-	761,368
Home and community services	3,247,254	-	-	3,247,254
Debt service	2,501,866	-	-	2,501,866
Total expenditures	<u>243,274,554</u>	<u>6,736,235</u>	<u>28,353,674</u>	<u>278,364,463</u>
Other sources (uses):				
Operating transfers in	-	-	19,394,180	19,394,180
Operating transfers out	(19,394,180)	-	-	(19,394,180)
Total other sources (uses)	<u>(19,394,180)</u>	<u>-</u>	<u>19,394,180</u>	<u>-</u>
Net change in fund balances	(10,396,367)	(5,726,870)	(1,256,108)	(17,379,345)
Fund balances at beginning of year	48,724,431	5,998,710	30,668	54,753,809
Fund balances (deficit) at end of year	<u>\$ 38,328,064</u>	<u>271,840</u>	<u>(1,225,440)</u>	<u>37,374,464</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances -
 Governmental Funds to the Statement of Activities
 Year ended December 31, 2020

Net change in fund balances - governmental funds		\$(17,379,345)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$16,349,689	
Depreciation	(14,819,018)	
Loss on disposal	<u>(96,255)</u>	1,434,416
Changes in net position from internal service funds which are not reported in governmental funds but included in the statement of activities.		466,108
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		(715,456)
Accrued interest		9,043
Other postemployment benefits:		
Total OPEB liability	(53,402,014)	
Deferred outflows of resources - OPEB	36,173,992	
Deferred inflows of resources - OPEB	<u>2,966,156</u>	(14,261,866)
Pension:		
Net pension liability	(50,462,386)	
Deferred outflows of resources - pension	33,021,758	
Deferred inflows of resources - pension	<u>4,903,058</u>	(12,537,570)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,595,000
Some revenues are reported in the statement of activities that do not result in current financial resources and therefore are not reported as revenue in the governmental funds.		8,505,675
Expenditure for pensions and bond premiums within governmental funds are recorded as expenditures when paid. In the statement of activities, these items are allocated over the time period the items are consumed.		89,156
Expenditures for inventory within certain governmental funds are recorded as expenditures when paid. In the statement of activities, these costs are allocated over the time period the items are consumed.		<u>(142,854)</u>
Change in net position of governmental activities		<u><u>\$(32,937,693)</u></u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities			
	Enterprise Fund	Internal Service Funds		
	Sewer District	Workers' Compensation	Health Benefits	Total
Assets:				
Current:				
Cash and equivalents	\$ 29,240,250	2,198,029	10,520,314	12,718,343
Accounts receivable	721,229	325,000	57,736	382,736
Due from other governments	-	14,773,209	-	14,773,209
Prepaid expenses	106,202	-	-	-
Restricted assets - cash and equivalents	-	12,964,056	-	12,964,056
Total current assets	<u>30,067,681</u>	<u>30,260,294</u>	<u>10,578,050</u>	<u>40,838,344</u>
Noncurrent assets - capital assets, net of accumulated depreciation	<u>137,023,499</u>	-	-	-
Total assets	<u>167,091,180</u>	<u>30,260,294</u>	<u>10,578,050</u>	<u>40,838,344</u>
Deferred outflows of resources:				
Loss on refunding	1,670,823	-	-	-
Pension	2,203,373	-	-	-
OPEB	2,899,566	17,368	-	17,368
Total deferred outflows of resources	<u>6,773,762</u>	<u>17,368</u>	<u>-</u>	<u>17,368</u>
Liabilities:				
Current:				
Accounts payable	2,926,937	151,572	621,536	773,108
Accrued liabilities	554,871	625,519	-	625,519
Other liabilities	-	-	84,945	84,945
General obligation bonds and premiums	2,270,465	-	-	-
Total current liabilities	<u>5,752,273</u>	<u>777,091</u>	<u>706,481</u>	<u>1,483,572</u>
Long-term:				
General obligation bonds and premiums	45,643,829	-	-	-
Compensated absences	160,029	-	-	-
Self insured claims payable	-	20,245,246	1,600,000	21,845,246
Net pension liability	3,157,875	-	-	-
Total OPEB liability	15,954,191	74,888	-	74,888
Total long-term liabilities	<u>64,915,924</u>	<u>20,320,134</u>	<u>1,600,000</u>	<u>21,920,134</u>
Total liabilities	<u>70,668,197</u>	<u>21,097,225</u>	<u>2,306,481</u>	<u>23,403,706</u>
Deferred inflows of resources:				
Gain on refunding	62,727	-	-	-
Pension	192,775	-	-	-
OPEB	725,775	3,928	-	3,928
Unearned revenue	-	94,605	35,430	130,035
Total deferred inflows of resources	<u>981,277</u>	<u>98,533</u>	<u>35,430</u>	<u>133,963</u>
Net position:				
Net investment in capital assets	90,717,301	-	-	-
Restricted - self-insurance workers' compensation	-	12,964,056	-	12,964,056
Restricted - self-insurance health benefits	-	-	8,236,139	8,236,139
Unrestricted (deficit)	11,498,167	(3,882,152)	-	(3,882,152)
Total net position	<u>\$ 102,215,468</u>	<u>9,081,904</u>	<u>8,236,139</u>	<u>17,318,043</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Revenue, Expenses, and Changes in Net Position -
Proprietary Funds
Year ended December 31, 2020

	Business-type Activities			
	Enterprise Fund	Internal Service Funds		
	<u>Sewer District</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>	<u>Total</u>
Operating revenue:				
Charges for services	\$ 25,322,232	-	-	-
Participant assessments	-	5,001,705	23,748,880	28,750,585
Use of money and property	124,717	57,821	37,241	95,062
Sale of property and compensation for loss	91,277	-	-	-
Miscellaneous local sources	20,820	107,085	183,056	290,141
Total operating revenue	<u>25,559,046</u>	<u>5,166,611</u>	<u>23,969,177</u>	<u>29,135,788</u>
Operating expenses:				
Costs of sales and services	10,303,988	-	-	-
Employee benefits	3,075,012	3,065,700	25,603,980	28,669,680
Debt service	1,465,045	-	-	-
Depreciation	6,536,534	-	-	-
Total operating expenses	<u>21,380,579</u>	<u>3,065,700</u>	<u>25,603,980</u>	<u>28,669,680</u>
Gain (loss) from operations	4,178,467	2,100,911	(1,634,803)	466,108
Net position at beginning of year	<u>98,037,001</u>	<u>6,980,993</u>	<u>9,870,942</u>	<u>16,851,935</u>
Net position at end of year	<u>\$ 102,215,468</u>	<u>9,081,904</u>	<u>8,236,139</u>	<u>17,318,043</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Cash Flows
Proprietary Funds
Year ended December 31, 2020

	Business-type Activities Enterprise Fund	Internal Service Funds		
	Sewer District	Workers' Compensation	Health Benefits	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:				
Cash received from charges to customers and governmental funds	\$ 25,794,481	5,475,023	23,938,080	29,413,103
Cash paid for interest	(1,624,794)	-	-	-
Cash paid to employees and benefits	(1,794,134)	(3,374,790)	(24,836,947)	(28,211,737)
Cash paid for services and payables	<u>(11,860,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>10,514,887</u>	<u>2,100,233</u>	<u>(898,867)</u>	<u>1,201,366</u>
Cash flows from non-capital financing activities - increase in restricted cash and equivalents	<u>-</u>	<u>(2,816,332)</u>	<u>-</u>	<u>(2,816,332)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(7,708,835)	-	-	-
Repayments of long-term debt	<u>(1,990,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(9,698,835)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash and equivalents	816,052	(716,099)	(898,867)	(1,614,966)
Cash and equivalents at beginning of year	<u>28,424,198</u>	<u>2,914,128</u>	<u>11,419,181</u>	<u>14,333,309</u>
Cash and equivalents at end of year	<u>\$ 29,240,250</u>	<u>2,198,029</u>	<u>10,520,314</u>	<u>12,718,343</u>
Reconciliation of gain (loss) from operations to net cash provided by (used in) operating activities:				
Gain (loss) from operations	4,178,467	2,100,911	(1,634,803)	466,108
Depreciation expense	6,536,534	-	-	-
Changes in:				
Accounts receivable	235,435	-	(29,286)	(29,286)
Due from other governments	-	278,764	-	278,764
Deferred outflows of resources	(3,454,533)	(4,082)	-	(4,082)
Accounts payable and accrued liabilities	(1,583,593)	(30,337)	(70,208)	(100,545)
Bond premium	(195,465)	-	-	-
Compensated absences	40,389	-	-	-
Self insured claims payable	-	(278,764)	800,000	521,236
Net pension liability	2,313,405	-	-	-
Total OPEB liability	2,879,636	4,093	-	4,093
Deferred inflows of resources	<u>(435,388)</u>	<u>29,648</u>	<u>35,430</u>	<u>65,078</u>
Net cash provided by (used in) operating activities	<u>\$ 10,514,887</u>	<u>2,100,233</u>	<u>(898,867)</u>	<u>1,201,366</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
 Statement of Fiduciary Net Position
 Fiduciary Funds
 December 31, 2020

	<u>Custodial Funds</u>	<u>Permanent Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Total Fiduciary Funds</u>
Assets - cash and equivalents	<u>\$ 3,124,035</u>	<u>118,600</u>	<u>1,768</u>	<u>3,244,403</u>
Liabilities - due to other governments	<u>2,118,861</u>	<u>-</u>	<u>-</u>	<u>2,118,861</u>
Fiduciary net position	<u>\$ 1,005,174</u>	<u>118,600</u>	<u>1,768</u>	<u>1,125,542</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended December 31, 2020

	Custodial Funds	Permanent Fund	Private Purpose Trust Fund	Total Fiduciary Funds
Additions:				
Bail	\$ 39,529	-	-	39,529
Court & Trust	114,101	-	-	114,101
Mortgage tax	10,901,282	-	-	10,901,282
Aid and Incentives for Municipalities (AIM)	780,636	-	-	780,636
Social Services trust	568,647	-	-	568,647
State training school	520	-	-	520
Tender offers	248,443	-	-	248,443
Union dues day dare	7,725	-	-	7,725
Interest earnings	-	48	1,768	1,816
Total additions	<u>12,660,883</u>	<u>48</u>	<u>1,768</u>	<u>12,662,699</u>
Deductions:				
Bail	117,098	-	-	117,098
Court & Trust	102,748	-	-	102,748
Mortgage tax	10,246,206	-	-	10,246,206
Aid and Incentives for Municipalities (AIM)	780,636	-	-	780,636
Social Services trust	610,977	-	-	610,977
State training school	250	-	-	250
Tender offers	264,807	-	-	264,807
Union dues day dare	7,733	-	-	7,733
Cemeteries	-	-	2,497	2,497
Total deductions	<u>12,130,455</u>	<u>-</u>	<u>2,497</u>	<u>12,132,952</u>
Change in fiduciary net position	<u>530,428</u>	<u>48</u>	<u>(729)</u>	<u>529,747</u>
Fiduciary net position at beginning of year, before restatement	-	-	-	-
Cumulative effect of change in accounting principle (note 19)	<u>474,746</u>	<u>118,552</u>	<u>2,497</u>	<u>595,795</u>
Fiduciary net position at beginning of year, as restated	<u>474,746</u>	<u>118,552</u>	<u>2,497</u>	<u>595,795</u>
Fiduciary net position at end of year	<u>\$1,005,174</u>	<u>118,600</u>	<u>1,768</u>	<u>1,125,542</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Net Position - Component Units
December 31, 2020

	Saratoga County Industrial Development Agency	Saratoga County Water Authority	Saratoga County Prosperity Partnership, Inc.	Total
Assets:				
Current:				
Cash and equivalents	\$ 3,013,285	10,176,851	41,604	13,231,740
Accounts receivable	290	1,301,527	-	1,301,817
Loans receivable	1,400,000	-	-	1,400,000
Grants receivable	-	254,786	-	254,786
Prepaid expenses	-	71,797	8,046	79,843
Restricted assets - cash and equivalents	-	3,192,173	-	3,192,173
Property held for development	344,717	-	-	344,717
Total current assets	<u>4,758,292</u>	<u>14,997,134</u>	<u>49,650</u>	<u>19,805,076</u>
Noncurrent assets - capital assets, net of accumulated depreciation	-	63,095,744	10,603	63,106,347
Total assets	<u>4,758,292</u>	<u>78,092,878</u>	<u>60,253</u>	<u>82,911,423</u>
Deferred outflows of resources:				
Pension	-	260,968	-	260,968
OPEB	-	36,034	-	36,034
Total deferred outflows of resources	-	<u>297,002</u>	-	<u>297,002</u>
Liabilities:				
Current:				
Accounts payable	1,008	481,196	22	482,226
Accrued liabilities	-	533,723	1,527	535,250
Due to other governments	-	4,859,957	-	4,859,957
Unearned revenue	-	-	5,500	5,500
General obligation bonds	-	835,000	-	835,000
Total current liabilities	<u>1,008</u>	<u>6,709,876</u>	<u>7,049</u>	<u>6,717,933</u>
Long-term liabilities:				
General obligation bonds	-	43,767,684	-	43,767,684
Net pension liability	-	370,815	-	370,815
Total OPEB liability	-	102,000	-	102,000
Total long-term liabilities	-	<u>44,240,499</u>	-	<u>44,240,499</u>
Total liabilities	<u>1,008</u>	<u>50,950,375</u>	<u>7,049</u>	<u>50,958,432</u>
Deferred inflows of resources - pension	-	27,402	-	27,402
Net position:				
Net investment in capital assets	-	14,246,473	-	14,246,473
Restricted	-	3,192,173	-	3,192,173
Unrestricted	4,757,284	9,973,457	53,204	14,783,945
Total net position	<u>\$ 4,757,284</u>	<u>27,412,103</u>	<u>53,204</u>	<u>32,222,591</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK
Statement of Activities - Component Units
Year ended December 31, 2020

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>			<u>Total</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Saratoga County Industrial Development Agency</u>	<u>Saratoga County Water Authority</u>	<u>Saratoga County Prosperity Partnership, Inc.</u>	
Saratoga County Industrial Development Agency	\$ 418,035	9,125	-	(408,910)	-	-	(408,910)
Saratoga County Water Authority	6,239,672	7,378,911	2,627,508	-	3,766,747	-	3,766,747
Saratoga County Prosperity Partnership, Inc.	<u>509,091</u>	<u>-</u>	<u>490,428</u>	<u>-</u>	<u>-</u>	<u>(18,663)</u>	<u>(18,663)</u>
Total component units	<u>\$ 7,166,798</u>	<u>7,388,036</u>	<u>3,117,936</u>	<u>(408,910)</u>	<u>3,766,747</u>	<u>(18,663)</u>	<u>3,339,174</u>
				<u>21,851</u>	<u>160,588</u>	<u>-</u>	<u>182,439</u>
				(387,059)	3,927,335	(18,663)	3,521,613
				<u>5,144,343</u>	<u>23,484,768</u>	<u>71,867</u>	<u>28,700,978</u>
				<u>\$ 4,757,284</u>	<u>27,412,103</u>	<u>53,204</u>	<u>32,222,591</u>

See accompanying notes to financial statements.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements

December 31, 2020

(1) Summary of Significant Accounting Policies

The basic financial statements of the County of Saratoga, New York (the County) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America as applicable to governmental units. A summary of the significant accounting policies consistently applied in the preparation of the accompanying basic financial statements follows.

In preparing the basic financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, the disclosure of contingent liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(a) Financial Reporting Entity

The County was established in 1791 and is governed by the general laws of the State of New York (the State) and various local laws and ordinances. The County Board of Supervisors, which is the legislative body responsible for the overall operation of the County, consists of 23 supervisors representing the 19 towns and 2 cities within the County. The Town of Clifton Park and the City of Saratoga Springs each are represented by two Supervisors. The Chairman of the Board, elected by the Board each year, is the Chief Executive Officer of the County. The Board of Supervisors also appoints a County Administrator and a Clerk of the Board. The County Administrator acts as the Budget Officer. The County Treasurer, elected at large to a four-year term, is the Chief Fiscal Officer of the County. The County Clerk, Sheriff, and District Attorney are constitutional officials and are elected in accordance with constitutional provisions.

The County provides the following basic services: general government support, education assistance for County residents attending community colleges, public safety, social services, health, road maintenance, public improvements, and a part-county sewer system. The County administers the Employment and Training Program for Saratoga, Warren, and Washington Counties.

The financial reporting entity consists of (a) the primary government which is the County of Saratoga, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Financial Reporting Entity, Continued

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the County and/or its citizens, or whether the activity is conducted within the geographic boundaries of the County and is generally available to its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities.

Based on the application of these criteria, a brief review of each potential component unit addressed in defining the County's reporting entity follows:

Included in the Reporting Entity:

Saratoga County Industrial Development Agency - The Saratoga County Industrial Development Agency (the IDA) was created in 1971 by the New York State Legislature pursuant to Article 18-A and Section 890-h of the General Municipal Law. The members of the IDA Board are appointed by the County Board of Supervisors. The County provides office space to support its operations. The IDA is considered a component unit of the County and is discretely presented. Complete financial statements of the component unit can be obtained from its administrative office: Administrative Office, Saratoga County Industrial Development Agency, 50 West High Street, Ballston Spa, New York 12020.

Saratoga County Water Authority - The Saratoga County Water Authority (the Authority) was created by the New York State Legislature. The governing board of the Authority is appointed by the County Board of Supervisors. Currently, the County provides no subsidy to the Authority, but ultimately is responsible for debt or operating deficits of the Authority. The Authority's debt is essentially supported by its operating revenue. The Authority is considered a component unit of the County and is discretely presented. The County does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff. The County has no oversight responsibility for funds of the Authority. The Authority is comprised of 7 board members, 3 of whom are on the Saratoga County Board of Supervisors.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Financial Reporting Entity, Continued

Included in the Reporting Entity, Continued:

Saratoga County Prosperity Partnership, Inc. - The Saratoga County Prosperity Partnership, Inc. (the Partnership) is a special purpose, local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. The County is the sole member of the Partnership, but separate and apart from the County. Although it qualifies as criteria as a blended component unit of the County, management of the County determined that its activity is not material to the primary government and has elected to report it as a discretely presented component unit. The Partnership receives the majority of its support from the County.

Excluded From the Reporting Entity - Although the following organizations, functions, or activities are related to the County, they are not included in the County reporting entity because of the reasons noted:

Saratoga County Soil and Water Conservation District - The Saratoga County Soil and Water Conservation District (the District) was created by the New York State Legislature. The governing board of the District is appointed by the County Board of Supervisors. The County is not responsible for operating deficits of the District. The District cannot issue any debt. The County does not appoint management of the District nor does it approve the District's budget, contracts, or hiring of staff. The County has no oversight responsibility for the funds of the District.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets and deferred outflows of resources less current liabilities and deferred inflows of resources) or economic resources (all assets, deferred outflows of resources, liabilities and deferred inflows of resources). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the Proprietary Funds. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recorded in these statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. This measurement focus and basis of accounting is similar to private sector reporting.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances of these funds present increases (i.e. revenue and other financing sources) and decreases (i.e. expenditures and other financial uses) in fund balance.

Under the modified accrual basis of accounting, Governmental Funds revenue is recognized when susceptible to accrual (i.e., when it becomes both measurable and available). “Measurable” means the amount of the transaction can be reasonably determined and “available” means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows also arise when the County receives resources before it has a legal claim to them, as when grant monies, general State aid, and other intergovernmental aid are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the deferred inflow is removed from the applicable balance sheet and revenue is recognized. The County follows GAAP and considers property taxes available if they are collected within 60 days after year-end. Property taxes determined to be collectible after the 60-day period are recorded as deferred inflows. The County uses a similar availability period for other significant governmental revenue sources. In addition to property taxes, governmental revenue susceptible to accrual includes sales tax, State and Federal aid, and certain other significant revenues. Fines, permits, and other miscellaneous revenue are not susceptible to accrual because generally they are not measurable until received.

Governmental Fund expenditures are recorded when the fund liability is incurred except that:

- Payment of prepaid expenses and purchase of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the “purchase” method, as opposed to the “consumption” method used in the government-wide financial statements.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are used by employees.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

- Current pension costs payable to the New York State Retirement System are recorded as expenditures when billed by the System.
- Costs of acquiring capital assets are recorded as expenditures when the related acquisition amounts are due and payable.

(c) Government-Wide and Fund Financial Statements

The basic financial statements include the following sections: management's discussion and analysis, government-wide financial statements, fund financial statements, the aggregate discretely presented component units, and notes to financial statements.

The government-wide financial statements include the statement of net position and the statement of activities. These statements report all of the County's non-fiduciary activities and eliminate most of the interfund activity normally included in the County's separate fund financial statements. Governmental activities, which are the County's main activities financed primarily by taxes and other intergovernmental revenue, are reported separately from business-type activities, which are intended to be self-sustaining activities financed by charges to customers using the services.

The statement of net position presents the financial condition of the County's activities at year-end. The statement of activities presents a comparison between direct expenses needed to provide specific services and the program revenue that is generated by those services. Program revenue includes charges for services, operating grants and capital grants generated by and related to the applicable activity. General revenue includes real property taxes, sales taxes, other non-property taxes, sale of property, and interest earnings. The statement of activities identifies the net expense or revenue from each activity and identifies the amount of general revenue needed to help finance the specific activities.

(d) Fund Accounting

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenue, and expenditures. The accounts of each fund are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The County's fund types are as follows:

Fund Types:

Governmental Funds are those through which most governmental functions are financed.

The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through Governmental Funds. The County's Governmental fund types are as follows:

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Fund Accounting, Continued

(1) General Fund is the principal operating fund of the County and accounts for the general tax revenue, miscellaneous receipts not allocated by law or contractual agreement to another fund, and general operating expenditures. This fund operates within the financial limits of an annual budget adopted by the Board of Supervisors.

(2) Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the County include the following:

- County Road Fund is used to account for revenue generated to finance maintenance, repairs, and improvements to County roads and bridges, snow removal, and other transportation related purposes.
- Road Machinery Fund is used to account for revenue generated to finance purchases, repairs, and maintenance of highway machinery, tools, and equipment.
- Employment and Training Fund is used to account for Federal grants and other revenue generated to finance job training and employment activities.
- Federal Forfeitures Fund is used to account for moneys received from the Federal Equitable Sharing Program involving the proceeds of crime from Drug Enforcement Agency cases and certain moneys confiscated during police actions. This money is restricted to certain law enforcement activities.

(3) Capital Projects Funds are used to account for financial resources generated for the acquisition or construction of major capital assets for governmental activities. Financing is generally provided from proceeds of bonds, notes, Federal and State grants, and transfers from other Governmental Funds.

Proprietary Funds represent the County's business-type activities, and include Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report activities for which fees are charged to external customers for goods and services provided, and the County's fee pricing policies are designed to recover the costs of providing such services, including capital costs such as depreciation or debt service. Internal Service Funds may be used to report any activity that provides goods and services to other funds or departments on a cost-reimbursement basis.

The County reports the following Enterprise Fund:

- Sewer District Fund is used to report operations of the County's wastewater treatment facilities and sanitary sewer system that is provided to residents and organizations located within the County's Sewer District.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Fund Accounting, Continued

The County reports the following Internal Service Funds:

- Workers' Compensation Fund is used to account for the County's self-insured workers' compensation plan that provides workers' compensation insurance coverage for County employees and for other local governments and related organizations located within the County.
- Health Benefits Fund is used to account for the County's self-insured health benefits plan that provides health insurance coverage for County employees. On January 1, 2016, the County created this fund to properly state the activity of the benefits provided.

Proprietary Funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenue of these funds is charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fiduciary Funds - These funds are used to account for fiduciary activities. Fiduciary activities are those in which the County acts as trustee or agent for resources that belong to others. These activities are not included in the County-wide financial statements because their resources do not belong to the County and are not available to be used.

During the year ended December 31, 2020, the County adopted provisions of GASB Statement No. 84 - "Fiduciary Activities." The primary objective of this Statement is to improve guidance regarding the indemnification of fiduciary activities for accounting and financial reporting purposes. See note 19 of the financial statements for the impact of the implementation on the financial statements. The following comprise the County's Fiduciary Funds:

- Custodial Fund is used to account for monies and other resources held by the County in a trustee or agent pending payment to the applicable agencies.
- Private Purpose Trust Fund is used to account for monies donated to the County to benefit certain private cemeteries and other non-County operations.
- Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used to support a cemetery with in the County.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) General Budget Process

The County adopts an annual budget for the general, county road, road machinery, employment and training, sewer district and workers' compensation funds. Prior to November 15 of each year, the County Administrator submits to the Board of Supervisors a proposed tentative operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments. Prior to December 20, the budget is adopted by the Board of Supervisors. The County Administrator is authorized to approve budget transfer requests within departments within a fund; however, any revisions that alter total expenditures of any department or fund must be approved by the Board of Supervisors. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects that remain in effect for the life of the project. Budgets are prepared for Proprietary Funds primarily to establish the estimated contributions required from other funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the Governmental Funds. Open encumbrances at year-end are reported as reservations of fund balances since the commitments do not constitute expenditures or liabilities.

Budgetary controls for certain special grants are established in accordance with the applicable grant agreements, which may cover a period other than the County's fiscal year. Budgetary controls for the Federal Forfeitures Fund are established on an as needed basis after revenue has been received.

A comparison of General Fund transactions with the adopted and modified budgets is shown in the required supplementary information on page 68.

(f) Cash and Equivalents

The carrying amount of cash and equivalents at December 31, 2020 totaled \$94,638,041. These deposits were entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the County's agent in the County's name.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(g) Inventories

Inventories in the government-wide financial statements are comprised of general and highway supplies, medical, and other supplies and are valued at the lower of cost or market. In the Governmental Funds, expenditures are recognized when inventory is purchased.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Capital Assets

Capital assets include property, buildings, vehicles, machinery and equipment, and infrastructure assets, such as roads and bridges. Capital assets are defined by the County as assets with an initial unit cost of \$10,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight-line method over the following useful lives.

<u>Asset Class</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20
Machinery and Equipment:	
Vehicles	5
Computer equipment	5
Other equipment	5-10
Infrastructure:	
Roads	18
Bridges	50
Sewer infrastructure	30

(i) Compensated Absences

As described in the union contract between the County and Local 846 of the Civil Service Employees' Association, employees are granted the following compensated absences each year:

Personal leave	1-4 days
Compensatory leave	as accrued
Vacation	10-25 days

Vacation days granted are increased on the basis of longevity of service to the maximum of 25 days. Vacation days do not vest. However, unused vacation days may be carried forward three months into the succeeding year upon approval by the Personnel Department. Accordingly, liabilities for leave time of \$3,257,293 and \$160,029 are reported as compensated absences for governmental activities and the business-type activities, respectively, in the government-wide financial statements.

(j) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Deferred Outflows of Resources and Deferred Inflows of Resources, Continued

Deferred inflows of resources are an increase in net position/fund balance in future periods. The County will not recognize the related revenues until a future event occurs. Governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting and therefore are reported as deferred inflows of resources. Note 5 details the changes in deferred inflows of resources from modified accrual basis to accrual basis.

(k) Net Position and Fund Balance Classifications

In the government-wide statements equity is classified as net position and displayed in three components:

- i) Net investment in capital assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- ii) Restricted net position - consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Also included are positive fund balances of any special revenue funds.
- iii) Unrestricted net position - consists of net position without constraints.

Fund balance in the governmental funds is comprised of five classifications: nonspendable, restricted, committed, assigned, and unassigned.

- i) Nonspendable consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, principal of endowments, and amounts due from other funds which have fund deficits.
- ii) Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. At December 31, 2020, the County reported \$1,055,065 in the general fund, \$271,840 in the capital projects fund, \$160,323 in the federal forfeitures fund, \$12,964,056 in the workers' compensation fund, and \$8,236,139 in the health benefits fund.
- iii) Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The County Board of Supervisors is the decision-making authority that can, by Board resolution, commit fund balance. There are no committed fund balances at December 31, 2020.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Net Position and Fund Balance Classifications, Continued

- iv) Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. The County has an assigned fund balance of \$3,069,365 for the 2021 budget in the general fund.

The Board of Supervisors has also assigned through resolution to have the proceeds from the sale of Maplewood Manor Nursing Home available to meet future health benefit payments of former employees, with an assigned fund balance of \$8,639,026 at December 31, 2020.

- v) Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the County spends funds in the following order: restricted, committed, assigned, unassigned.

(l) Real Property Taxes

The levy and collection of real property taxes is governed by the Real Property Tax Law of the State of New York. Real property taxes are levied each year and become a property lien on January 1. County taxes are levied together with town taxes as a single tax bill. The tax levy is fully accrued at the beginning of the fiscal year and accounted for in the General Fund. Accruals for amounts due to other funds are recorded in the General Fund for the portion of the tax levy allocated to other funds or activities. The current year's property taxes are levied based on the assessed value of real property within the County. The town tax collecting officials are responsible for collection of taxes until the warrant for collection expires on March 31. At that time, settlement proceedings take place wherein the County becomes the enforcement agent for tax liens on all County real property except property within the cities of Saratoga Springs and Mechanicville. These cities assess and collect all County taxes on property within the cities and serve as enforcement agent for tax liens on such property. County taxes collected by these cities are remitted to the County periodically.

The County enforces collection of unpaid taxes levied by the villages and non-city school districts located within the County. Uncollected tax accounts are returned to the County in November of each year for collection. Any amounts remaining unpaid are relieved in the County's subsequent January 1 tax levy. On or before the next April 1, the County is required to pay the villages and school districts the amount of unpaid taxes returned for collection and enforcement. Unpaid village and school taxes are included in the financial statements as taxes receivable, and are offset by corresponding liabilities to the applicable village and school district governments.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Non-Property Taxes

The primary non-property tax item is sales tax. Effective June 1, 1982, the County enacted a 3% County-wide sales tax, which it shares with other local governments within the County. Sales tax is initially recorded in an Agency Fund to facilitate distribution to local governments and allocation of the portion retained by the County.

(n) Fair Value

Generally accepted accounting principles provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical asset or liabilities that the component units have the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

(2) Cash and Investments

The County's investment policies are governed by State statutes. The County's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 102% of the cost of the repurchase agreement.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(2) Cash and Investments, Continued

Deposits and investments at year-end were covered by Federal depository insurance or by collateral held by the County's custodial banks in the County's name. All deposits, including certificates of deposit, are carried at cost. The carrying amount (book balance) of cash and equivalents at December 31, 2020 totaled \$94,638,041. These bank balances were covered by federal depository insurance as follows:

Amount insured by FDIC	\$ 1,868,600
Collateral held by a third party	<u>107,367,995</u>
Total insured and collateral	\$ <u>109,236,595</u>
Bank balance as of December 31, 2020	\$ <u>101,606,365</u>
Percent of coverage	1.075%

(3) Capital Assets

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	Balance January 1, <u>2020</u>	Additions/ <u>transfers</u>	Retirements/ <u>transfers</u>	Balance December 31, <u>2020</u>
Cost:				
Land	\$ 4,785,105	-	-	4,785,105
Construction in progress	22,491,487	5,170,267	-	27,661,754
Buildings and improvements	53,858,606	-	-	53,858,606
Vehicles	25,174,878	2,557,566	(1,677,900)	26,054,544
Machinery and equipment	13,503,421	-	-	13,503,421
Infrastructure	<u>157,188,636</u>	<u>8,621,856</u>	-	<u>165,810,492</u>
Total capital assets	<u>277,002,133</u>	<u>16,349,689</u>	<u>(1,677,900)</u>	<u>291,673,922</u>
Less accumulated depreciation:				
Buildings and improvements	29,508,015	1,383,233	-	30,891,248
Vehicles	17,157,539	2,286,790	(1,581,645)	17,862,684
Machinery and equipment	9,222,287	845,795	-	10,068,082
Infrastructure	<u>59,854,899</u>	<u>10,303,200</u>	-	<u>70,158,099</u>
Total accumulated depreciation	<u>115,742,740</u>	<u>14,819,018</u>	<u>(1,581,645)</u>	<u>128,980,113</u>
Net capital assets	\$ <u>161,259,393</u>	<u>1,530,671</u>	<u>(96,255)</u>	<u>162,693,809</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(3) Capital Assets, Continued

Depreciation expense was charged to the following governmental activities during 2020:

General government support	\$ 3,474,813
Public safety	3,996,814
Health	58,743
Transportation	6,176,402
Economic assistance and opportunity	409,552
Home and community services	<u>702,694</u>
Total governmental activities	\$ <u>14,819,018</u>

<u>Sewer District</u>	Balance January 1, 2020	Additions/ Transfers	Retirements/ Transfers	Balance December 31, 2020
Cost:				
Land	\$ 35,000	-	-	35,000
Buildings and improvements	177,704,422	2,010,397	-	179,714,819
Vehicles	1,296,445	255,415	(103,543)	1,448,317
Machinery and equipment	2,857,216	863,961	-	3,721,177
Infrastructure	<u>95,984,955</u>	<u>4,579,062</u>	-	<u>100,564,017</u>
Total capital assets	<u>277,878,038</u>	<u>7,708,835</u>	<u>(103,543)</u>	<u>285,483,330</u>
Less accumulated depreciation:				
Buildings and improvements	94,709,438	4,178,669	-	98,888,107
Vehicles	61,193	80,974	(103,543)	38,624
Machinery and equipment	1,406,863	177,224	-	1,584,087
Infrastructure	<u>45,849,346</u>	<u>2,099,667</u>	-	<u>47,949,013</u>
Total accumulated depreciation	<u>142,026,840</u>	<u>6,536,534</u>	<u>(103,543)</u>	<u>148,459,831</u>
Net capital assets	\$ <u>135,851,198</u>	<u>1,172,301</u>	-	<u>137,023,499</u>

Depreciation expense charged to the Sewer District during 2020 was \$6,536,534.

(4) Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services. These transactions are recorded as interfund revenues and expenditures in the respective funds.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(4) Interfund Transactions, Continued

Individual interfund receivable and payable balances at December 31, 2020 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 517,886	-
County Road Fund	-	<u>517,886</u>
Totals	\$ <u>517,886</u>	<u>517,886</u>

Interfund transfers during the year ended December 31, 2020 were as follows:

<u>Fund</u>	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General	\$ -	19,394,180
Special Revenue Funds:		
County Road	16,737,664	-
Road Machinery	<u>2,656,516</u>	-
Totals	\$ <u>19,394,180</u>	<u>19,394,180</u>

(5) Deferred Inflows of Resources

Certain revenues have been deferred in the fund and/or governmental activities statements as the revenue relates to future reporting periods:

	<u>Governmental activities statement of net position</u>	<u>Balance sheet of governmental funds</u>
Advance payments received	\$ 2,495,763	2,365,728
Federal and State aid	-	12,118,820
Long-term	2,355,357	2,355,357
Tax revenue	-	8,449,718
ERS pension deferred actuarial gain	4,153,105	-
OPEB deferred actuarial gain	<u>12,521,111</u>	-
	\$ <u>21,525,336</u>	<u>25,289,623</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(6) Due to Other Governments

As indicated in note 1(1), the County acts as a tax enforcement agent for its villages and non-city school districts. The County also receives other monies which are distributed to certain local governments. The following represents the liabilities “due to other governments” in the governmental activities at December 31, 2020:

Due to villages	\$ 576,068
Due to school districts	11,079,533
Due to other governments and agencies	<u>13,065,705</u>
	<u>\$ 24,721,306</u>

(7) Long-term General Obligations

The following is a summary of the County’s long-term general obligations:

Governmental Activities

	Payable at January 1, <u>2020</u>	<u>Additions</u>	Principal <u>Payments</u>	Payable at December 31, <u>2020</u>	Due Within <u>One Year</u>	Due in More Than <u>One Year</u>
Serial bonds	\$ 25,900,000	-	1,595,000	24,305,000	1,650,000	22,655,000
Bond premiums	<u>119,040</u>	-	<u>8,503</u>	<u>110,537</u>	<u>8,503</u>	<u>102,034</u>
	<u>\$ 26,019,040</u>	<u>-</u>	<u>1,603,503</u>	<u>24,415,537</u>	<u>1,658,503</u>	<u>22,757,034</u>

Serial Bonds

\$5,180,000 MBBA Recovery Act bonds, due in annual installments of \$260,000 to \$365,000 through 2029, with interest at 6.564%. \$ 2,860,000

\$24,105,000 Public Safety Building Serial bonds, due in annual installments of \$1,335,000 to \$1,955,000 through 2033, with interest at 3.0% to 3.5%. 21,445,000

Total serial bonds \$ 24,305,000

The annual requirements to amortize outstanding bonds payable as of December 31, 2020 are as follows:

<u>2009 MBBA Recovery Act Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 275,000	187,730	462,730
2022	285,000	169,679	454,679
2023	295,000	150,972	445,972
2024	305,000	131,608	436,608
2025	315,000	111,588	426,588
2026-2029	<u>1,385,000</u>	<u>231,053</u>	<u>1,616,053</u>
Total	<u>2,860,000</u>	<u>982,630</u>	<u>3,842,630</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(7) Long-term General Obligations, Continued

<u>2018 Public Safety Building</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,375,000	667,100	2,042,100
2022	1,415,000	625,850	2,040,850
2023	1,460,000	583,400	2,043,400
2024	1,500,000	539,600	2,039,600
2025	1,545,000	494,600	2,039,600
2026-2030	8,450,000	1,649,250	10,099,250
2031-2033	<u>5,700,000</u>	<u>393,488</u>	<u>6,093,488</u>
Total	<u>21,445,000</u>	<u>4,953,288</u>	<u>26,398,288</u>
Total Governmental Funds	\$ <u>24,305,000</u>	<u>5,935,918</u>	<u>30,240,918</u>

Enterprise Fund - Sewer District

<u>Sewer Fund</u>	<u>Payable at January 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Payable at December 31, 2020</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Serial bonds	\$ 45,995,000	-	1,990,000	44,005,000	2,075,000	41,930,000
Bond premiums	<u>4,104,759</u>	-	<u>195,465</u>	<u>3,909,294</u>	<u>195,465</u>	<u>3,713,829</u>
	\$ <u>50,099,759</u>	-	<u>2,185,465</u>	<u>47,914,294</u>	<u>2,270,465</u>	<u>45,643,829</u>

Serial Bonds

\$5,200,000 County Sewer District serial bonds, 2003 series bonds refinanced in 2012, due in annual installments of \$295,000 to \$335,000 through 2023, with interest at 4%.	\$ 965,000
\$18,200,000 County Sewer District serial bonds for 2014 expansion, due in annual installments of \$785,000 to \$1,225,000 through 2034, with interest at 2.5% to 3.25%.	14,020,000
\$31,135,000 County Sewer District serial bonds for 2016 refinancing of Bonds 2009A and 2010A totaling \$35,465,000, due in installments of \$855,000 to \$2,005,000 through 2040, with interest at 2% to 5%.	<u>29,020,000</u>
Total serial bonds	\$ <u>44,005,000</u>

The annual requirements to amortize outstanding bonds payable as of December 31, 2020 are as follows:

Serial Bonds - County

<u>Sewer District Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 310,000	38,600	348,600
2022	320,000	26,200	346,200
2023	<u>335,000</u>	<u>13,400</u>	<u>348,400</u>
Total	<u>965,000</u>	<u>78,200</u>	<u>1,043,200</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(7) Long-term General Obligations, Continued

<u>Sewer Expansion 2014</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 805,000	405,538	1,210,538
2022	825,000	385,163	1,210,163
2023	860,000	364,100	1,224,100
2024	890,000	340,000	1,230,000
2025	920,000	312,850	1,232,850
2026-2030	5,065,000	1,124,225	6,189,225
2031-2034	<u>4,655,000</u>	<u>305,638</u>	<u>4,960,638</u>
Total	<u>14,020,000</u>	<u>3,237,514</u>	<u>17,257,514</u>
<u>(Sewer Expansion) 2016</u>			
<u>(Refinancing of 2009A/2010A)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 960,000	1,103,481	2,063,481
2022	1,010,000	1,055,481	2,065,481
2023	1,065,000	1,004,981	2,069,981
2024	1,125,000	951,731	2,076,731
2025	1,190,000	895,481	2,085,481
2026-2030	6,825,000	3,694,506	10,519,506
2031-2035	8,310,000	2,256,700	10,566,700
2036-2040	<u>8,535,000</u>	<u>770,075</u>	<u>9,305,075</u>
Total	<u>29,020,000</u>	<u>11,732,436</u>	<u>40,752,436</u>
Total serial bonds	\$ <u>44,005,000</u>	<u>15,048,150</u>	<u>59,053,150</u>

The above general obligation bonds are direct obligations of the County for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the County.

In the event that the County were to default on the bond principal or interest payments, a court has the power, in proper and appropriate proceedings brought by the bond owners, to render judgment against the County. A court has the power to order payment of a judgment on such bonds from funds lawfully available or to order the County to take all lawful action to obtain the funds including raising of the fund in the next annual tax levy.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(8) Retirement System

(a) Plan Description and Benefits Provided

Employees' Retirement System (ERS)

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides 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 plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the County and is the administrative head of the System. System benefits are established under the provision 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 County 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, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 and before April 1, 2012 who generally contribute 3 percent of their salary for their entire length of service. Those joining on or after April 21, 2012 are required to contribute between 3 and 6 percent, dependent on salary, throughout their working careers. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. 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.

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the County reported the following liability for its proportionate share of the net pension liability for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the County.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(8) Retirement System, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

	<u>Governmental Activities</u>	<u>Sewer District</u>	<u>Total</u>
Measurement date	3/31/2020	3/31/2020	3/31/2020
Net pension liability	\$ 68,032,424	3,157,875	71,190,299
County's proportion of the Plan's net pension liability	0.2569144%	0.0119253%	0.2688397%
Change in proportion since the prior measurement date	0.0089358	0.0000067	0.0089425

For the year ended December 31, 2020, the County recognized pension expense of \$22,419,984 for ERS in the statement of activities. At December 31, 2020 the County's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		
	<u>Governmental Activities</u>	<u>Sewer District</u>	<u>Total</u>
Differences between expected and actual experience	\$ 4,003,983	185,854	4,189,837
Changes of assumptions	1,369,850	63,585	1,433,435
Net difference between projected and actual investment earnings on pension plan investments	34,876,728	1,618,880	36,495,608
Changes in proportion and differences between the County's contributions and proportionate share of contributions	480,112	22,285	502,397
County's contributions subsequent to the measurement date	<u>6,738,232</u>	<u>312,769</u>	<u>7,051,001</u>
Total	\$ <u>47,468,905</u>	<u>2,203,373</u>	<u>49,672,278</u>

	<u>Deferred Inflows of Resources</u>		
	<u>Governmental Activities</u>	<u>Sewer District</u>	<u>Total</u>
Changes of assumptions	\$ 1,182,843	54,904	1,237,747
Changes in proportion and differences between the County's contributions and proportionate share of contributions	<u>2,970,262</u>	<u>137,871</u>	<u>3,108,133</u>
Total	\$ <u>4,153,105</u>	<u>192,775</u>	<u>4,345,880</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(8) Retirement System, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Governmental Activities</u>	<u>Sewer District</u>	<u>Total</u>
2021	\$ 5,315,636	246,737	5,562,373
2022	9,112,853	422,993	9,535,846
2023	12,179,073	565,319	12,744,392
2024	<u>9,970,006</u>	<u>462,780</u>	<u>10,432,786</u>
	<u>\$ 36,577,568</u>	<u>1,697,829</u>	<u>38,275,397</u>

(c) Actuarial Assumptions

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

Inflation	2.5%
Salary increases	4.2%
Investment rate of return (net of investment expense, including inflation)	6.8%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31 2015 System experience with adjustments for mortality improvements based of the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized as follows:

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(8) Retirement System, Continued

(c) Actuarial Assumptions, Continued

	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Asset class:		
Domestic equity	36.0%	4.05%
International equity	14.0%	6.15%
Private equity	10.0%	6.75%
Real estate	10.0%	4.95%
Absolute return strategies (1)	2.0%	3.25%
Opportunistic portfolio	3.0%	4.65%
Real assets	3.0%	5.95%
Bonds and mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation - indexed bonds	<u>4.0%</u>	0.50%
	<u>100.0%</u>	

* The real rate of return is net of the long-term inflation assumption of 2.5%.

(1) Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

(d) Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 determined. Based upon the 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.

(e) Sensitivity of the Net Pension Liability to the Discount Rate

The following presents the County's the net pension liability calculated using the discount rate of 6.8%, as well as what the County's 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:

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(8) Retirement System, Continued

(e) Sensitivity of the Net Pension Liability to the Discount Rate, Continued

	1% Decrease <u>(5.8%)</u>	Current Assumption <u>(6.8%)</u>	1% Increase <u>(7.8%)</u>
Employer's proportionate share of the net pension liability:			
Sewer District	\$ 5,795,592	3,157,875	728,526
Governmental Activities	<u>124,858,708</u>	<u>68,032,424</u>	<u>15,695,178</u>
Total	\$ <u>130,654,300</u>	<u>71,190,299</u>	<u>16,423,704</u>

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all participating employers as of the respective valuation dates, were as follows:

	(Dollars in Millions)
Measurement date	3/31/2020
Employers' total pension liability	\$(194,596)
Plan fiduciary net position	<u>168,116</u>
Employers' net pension liability	\$ <u>(26,480)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	86.39%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2020 represent the projected employer contribution for the period of April 1, 2020 through March 31, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying government-wide financial statements.

(9) Total Other Postemployment Liability

(a) Plan Description

The County provides a single-employer self-insured medical plan (the Plan) that offers two options. The Plan provides lifetime healthcare insurance and prescription drug coverage for eligible retirees and their spouses through the County's Plan, which covers both active and retired members. Benefit provisions are established through negotiations between the County and the unions, representing employees, and are renegotiated at the end of each of the bargaining periods.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(9) Total Other Postemployment Liability, Continued

(a) Plan Description, Continued

Employees Covered by Benefit Terms - As of the measurement date of January 1, 2020, the following employees were covered by the benefit terms:

Retirees and survivors	758
Active employees	<u>978</u>
Total	<u>1,736</u>

(b) Actuarial Assumptions and Methods

The County's total OPEB liability of \$294,923,229 was determined by an actuarial valuation January 1, 2020 with update procedures used to roll forward the total OPEB liability to the measurement date.

Valuation Date	January 1, 2019
Measurement Date	January 1, 2020
Reporting Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal - Level Percent of Pay
Plan Type	Single Employer Defined Benefit Plan
Municipal Bond Index Rate	2.74%, as of the measurement date. Source: Bond Buyer Weekly 20-Bond GO Index
Salary Scale	3.5%
Rate of Inflation	2.5%
Mortality - Actives	The RPH-2014 Mortality Table for employees, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2019.
Mortality - Retirees	The RPH-2014 Mortality Table for Healthy Annuitants, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2019.
Turnover	Rates of decrement due to turnover based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, <u>Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 75 Valuation</u> (June 2019).

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(9) Total Other Postemployment Liability, Continued

(b) Actuarial Assumptions and Methods, Continued

Medical Trend Rates Pre-65/Post 65	6.50%/8.00%
Ultimate Medical Trend Rate	3.94%
Year Ultimate Trend Rates Reached Pre-65/Post 65	2079/2079

(c) Changes in Total OPEB Liability

	<u>Governmental Activities</u>	<u>Sewer District</u>	<u>Total</u>
Balance at December 31, 2019	\$ 225,562,931	13,074,555	238,637,486
Changes for the year:			
Service cost	7,380,590	311,648	7,692,238
Interest on total OPEB liability	9,384,991	539,366	9,924,357
Changes in assumptions and other inputs	44,723,111	2,490,520	47,213,631
Benefit payments	<u>(8,082,585)</u>	<u>(461,898)</u>	<u>(8,544,483)</u>
Net changes	<u>53,406,107</u>	<u>2,879,636</u>	<u>56,285,743</u>
Balance at December 31, 2020	<u>\$ 278,969,038</u>	<u>15,954,191</u>	<u>294,923,229</u>

(d) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current discount rate:

	<u>1% Decrease (1.74%)</u>	<u>Discount Rate (2.74%)</u>	<u>1% Increase (3.74%)</u>
Governmental activities	\$ 324,815,618	278,969,038	242,087,603
Sewer District	<u>18,576,149</u>	<u>15,954,191</u>	<u>13,844,948</u>
Total OPEB liability	<u>\$ 343,391,767</u>	<u>294,923,229</u>	<u>255,932,551</u>

(e) Sensitivity of the Total OPEB Liability Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the County'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 rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend</u>	<u>1% Increase</u>
Governmental activities	\$ 234,202,877	278,969,038	336,814,927
Sewer District	<u>13,394,022</u>	<u>15,954,191</u>	<u>19,262,387</u>
Total OPEB liability	<u>\$ 247,596,899</u>	<u>294,923,229</u>	<u>356,077,314</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(9) Total Other Postemployment Liability, Continued

(f) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year December 31, 2020, the County recognized OPEB expense of \$22,644,113 for governmental activities and \$1,170,435 for the Sewer District. At December 31, 2020, the County reported deferred outflows of resources related to OPEB from the following sources:

	Governmental Activities		Sewer District		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	1,729,647	-	100,257	-	1,829,904
Changes in assumptions or other inputs	43,310,351	10,791,464	2,407,707	625,518	45,718,058	11,416,982
County payments subsequent to the measurement date	8,383,188	-	491,859	-	8,875,047	-
Total	<u>\$51,693,539</u>	<u>12,521,111</u>	<u>2,899,566</u>	<u>725,775</u>	<u>54,593,105</u>	<u>13,246,886</u>

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

<u>Year Ending</u>	<u>Governmental Activities</u>	<u>Sewer District</u>	<u>Total</u>
2021	\$ 5,878,230	319,743	6,197,973
2022	5,878,230	319,743	6,197,973
2023	5,878,230	319,743	6,197,973
2024	5,034,459	272,837	5,307,296
2025	6,538,102	361,920	6,900,022
Thereafter	<u>1,581,989</u>	<u>87,946</u>	<u>1,669,935</u>
	<u>\$30,789,240</u>	<u>1,681,932</u>	<u>32,471,172</u>

(10) Commitments and Contingencies

(a) Litigation

The County is a defendant in various lawsuits, the outcome of which is not determinable at this time including claims related to the Saratoga County Jail and Saratoga County Sheriff Department.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(10) Commitments and Contingencies, Continued

(b) Grant Programs

The County participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

(c) Contracts

The County has entered into various contracts with outside vendors for goods and services, which were unperformed at year-end. The County has provided authority to fund these transactions in the subsequent year's budget.

(d) Environmental Risks

Certain facilities are subject to Federal, State, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the County expect such compliance to have, any material effect upon the capital expenditures or financial condition of the County. Management believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable Federal, State, and local requirements.

(11) Internal Service Funds

The County established a self-insurance plan for workers' compensation under Local Law Nos. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality or public entity within the County for participation. There were 28 participants at December 31, 2020. The County is responsible for administration of the plan and its reserves. The plan purchases commercial insurance for employer's liability in third-party suits; the limit is \$1,000,000 with a retention of \$10,000. Settled claims have not resulted in a claim against this excess liability coverage since the inception of the plan.

As of January 1, 2016, the County established its own self-insurance health benefits plan. The County is responsible for administration and its reserves.

All funds of the County participate in the program and make payments to the internal service funds based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. A balance in the amount of \$12,964,056 was reserved at December 31, 2020 in the workers' compensation fund. A balance in the amount of \$8,236,139 was reserved at December 31, 2020 in the health benefits fund.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(11) Internal Service Funds, Continued

Claims and judgments are recognized in accordance with the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that claims and judgments be recognized when it is probable that an asset has been impaired or a liability has been incurred, and the amount of loss can be reasonably estimated. Claims liabilities of \$20,245,246 and \$1,600,000 at December 31, 2020 have been set up as self-insured claims payable for a workers' compensation liability and a health benefit liability, respectively. Changes in the claims liability for 2020 were:

	Balance January 1, <u>2020</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance December 31, <u>2020</u>
Workers' compensation	\$ <u>20,524,010</u>	<u>3,096,026</u>	<u>3,374,790</u>	<u>20,245,246</u>
Health benefits	\$ <u>800,000</u>	<u>25,636,947</u>	<u>24,836,947</u>	<u>1,600,000</u>

(12) Concentration of Credit Risk

Financial instruments which potentially expose the County to concentrations of credit risk consist primarily of taxes receivable and tax sale certificates which are secured by property values throughout the County.

(13) Tax Abatements

As of December 31, 2020 the County tax abatement programs include abatements on property taxes, sales taxes and mortgage recording taxes. All abatements agreements are made by various area industrial development agencies, cities and townships.

Property Taxes

All property tax abatements are performed through Payment in Lieu of Tax (PILOT) agreements made by cities, townships and various area industrial development agencies. The PILOT agreements are made to support manufacturing, utilities and other purposes. Total amounts abated from PILOT agreements in each of these categories for the year ended December 31, 2020 is as follows:

Manufacturing	\$ 1,773,612
Other	<u>58,922</u>
	\$ <u>1,832,534</u>

PILOT agreements entered into by cities, townships and various area industrial development agencies other than Saratoga County IDA abated \$65,202 of County property taxes in 2020.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(14) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the County and its future results and financial position is not presently determinable.

(15) Fund Deficits

The County Road fund had a deficit of \$1,385,763 at December 31, 2020. The County intends to remedy this deficit in the subsequent fiscal year.

(16) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

Saratoga County was allotted \$44.6 million in American Rescue Plan Act of 2021, Coronavirus Relief for State and Local Government funds in March 2021. The County received the first tranche of this allotment, \$22.3 million, in May 2021 and will receive the second tranche in May 2022 .

The Board of Supervisors approved a resolution authorizing the Sewer District Number 1 to pursue bonding for two projects included in the Sewer capital plan and previously included herein. The authorization to pursue bonding may not result in bonding as the County is exploring other sources of funding for at least a portion of these projects including NY State and federal aid and use of our ARPA funds.

(17) Detail Notes to Discretely Presented Component Units

(a) Saratoga County Industrial Development Agency

Organization and Purpose - The Saratoga County Industrial Development Agency (the Agency) was created in 1971 by the Saratoga County Board of Supervisor pursuant to Article 18-A of the General Municipal Law of the State of New York. The purpose of the Agency is to encourage economic growth in Saratoga County. The County appoints the Agency's governing board.

The Agency's function is to authorize the issuance of industrial revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Agency receives application and closing fees related to this business financing.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(a) Saratoga County Industrial Development Agency, Continued

Industrial Development Revenue Bonds and Note Transactions - Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by these lease payments. The bonds and notes are not obligations of the Agency, the County, or New York State. The Agency does not record the assets or liabilities resulting from completed bond and note issuances in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this conduit debt financing service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. Industrial development revenue bonds issued and outstanding at December 31, 2020 were \$18,519,630.

Investment Policy - The Agency's investment policies are governed by statutes of the State. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Agency is authorized to use demand, money market accounts and certificates of deposit. Collateral is required for all deposits not covered by Federal deposit insurance. Deposits at December 31, 2020 were entirely covered by FDIC insurance or collateral investments, as required.

<u>Property Held for Development -</u>	Balance January 1, <u>2020</u>	Net <u>Increases</u>	Balance December 31, <u>2020</u>
Land for railroad spur	\$ <u>336,049</u>	<u>8,668</u>	<u>344,717</u>

(b) Saratoga County Water Authority

Organization - The Saratoga County Water Authority (Authority) was created during 1990 as a public benefit corporation under New York State Public Authorities Law Title 8-F of Article 5. The Authority is a component unit of the County. The Authority is charged with providing water services for public benefit. A governing board of seven members, appointed by the chairperson of the Board of Supervisors of Saratoga County governs the Authority.

The Authority began operations during February 2010 with the substantial completion of the Saratoga County Water Treatment and Transmission Facilities System (System). The System is designed to provide safe, reliable, and affordable drinking water to the residents of Saratoga County.

Basis of Accounting - The Authority's financial statements are prepared using the accrual basis in accordance with GAAP. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With the measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position is segregated into restricted and unrestricted components, as follows:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances;
- Restricted net position has constraints placed on use by the Authority's Revenue Bonds;
- Unrestricted net position consists of assets, liabilities, deferred outflows and inflows that do not meet the definition of net investment in capital assets, net of related debt or restricted net position.

Revenue is recognized when earned and expenses are recognized when incurred. The Authority distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing water services. The principal operating revenue of the Authority is charges to customers for user services. Operating expenses include the costs associated with providing those user services. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates - In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

Cash and Equivalents - Cash and equivalents consist of cash deposits and other short-term investments, with original maturities of three months or less.

Statutes authorize the Authority to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Unrestricted cash deposits with financial institutions are either covered by federal depository insurance or collateralized by securities held by the pledging bank's trust department in the Authority's name, or U.S. Government and/or federal agency securities held by the Trustee. Restricted cash equivalents and investments are held in the Authority's name by their custodial agent and; therefore, not subject to custodial risk. The Authority's restricted cash equivalents are considered investments for cash flow statement purposes.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Accounts Receivable - Accounts receivable are carried at original invoice less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines if an allowance for doubtful accounts is needed by identifying troubled accounts and by using historical experience applied to an aging of accounts as well as regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. There was no allowance for doubtful accounts at December 2020.

Capital Assets, Net - Capital assets are recorded at cost, except for contributed property and equipment, which is recorded at fair market value or the contributor's net book value if fair market value is not readily ascertainable. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. The Authority uses a capitalization threshold of \$5,000 to analyze expenditures for capitalization. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to operations.

Interest expenses incurred during construction of assets are capitalized. Constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) include capitalized interest to the extent that interest cost over the asset construction period exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing.

Depreciation is provided for in amounts to prorate the cost of depreciable assets to operations over their estimated useful lives, using the straight-line method. The estimated useful lives established to determine depreciation for vehicles, machinery, and equipment vary from three to twenty years. Building and building improvements are depreciated over thirty years. Land improvements are depreciated over twenty years. Infrastructure is depreciated over forty years.

The Authority evaluated prominent events or changes in circumstances affecting property and equipment to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2020.

Tax Status - The Authority is exempt from federal income taxes under Internal Revenue Service Code Section 115.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Restricted Assets - In accordance with the terms of the Authority's bond indenture, the use of certain Authority assets is restricted for specific purposes as summarized below:

	December 31, <u>2020</u>
Construction fund	\$ 384,873
Debt service reserve fund	2,782,878
Debt service	<u>24,422</u>
Total assets held with fiscal agent	\$ <u>3,192,173</u>

Capital Assets, Net - A summary of the Authority's capital assets, net, is as follows:

	January 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2020</u>
Land and easement	\$ 1,080,409	-	-	1,080,409
Land improvements	1,961,969	-	-	1,961,969
Buildings and improvements	13,526,687	-	-	13,526,687
Infrastructure	61,037,049	2,847,082	-	63,884,131
Machinery and equipment	9,373,398	29,319	-	9,402,717
Vehicles	167,135	-	-	167,135
Office equipment and furniture	85,558	-	-	85,558
Construction in progress	<u>2,783,517</u>	<u>1,342,466</u>	<u>(2,847,082)</u>	<u>1,278,901</u>
	90,015,722	4,218,867	(2,847,082)	91,387,507
Less accumulated depreciation	<u>(25,740,133)</u>	<u>(2,551,630)</u>	<u>-</u>	<u>(28,291,763)</u>
Capital assets, net	<u>\$ 64,275,589</u>	<u>1,667,237</u>	<u>(2,847,082)</u>	<u>63,095,744</u>

Related Party Agreement - On September 1, 2008, the Authority entered into a Service Agreement (the "Agreement") with the County. The Agreement requires the Authority to construct, operate and maintain the Saratoga County Water System. In turn, the Agreement requires the County to pay a service fee, if needed, to the Authority based on the Authority's annual budget. The Authority is to repay the County for any and all amounts paid by the County as a service fee plus interest at 4%. The Agreement will terminate in 2048 with the maturity of the Authority's revenue bond.

Amounts due to the County at December 31, 2020:

Project costs incurred by the County (2003 to 2007), non-interest bearing	\$ 3,246,587
Cash advance, June 2007, interest at 4%	250,000
Service fees	4,117,328
Accrued interest	1,241,442
Repayment	<u>(5,000,000)</u>
	<u>\$ 3,855,357</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Although these liabilities are due on demand, it is the intent of the County and the Authority to have these amounts paid over a period of time, after the Authority has commenced significant operations. The Authority anticipates that it will repay \$2,000,000 to the County in 2021.

Notes Payable Environmental Facilities Corporation (EFC) - During 2020, the capital project to expand the water system was in process. The project was funded by EFC grants and loans and is summarized as follows:

	Estimated Total Project	Incurred Through <u>December 31, 2020</u>
EFC Grant	\$ 3,177,337	1,127,909
EFC Loan	<u>4,955,492</u>	<u>-</u>
	<u>\$ 8,132,829</u>	<u>1,127,909</u>

Bonds Payable - At December 31, 2020, the Authority has outstanding related to bonds payable of \$44,602,684.

In 2014, Water System Revenue Bonds of \$4,340,000 were issued to finance costs incurred in connection with the construction of upgrades at the water treatment plant. Interest is payable semi-annually on June 1 and December 1, at 5%. Principal payments range from \$70,000 to \$275,000, and are payable annually on June 1. The bonds are collateralized by future operating revenues of the Authority and mature June 1, 2044.

The 2016 Water System Refunding Revenue Bonds were issued at \$41,360,000 to refund the 2008 Water System Revenue Bonds. Interest is payable semiannually on March 1 and September 1, at interest rates ranging from 3 to 5%. Principal payments range from \$605,000 to \$32,105,000, and are payable annually on September 1. The bonds are secured by the future operating revenues of the Authority and mature September 1, 2048.

The 2020 E.F.C. Drinking Water Statutory Installment Bond was issued at \$1,178,680. Interest is payable semi-annually on April 1 and October 1, at interest rates ranging from 0.25% to 2.93%. Principal payments range from \$35,000 to \$50,000 and are payable annually on October 1.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Future maturities of bonds payable and related interest amounts are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31,	2021	\$ 835,000	1,765,630	2,600,630
	2022	873,680	1,729,253	2,602,933
	2023	920,000	1,687,277	2,607,277
	2024	960,000	1,642,790	2,602,790
	2025	1,010,000	1,596,332	2,606,332
	2026-2030	5,850,000	7,195,659	13,045,659
	2031-2035	7,425,000	5,618,463	13,043,463
	2036-2040	8,980,000	4,054,265	13,034,265
	2041-2045	10,325,000	2,407,293	12,732,293
	2046-2048	<u>6,110,000</u>	<u>477,869</u>	<u>6,587,869</u>
		<u>\$ 43,288,680</u>	<u>28,174,831</u>	<u>71,463,511</u>

Accrued Postemployment Benefits

Plan Description

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Revenue, Expenses and Change in Net Position when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided

The Authority provides postemployment healthcare benefits for certain eligible retirees.

The Authority provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans.

Employees Covered by Benefit Terms

As of January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefit payments, inactive employees or beneficiaries currently receiving benefits payments	-
Active employees	<u>7</u>
Total participants covered by OPEB Plan	<u>7</u>

Total OPEB Liability

The Authority's total OPEB liability of \$102,000 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2020.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.74%
Healthcare cost trend rates:	
2019 (Pre 65/Post 65)	6.67%/3.00%
2020 trend	9.50%
Decrement	0.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2029
Salary increases	2.00%

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligations Index, based on the 20 year AA municipal bond rate as of December 31, 2019.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006).

Changes in the Total OPEB Liability

OPEB Liability, beginning of year	\$ 80,307
Changes for the year:	
Service cost	19,493
Interest on total OPEB liability	<u>2,200</u>
OPEB Liability, end of year	\$ <u>102,000</u>

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

The January 1, 2020 valuation was prepared using a discount rate of 2.74%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower as well as the current discount rate.

	<u>Discount Rate</u>		
	1%	2.74%	1%
	<u>Decrease</u>	<u>Baseline</u>	<u>Increase</u>
Total OPEB Liability	\$ <u>134,641</u>	<u>102,000</u>	<u>77,269</u>

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

The January 1, 2019 valuation was prepared using an initial trend rate of 6.67%/3.00%. The following presents the total OPEB liability using a healthcare cost trend rate 1% higher and 1% lower as well as the current healthcare cost trend rate.

	<u>Healthcare Cost Trend Rate</u>		
	1%	6.67%/3.00%	1%
	<u>Decrease</u>	<u>Baseline</u>	<u>Increase</u>
Total OPEB Liability	\$ <u>71,407</u>	<u>102,000</u>	<u>145,682</u>

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Commitments and Contingencies

Water Service Agreements - The Authority has entered into ten separate water service agreements with the Clifton Park Water Authority, Town of Ballston, Town of Malta, Town of Moreau, Town of Halfmoon, Town of Stillwater, Wilton Water and Sewer Authority, Village of Stillwater, Stewart's Corporation and Global Foundries US, Inc. Terms of said agreements are for the provision of water services and other services as described by the individual agreements. These agreements are for ten years subject to various conditions and qualifying events. 84% of operating revenue in 2020 was comprised of user fees received by the Authority related to three of the water service agreements.

Litigation - The Authority is also involved in other suits and claims (possible actions) arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such possible actions would not result in losses that would materially affect the financial position of the Authority or the results of its operations.

Environmental Risks - Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Authority expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Authority. The Authority believes that its current practices and procedures for control and disposition or regulated wastes comply with applicable federal, state, and local requirements.

Pension Plan

(1) General Information

The Authority participates in the New York State and Local Employees' Retirement System ("ERS"). The System is a cost sharing multiple-employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Description and Benefits Provided - The System provides 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, which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the System. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Pension Plan, Continued

(1) General Information, Continued

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 System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined the System 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 must contribute 3% of their salary for their entire length 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 System's fiscal year ending March 31.

Chapter 260 of the laws of the State of New York allows local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ended March 31, 2005 through 2008. Chapter 57 of the laws of the State of New York allows local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ended March 31, 2011 and forward.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. The Authority has not bonded or amortized any portion of their retirement obligations.

(2) Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions

At December 31, 2020, the Authority reported a liability of \$370,815 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2020, the Authority's proportion was 0.0014003%, an increase of 0.0000737 from December 31, 2019.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Pension Plan, Continued

(2) Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions, Continued

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,824	-
Changes of assumptions	7,466	6,447
Net difference between projected and actual investment earnings on pension plan investments	190,098	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,661	20,955
Employer contribution subsequent to the measurement date	<u>37,919</u>	<u>-</u>
	<u>\$ 260,968</u>	<u>27,402</u>

The net amount of the employer's balances of deferred outflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ 64,445
2022	46,911
2023	66,547
2024	<u>55,663</u>
	<u>\$ 233,566</u>

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

Significant actuarial assumptions used in the April 1, 2019 valuation were as follows:

Interest rate	6.8%
Salary increase	4.2%
Inflation rate	2.5%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Pension Plan, Continued

(2) Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions, Continued

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 returns 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

ERS Actuarial Assumptions, Continued

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 for ERS were as follows:

	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Asset type:		
Domestic equity	36.0%	4.05%
International equity	14.0%	6.15%
Private equity	10.0%	6.75%
Real estate	10.0%	4.95%
Absolute return strategies (1)	2.0%	3.25%
Opportunistic portfolio	3.0%	4.65%
Real assets	3.0%	5.95%
Bonds and mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation - indexed bonds	<u>4.0%</u>	0.50%
	<u>100.0%</u>	

The real rate of return is net of the long-term inflation assumption of 2.50%.

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(b) Saratoga County Water Authority, Continued

Pension Plan, Continued

(3) Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 determined. Based upon the 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.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, 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 or 1 percentage point higher than the current rate:

ERS

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employers' proportionate share of the net pension liability	\$ <u>680,551</u>	<u>370,815</u>	<u>85,548</u>

(5) Pension Plan Fiduciary Net Position

The components of the net pension liability of the employer as of March 31, 2020 was as follows (in millions):

	<u>ERS</u>
Employers' total pension liability	\$ (194,596)
Plan fiduciary net position	<u>168,116</u>
Employers' net pension liability	\$ <u>(26,480)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	<u>86.39%</u>

(c) Saratoga County Prosperity Partnership, Inc.

The Saratoga County Prosperity Partnership, Inc. (the Partnership) is a special purpose, local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. The Partnership is an instrumentality of, but separate and apart from the County of Saratoga, New York (the County). Although legally separate from the County, the Partnership is a component unit of the County and, accordingly, is included in the County's financial statements as a discretely presented component unit.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(17) Detail Notes to Discretely Presented Component Units, Continued

(c) Saratoga County Prosperity Partnership, Inc., Continued

The Partnership's mission is to publicize and promote the advantages of the County and the Region as a place where employers and entrepreneurs can successfully locate new and expanded operations. The Partnership, through its promotional program, shall attract and encourage prospective employers in a wide range of economic activity, including but not limited to manufacturing, agri-business, education, clean and renewable energy production and technology, business services, international trade, high tech and broadband services and infrastructure, information technology, research, and tourism to locate to or expand within the County.

Transactions with the County of Saratoga - The Partnership receives a contract each year from the County to provide economic development. 50% of all unused general fund monies must be returned at the end of the year. In 2020, the County appropriated \$0 to the Partnership. The Partnership does not owe any amount to the County at December 31, 2020.

(18) Future Implementations of GASB Pronouncements

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 87 - Leases. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - Omnibus 2020. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - Replacement of Interbank Offered Rates. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Effective for fiscal years beginning after June 15, 2021.

COUNTY OF SARATOGA, NEW YORK

Notes to Financial Statements, Continued

(19) Cumulative Effect of Change in Accounting Principle

For the year ended December 31, 2020, the County implemented GASB Statement No. 84 - "Fiduciary Activities." The implementation of this Statement resulted in the statement of changes in fiduciary net position as a new statement to the basic financial statements as well as reporting certain liabilities as fiduciary net position. The County's fiduciary net position at December 31, 2019 has been restated as follows:

Fiduciary Funds:

Custodial Fund:

Net position at beginning of year, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>474,746</u>
Net position at beginning of year, as restated	\$ <u>474,746</u>

Permanent Fund:

Net position at beginning of year, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>118,552</u>
Net position at beginning of year, as restated	\$ <u>118,552</u>

Private Purpose Trust Fund:

Net position at beginning of year, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>2,497</u>
Net position at beginning of year, as restated	\$ <u>2,497</u>

COUNTY OF SARATOGA, NEW YORK
Required Supplementary Information
Schedule of Revenue, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
Year ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Adopted</u>	<u>Modified</u>	<u>Amounts</u>	
Revenue:				
Real property taxes	\$62,627,257	62,627,257	61,766,463	(860,794)
Real property tax items	4,953,750	4,953,750	3,671,367	(1,282,383)
Non-property tax items	131,121,847	131,121,847	128,305,170	(2,816,677)
Departmental income	11,271,390	11,281,590	11,309,091	27,501
Intergovernmental charges	3,324,266	3,324,266	5,202,890	1,878,624
Use of money and property	690,730	690,730	518,904	(171,826)
Licenses and permits	90,000	90,000	68,358	(21,642)
Fines and forfeitures	414,340	419,040	216,059	(202,981)
Sale of property and compensation for loss	2,056,000	2,056,000	2,516,809	460,809
Miscellaneous local sources	2,542,253	2,628,423	959,608	(1,668,815)
State aid	31,159,664	34,256,455	20,379,629	(13,876,826)
Federal aid	<u>22,998,134</u>	<u>24,535,036</u>	<u>17,358,019</u>	<u>(7,177,017)</u>
Total revenue	<u>273,249,631</u>	<u>277,984,394</u>	<u>252,272,367</u>	<u>(25,712,027)</u>
Expenditures:				
General government support	96,479,954	97,971,588	92,814,141	5,157,447
Education	21,475,000	20,372,845	19,843,415	529,430
Public safety	40,572,902	45,379,131	41,755,616	3,623,515
Health	20,809,140	21,474,871	18,820,270	2,654,601
Transportation	6,570,900	6,951,341	3,474,316	3,477,025
Economic assistance and opportunity	65,491,352	65,334,224	60,056,308	5,277,916
Culture and recreation	1,174,643	1,176,883	761,368	415,515
Home and community services	3,450,495	3,450,495	3,247,254	203,241
Debt service	<u>2,498,434</u>	<u>2,501,866</u>	<u>2,501,866</u>	<u>-</u>
Total expenditures	<u>258,522,820</u>	<u>264,613,244</u>	<u>243,274,554</u>	<u>21,338,690</u>
Excess of revenue over expenditures	<u>14,726,811</u>	<u>13,371,150</u>	<u>8,997,813</u>	<u>(4,373,337)</u>
Other financing uses - operating transfers out	<u>(18,292,025)</u>	<u>(19,394,180)</u>	<u>(19,394,180)</u>	<u>-</u>
Net change in fund balance	<u>\$ (3,565,214)</u>	<u>(6,023,030)</u>	<u>(10,396,367)</u>	<u>(4,373,337)</u>
Fund balance at beginning of year			<u>48,724,431</u>	
Fund balance at end of year			<u>\$38,328,064</u>	

COUNTY OF SARATOGA, NEW YORK
 Required Supplementary Information
 Schedule of Changes in the County's Total OPEB Liability and Related Ratios
 December 31, 2020

<u>County-wide</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 7,692,238	8,155,233	7,586,537
Interest	9,924,357	8,734,993	8,864,916
Differences between expected and actual experience	-	(2,697,158)	-
Changes in assumptions or other inputs	47,213,631	(16,827,874)	11,334,333
Benefit payments	<u>(8,544,483)</u>	<u>(8,993,383)</u>	<u>(8,910,324)</u>
Net change in total OPEB liability	56,285,743	(11,628,189)	18,875,462
Total OPEB liability, beginning	<u>238,637,486</u>	<u>250,265,675</u>	<u>231,390,213</u>
Total OPEB liability, ending	<u>\$294,923,229</u>	<u>238,637,486</u>	<u>250,265,675</u>
Covered payroll	\$ 60,402,915	60,402,915	58,384,878
Total OPEB liability as a percentage of covered payroll	488%	395%	429%
 <u>Governmental Activities:</u>			
Total OPEB liability			
Service cost	\$ 7,380,590	7,708,421	7,191,227
Interest	9,384,991	8,256,417	8,402,994
Differences between expected and actual experience	-	(2,549,385)	-
Changes in assumptions or other inputs	44,723,111	(16,577,024)	10,719,045
Benefit payments	<u>(8,082,585)</u>	<u>(8,500,650)</u>	<u>(8,446,036)</u>
Net change in total OPEB liability	53,406,107	(11,662,221)	17,867,230
Total OPEB liability, beginning	<u>225,562,931</u>	<u>237,225,152</u>	<u>219,357,922</u>
Total OPEB liability, ending	<u>\$278,969,038</u>	<u>225,562,931</u>	<u>237,225,152</u>
Covered payroll	\$ 57,135,354	57,093,539	55,342,634
Total OPEB liability as a percentage of covered payroll	488%	395%	429%

(Continued)

COUNTY OF SARATOGA, NEW YORK
 Required Supplementary Information
 Schedule of Changes in the County's Total OPEB Liability and Related Ratios, Continued

<u>Sewer District:</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 311,648	446,812	395,310
Interest	539,366	478,576	461,922
Differences between expected and actual experience	-	(147,773)	-
Changes in assumptions or other inputs	2,490,520	(250,850)	615,288
Benefit payments	<u>(461,898)</u>	<u>(492,733)</u>	<u>(464,288)</u>
Net change in total OPEB liability	2,879,636	34,032	1,008,232
Total OPEB liability, beginning	<u>13,074,555</u>	<u>13,040,523</u>	<u>12,032,291</u>
Total OPEB liability, ending	<u>\$ 15,954,191</u>	<u>13,074,555</u>	<u>13,040,523</u>
Covered payroll	\$ 3,267,561	3,309,376	3,042,244
Total OPEB liability as a percentage of covered payroll	488%	395%	429%

Note to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>2020</u>	<u>2019</u>	<u>2018</u>
2.74%	3.44%	3.44%

The schedule is presented to illustrate the requirement for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available.

COUNTY OF SARATOGA, NEW YORK
 Required Supplementary Information
 Schedule of County's Proportionate Share of the Net Pension Liability
 Year ended December 31, 2020

NYSERS Pension Plan

	<u>County-wide</u>					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.2688397%	0.2598972%	0.2581054%	0.2596440%	0.2978990%	0.2998883%
County's proportionate share of the net pension liability	\$71,190,299	18,414,508	8,330,210	24,396,728	47,813,621	10,130,958
County's covered payroll	\$63,867,567	61,063,602	58,952,768	57,329,348	56,778,955	61,263,111
County's proportionate share of the net pension liability as a percentage of its covered payroll	111.47%	30.16%	14.13%	42.56%	84.21%	16.54%
Plan fiduciary net position as a percentage of the total pension liability	0.0%	96.3%	98.2%	94.7%	90.7%	97.9%

Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities proportion of the net pension liability	0.2569144%	0.2479786%	0.2452426%	0.2471586%	0.2828585%	0.2833960%
Governmental activities proportionate share of the net pension liability	\$68,032,424	17,570,038	7,915,069	23,223,577	45,303,272	9,624,412
Governmental activities covered payroll	\$61,034,515	58,263,288	56,016,920	54,572,585	53,797,901	58,199,697
Governmental activities proportionate share of the net pension liability as a percentage of its covered payroll	111.47%	30.16%	14.13%	42.56%	84.21%	16.54%

Sewer District

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Fund's proportion of the net pension liability	0.0119253%	0.0119186%	0.0128628%	0.0124854%	0.0156405%	0.0164930%
Fund's proportionate share of the net pension liability	\$ 3,157,875	844,470	415,141	1,173,151	2,510,349	506,546
Fund's covered payroll	\$ 2,833,052	2,800,314	2,935,848	2,756,763	2,981,054	3,063,144
Fund's proportionate share of the net pension liability as a percentage of its covered payroll	111.47%	30.16%	14.14%	42.56%	84.21%	16.54%

* The schedule is presented to illustrate the requirement for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available from the NYS Retirement System.

COUNTY OF SARATOGA, NEW YORK
 Required Supplementary Information
 Schedule of County's Pension Contributions
 Year ended December 31, 2020

NYSERS Pension Plan									
	<u>County-wide</u>								
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 9,401,334	9,078,001	8,806,295	8,834,255	8,903,604	10,728,541	12,160,083	12,336,753	12,370,870
Contributions in relation to the contractually required contribution	<u>9,401,334</u>	<u>9,078,001</u>	<u>8,806,295</u>	<u>8,834,255</u>	<u>8,903,604</u>	<u>10,728,541</u>	<u>12,160,083</u>	<u>12,336,753</u>	<u>12,370,870</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$63,867,567	61,063,602	58,952,768	57,329,348	56,778,955	61,263,111	63,150,465	62,407,807	66,174,183
Contributions as a percentage of covered payroll	14.72%	14.87%	14.94%	15.41%	15.68%	17.51%	19.26%	19.77%	18.69%
	<u>Governmental Activities</u>								
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 8,984,308	8,661,693	8,367,428	8,409,447	8,439,667	10,138,512	11,534,897	11,694,724	11,727,065
Contributions in relation to the contractually required contribution	<u>8,984,308</u>	<u>8,661,693</u>	<u>8,367,428</u>	<u>8,409,447</u>	<u>8,439,667</u>	<u>10,138,512</u>	<u>11,534,897</u>	<u>11,694,724</u>	<u>11,727,065</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$61,034,515	58,263,288	56,016,920	54,572,585	53,797,901	58,199,967	59,903,710	59,159,980	62,730,346
Contributions as a percentage of covered payroll	14.72%	14.87%	14.95%	15.41%	15.69%	17.42%	19.26%	19.77%	18.69%
	<u>Sewer District</u>								
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 417,026	416,308	438,867	424,808	463,937	590,029	625,186	642,029	643,805
Contributions in relation to the contractually required contribution	<u>417,026</u>	<u>416,308</u>	<u>438,867</u>	<u>424,808</u>	<u>463,937</u>	<u>590,029</u>	<u>625,186</u>	<u>642,029</u>	<u>643,805</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund's covered payroll	\$ 2,833,052	2,800,314	2,935,848	2,756,763	2,981,054	3,063,144	3,246,755	3,247,827	3,443,837
Contributions as a percentage of covered payroll	14.72%	14.87%	14.95%	15.41%	15.56%	19.26%	19.26%	19.77%	18.69%

* The schedule is presented to illustrate the requirement for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available.

COUNTY OF SARATOGA, NEW YORK
Other Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2020

	Special Revenue Funds				Total Nonmajor Governmental Funds
	County Road	Road Machinery	Employment and Training	Federal Forfeitures	
Assets:					
Cash and equivalents	\$ 250	604,186	94,561	160,323	859,320
Accounts receivable	506,848	-	-	-	506,848
State and federal receivables	2,953,192	-	-	-	2,953,192
Total assets	\$ 3,460,290	604,186	94,561	160,323	4,319,360
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	759,109	604,186	772	-	1,364,067
Due to other governments	933,073	-	-	-	933,073
Due to other funds	517,886	-	-	-	517,886
Total liabilities	2,210,068	604,186	772	-	2,815,026
Deferred inflows of resources	2,635,985	-	93,789	-	2,729,774
Fund balances:					
Restricted	-	-	-	160,323	160,323
Unassigned (deficit)	(1,385,763)	-	-	-	(1,385,763)
Total fund balances (deficit)	(1,385,763)	-	-	160,323	(1,225,440)
Total liabilities, deferred inflows of resources and fund balances	\$ 3,460,290	604,186	94,561	160,323	4,319,360

COUNTY OF SARATOGA, NEW YORK
Other Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year ended December 31, 2020

	Special Revenue Funds				Total Nonmajor Governmental Funds
	County Road	Road Machinery	Employment and Training	Federal Forfeitures	
Revenue:					
Departmental income	\$ 1,758,797	-	-	-	1,758,797
Intergovernmental charges	417,254	-	-	-	417,254
Use of money and property	-	1,129,099	-	82	1,129,181
Fines and forfeitures	-	-	-	7,493	7,493
Sale of property and compensation for loss	25,889	133,659	-	1,811	161,359
Miscellaneous local sources	44,538	223,367	-	-	267,905
State aid	2,078,194	250,000	-	-	2,328,194
Federal aid	569,767	-	1,063,436	-	1,633,203
Total revenue	<u>4,894,439</u>	<u>1,736,125</u>	<u>1,063,436</u>	<u>9,386</u>	<u>7,703,386</u>
Expenditures:					
Public safety	969,174	-	-	15,063	984,237
Transportation	21,863,360	4,442,641	-	-	26,306,001
Economic assistance and opportunity	-	-	1,063,436	-	1,063,436
Total expenditures	<u>22,832,534</u>	<u>4,442,641</u>	<u>1,063,436</u>	<u>15,063</u>	<u>28,353,674</u>
Deficiency of revenue over expenditures	(17,938,095)	(2,706,516)	-	(5,677)	(20,650,288)
Other financing sources - operating transfers in	16,737,664	2,656,516	-	-	19,394,180
Net change in fund balances	(1,200,431)	(50,000)	-	(5,677)	(1,256,108)
Fund balances (deficit) at beginning of year	(185,332)	50,000	-	166,000	30,668
Fund balances (deficit) at end of year	<u>\$ (1,385,763)</u>	<u>-</u>	<u>-</u>	<u>160,323</u>	<u>(1,225,440)</u>

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APPENDIX E — General Resolution

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SARATOGA COUNTY WATER AUTHORITY

TO

WELLS FARGO BANK, N.A., as Trustee

GENERAL RESOLUTION

Dated as of September 1, 2008

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THIS GENERAL RESOLUTION, dated as of September 1, 2008 is by and between the SARATOGA COUNTY WATER AUTHORITY, a public corporation and a body corporate and politic constituting a public benefit corporation duly organized and existing under the laws of the State of New York and having its principal office at 357 Milton Avenue, Suite H, Ballston Spa, New York (the "Authority"), and Wells Fargo Bank, N.A., a National Banking Association duly organized and existing under the laws of the United States and authorized to accept and execute trusts of the character hereinafter set forth and having a corporate trust office in Middletown, Connecticut, as trustee:

W I T N E S S E T H:

WHEREAS, Title 8-F of Article 5 of the Public Authorities Law of the State of New York (the "Act") was duly enacted into law as Chapter 678 of the Laws of 1990 of the State of New York and authorizes the Authority to construct and operate the County Water System, for the Authority to provide water to municipalities and private water companies in the County ("Water Service") and for the Authority to enter into an agreement with the County relating to the Authority's construction and operation of the County Water System (the "Service Agreement"); and

WHEREAS, the Authority has entered into the Service Agreement and proposes to permanently finance the construction of the 2008 County Water System Project by the issuance of bonds; and

WHEREAS, the issuance of the Authority's bonds under the Act as herein provided have been in all respects approved and duly and validly authorized by resolutions duly adopted by the Authority; and

WHEREAS, the execution and delivery of this Resolution has been duly authorized by the Authority and the Trustee.

NOW, THEREFORE, THIS RESOLUTION WITNESSETH (capitalized terms having the meaning ascribed to them in this Resolution), that in order to secure (i) the payment of principal or redemption price of and interest on all Bonds issued and Outstanding under this Resolution according to their tenor, purport and effect, and (ii) the performance and observance of all the covenants, promises, stipulations, agreements, terms, provisions and conditions contained in the Bonds and in the Resolution, and for and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Beneficial Owners in the case of Bonds issued pursuant to the Book-Entry System and Registered Owners in the case of Bonds issued in certificated form, and of the acceptance by the Trustee of the trust hereby created, the Authority, intending to be legally bound, does hereby pledge and grant a security interest unto the Trustee and its successors in the trust and its assigns, in and to the following:

FIRST GRANTING CLAUSE

Subject only to the right of the Authority to apply Pledged Revenues to pay Operating Expenses, all right, title and interest of the Authority in and to Revenues.

SECOND GRANTING CLAUSE

Subject only to the First Granting Clause, all right, title and interest of the Authority in and to the Service Agreement, provided that the Authority shall have full right to act in its own behalf under the foregoing as long as there shall not have occurred and be continuing an Event of Default hereunder.

THIRD GRANTING CLAUSE

All right, title and interest of the Authority in and to all money and Investment Securities from time to time held by either the Authority or the Trustee in any fund or account created hereunder, provided, however, that money and Investment Securities held in the Rebate Fund established under Section 4.11 hereof shall be applied solely to pay the Rebate Amount to the United States and shall not be available for the payment of any Indebtedness of the Authority and any amounts held by the Trustees to pay the purchase price of any Bonds tendered for purchase in accordance with a Supplemental Resolution shall be held exclusively for the benefit of the Registered Owners of such Bonds.

FOURTH GRANTING CLAUSE

Any and all other property rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Authority or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

FIFTH GRANTING CLAUSE

All rights and privileges of every kind and nature appurtenant to the properties described in the First, Second, Third and Fourth Granting Clauses hereof, all proceeds thereof, and all the right, title and claim whatsoever, at law as well as in equity, which the Authority now has or may hereafter acquire in and to the property described in the above Granting Clauses, or any part thereof, whether now owned or hereafter acquired.

TO HAVE AND TO HOLD all and singular said trust estate sold, assigned, transferred, pledged and set over by the Authority as aforesaid or intended so to be, unto the said Trustee and its successors and assigns, forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, (i) for the equal and proportionate benefit, security and protection of all present and future Holders of the Bonds and Additional Parity Indebtedness issued under and secured by this Resolution without privilege, priority or distinction as to the lien or otherwise of any of the Bonds and Additional Parity Indebtedness over any of the other Bonds and Additional Parity Indebtedness except as otherwise expressly provided herein, (ii) for the benefit of any and all Credit Facility Providers as their interests may appear, and (iii) for the benefit of the holder of any Subordinate Indebtedness, expressly as provided herein;

PROVIDED, HOWEVER, that if the Authority shall (i) well and truly pay, or cause to be paid, all Bonds, at the times and in the manner specified therefor according to the true intent and meaning thereof, or shall provide for the payment thereof as permitted hereunder and (ii) shall well and truly keep, perform and observe all of the obligations other than payment obligations to be kept, performed and observed by it, and (iii) shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments and performance this Resolution and the rights hereby granted, and all interest of the Trustee in the Trust Estate, shall cease, determine and be void, and the Trustee shall forthwith release, surrender and otherwise cancel any interest it may have in this Resolution, otherwise this Resolution to be and remain in full force and effect; and

PROVIDED, FURTHER, HOWEVER, that if there is in effect a Credit Facility issued concurrently with the delivery of any Additional Indebtedness and being security for such Additional Indebtedness, or any replacement thereof permitted in accordance with any Supplemental Resolution pursuant to which the applicable Additional Indebtedness was incurred and there is not then in existence and continuing a Credit Facility Default with respect to any such Credit Facility, the pledge of the Resolution, to the Trustee as security for the Additional Indebtedness shall be terminated and of no effect only if each Credit Facility Provider shall so notify the Trustee in writing;

AND IT IS HEREBY COVENANTED AND AGREED by and between the parties hereto, that the terms and provisions upon which the Bonds are to be issued, executed, authenticated, delivered and secured, and the trusts and conditions upon which the Trust Estate is to be held and disposed of, which said trust and conditions the said Trustee hereby accepts and agrees to discharge, are as follows:

ARTICLE I.

GENERAL PROVISIONS

SECTION 1.01 Authority for the Resolution. This Resolution is entered into by virtue of the Act and pursuant to its provisions, and the Authority has ascertained and hereby determines that each and every matter and thing as to which provision is made in this Resolution is necessary in order to further secure the payment of the principal of or interest on the Bonds and to carry out and effectuate the purposes of the Authority in accordance with the Act.

SECTION 1.02 Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Bonds and, without limitation, the Bonds by the Beneficial Owners in the case of Bonds issued pursuant to the Book-Entry System and Registered Owners in the case of Bonds issued in certificated form from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Authority, the Trustee and the Registered Owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided herein.

SECTION 1.03 Scope of Resolution. Nothing in this Resolution shall limit the power of the Authority to issue obligations of the Authority outside this Resolution for any lawful purpose of the Authority or from granting liens of any priority on revenues of the Authority which are not Pledged Revenues or for granting liens of any priority on revenues of the Authority which are not Revenues as defined herein.

SECTION 1.04 Construction.

(a) In this Resolution (except as otherwise expressly provided or unless the context clearly otherwise requires) the singular includes the plural, the masculine includes the feminine, all definitions and references to documents include all amendments or supplements thereto, and all definitions and references to persons or entities include their respective successors and assigns.

(b) Words importing the "redemption" "redeemed" or "calling for redemption" of Bonds do not include or connote the payment of Bonds at their stated maturity, or the payment of Bonds upon declaring such Bonds due and payable in advance of their maturity, or the purchase of Bonds.

(c) All references in this Resolution to designated "Articles," "Sections" and other subdivisions of this Resolution are to the designated Articles, Sections or other subdivisions of this instrument as amended from time to time. The words "herein," "hereunder," "hereof," "hereto," "hereby" and other words of similar import (except in the form of Bond) refer to this Resolution as a whole and not to any particular Article, Section or other subdivision unless otherwise specified.

SECTION 1.05 Definitions. The following terms whenever used in this Resolution shall have the meanings set forth in this Section except as otherwise expressly provided or unless the context clearly requires otherwise:

"Accountant" means such independent certified public accountant or accounting firm as shall at the time be employed by the Authority for the purpose of performing the functions and duties of the independent certified public accountant under this Resolution.

"Accreted Value" means at any particular time, the value of any Capital Appreciation Indebtedness or any Compound Interest Indebtedness used for the purpose of determining any required principal amount for Bondholders' consents or approvals, the amount of Bonds Outstanding, the redemption price of such Indebtedness or the priority of any claim for payment of interest or principal upon the occurrence of an Event of Default, all as provided in the Supplemental Resolution authorizing the issuance of any such Capital Appreciation Indebtedness or any Compound Interest Indebtedness.

"Act" means (i) the Act as defined in the preamble hereof, as it may from time to time be amended and (ii) any rules or regulations promulgated by the Authority pursuant to the Act as the same may from time to time be modified or amended.

"Act of Bankruptcy" means with respect to any Person the occurrence of one of the following events: (a) the Person shall become insolvent or shall fail to pay its debts generally as they become due, or shall admit in writing its inability to pay any of its indebtedness; (b) the Person shall file a case under the federal Bankruptcy Code to be declared a bankrupt or for reorganization; (c) the Person shall consent to, or petition or apply to any authority for the appointment of a receiver, liquidator, trustee or similar official for itself or for all or any part of its properties; (d) any such receiver, liquidator, trustee or similar official shall otherwise have been appointed and shall not have been removed, dismissed or stayed within sixty (60) days of such appointment; or (e) insolvency, reorganization, arrangement or liquidation proceedings (or similar proceedings) shall have been instituted by or against the Person, and if instituted against the Person, shall not have been dismissed within sixty (60) days of being instituted.

"Additional Indebtedness" means any Indebtedness issued by the Authority hereunder subsequent to the issuance of the Series 2008 Bonds. Additional Indebtedness may constitute Additional Parity Indebtedness, Credit Notes or any combination thereof.

"Additional Parity Indebtedness" means any Indebtedness of the Authority issued pursuant to Article III hereof secured by a lien on the Trust Estate on a parity basis with the Series 2008 Bonds.

"Advance-Refunded Municipal Bonds" means obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations held in trust for the payment thereof, which Advance-Refunded Municipal Bonds are rated in the highest rating category by each Rating Authority that, pursuant to the request of the Authority, maintains a credit rating with respect to such Advance-Refunded Municipal Bonds.

"Authority" means the Saratoga County Water Authority, a public corporation and a body corporate and politic constituting a public benefit corporation created and existing under and by virtue of the Act.

"Authority Budget" means the budget of the Authority for a Fiscal Year, as the same may be amended from time to time, as provided in Section 8.10 hereof.

"Authorized Denominations" means (i) with respect to the Series 2008 Bonds, a minimum denomination of \$5,000 and integral multiples thereof and (ii) with respect to any Additional Indebtedness, a minimum denomination specified in the Supplemental Resolution under which such Additional Indebtedness are issued.

"Authorized Newspaper" means a newspaper selected by the Trustee printed in the English language and customarily published at least five (5) days each week and generally circulated within the Borough of Manhattan, City and State of New York, and when successive publications in an Authorized Newspaper are required, they may be made in the same or different Authorized Newspapers.

"Authorized Representative" or "Authorized Officer" means, in the case of the Authority, the Chairperson, Vice Chairperson, Treasurer or Executive Director of the Authority, or any other officer or person authorized to perform specific acts or duties by resolution duly adopted by the members of the Authority and in the case of any Credit Facility Provider, the President or Vice-President, or any other officer authorized to perform specific acts or duties by resolution of the Board of Directors or relevant committee thereof of the Credit Facility Provider.

"Balloon Indebtedness" means Indebtedness fifty percent (50%) or more of the initial principal amount of which matures or is payable at the option of the holders thereof on the same date, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date. For purposes of determining the Debt Service Requirement for compliance with Additional Parity Indebtedness requirements, the Debt Service Requirement for such Indebtedness during such Fiscal Year shall be determined in accordance with the provisions of the Supplemental Resolution authorizing the issue of such Balloon Indebtedness.

"Beneficial Owners" means purchasers of Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository.

"Bond" or "Bonds" means the Series 2008 Bonds and any Additional Parity Indebtedness in the form of bonds of the Authority issued pursuant to this Resolution.

"Bondholder," "Holder," "holder" and "Registered Owner" means the Depository or its nominee, if the Book-Entry System maintained by the Depository pursuant to Section 2.06 is in effect, or the person in whose name any Bond is registered in the Bond Register System maintained by the Trustee pursuant to Section 2.07 hereof.

"Bond Counsel" means Holland & Knight LLP, or any nationally recognized counsel experienced in matters of municipal law and the tax-exempt status of obligations under the Code, acceptable to the Authority.

"Bond Redemption and Accumulated Surplus Fund" means the fund so designated which is created by Section 4.10 hereof.

"Bond Register System" means a system of Ownership and transfer of Bonds registered on the registration books of the Authority kept for that purpose by the Trustee, as Bond register.

"Book-Entry System" means a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships with such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository for recording ownership of the Bonds by Beneficial Owners and transfers of ownership interests in the Bonds.

"Business Day" means any day (other than Saturday or Sunday) during which (i) commercial banks located in the State or in any of the cities in which the Principal Office of the Trustee are located are not required or authorized by law to close; and (ii) The New York Stock Exchange, Inc. is not closed.

"Capital Appreciation Indebtedness" and "Compound Interest Indebtedness" means any Additional Indebtedness with a stated value at maturity, the interest on which is not payable until maturity or earlier redemption. In calculating the Debt Service Requirement in any Fiscal Year for Capital Appreciation Indebtedness or Compound Interest Indebtedness for purposes of determining the Debt Service Reserve Requirement or compliance with Additional Parity Indebtedness requirements, the Debt Service Requirement for such Indebtedness during such Fiscal Year shall be determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Capital Appreciation Indebtedness or Compound Interest Indebtedness.

"Chairperson" means the Chairperson of the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, or any applicable corresponding provision of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final regulations, temporary regulations and proposed regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

"Construction Fund" means the fund so designated which is established pursuant to Section 4.03 of this Resolution.

"Cost" or "Costs of the Project" means "Cost" as defined in the Act.

"Costs of Issuance" means all costs and expenses of issuance of a series of the Bonds, including, but not limited to: (i) underwriters' discount and fees; (ii) counsel fees, including, without limitation, bond counsel, and special tax counsel fees, as well as counsel fees for the Issuer; (iii) financial advisor fees; (iv) rating agency fees; (v) trustee fees and trustee counsel fees; (vi) paying agent and certifying and authenticating agent fees related to issuance of a series of the Bonds; (vii) accounting fees and expenses, including verification agent fees; (viii) printing

costs of a series of the Bonds and of the preliminary and final official statement; (ix) publication costs associated with the financing proceedings; (x) costs of any Credit Facility for a series of the Bonds; and (xi) any other fees or costs deemed issuance costs by Section 1.150-1(b) of the Income Tax Regulations.

"Counsel" means an attorney at law or law firm (who may be counsel for the Authority or the Trustee).

"County" means the County of Saratoga, New York.

"County Water System" has the meaning given such term in the Service Agreement.

"Credit Agreement" means any agreement pursuant to which a Credit Facility is issued or provided for.

"Credit Facility" means any credit enhancement, guaranty, letter of credit, insurance policy, surety bond, standby bond purchase agreement or other credit facility or liquidity facility, and any extension or renewal thereof which is delivered to the Trustee as security or liquidity for the payment of the principal or purchase price of or interest on any series of Bonds or any portion thereof, and includes any Reserve Fund Credit Facility.

"Credit Facility Bonds" means those Bonds which are purchased from funds drawn under a Credit Facility by the Trustee during the period of time that such Bonds are not remarketed and are held by or for the account of any Credit Facility Provider.

"Credit Facility Default" means either (i) failure by the Credit Facility Provider to pay any claim or draw under the Credit Facility when due in accordance with its terms or (ii) Act of Bankruptcy of the Credit Facility Provider.

"Credit Facility Provider" means the provider of any Credit Facility, and includes any Reserve Fund Credit Facility Provider.

"Credit Note" means the promissory note or other instrument or agreement evidencing or setting forth the Authority's obligations to a Credit Facility Provider pursuant to a Credit Agreement.

"Debt Service Fund" means the fund so designated which is established pursuant to Section 4.06 of this Resolution.

"Debt Service Requirements" means the amounts required to be paid by the Authority to the Trustee for the holders of all 2008 Bonds and Additional Indebtedness (or any trustee or paying agent for such holders) in respect of the principal of all 2008 Bonds and Additional Indebtedness (including mandatory redemptions or prepayments) and the interest and premium, if any, thereon, provided that, for the purposes of the foregoing:

(a) The amount deemed payable by the Authority in respect of interest on any 2008 Bonds and Additional Indebtedness shall not include interest funded and available from the proceeds thereof, and shall be reduced by any interest subsidy or corpus allocation percentage

reasonably anticipated by the Authority to be available under any Project Financing and Loan Agreement executed with the New York State Environmental Facilities Corporation, or any successor thereof or any similar State Agency or instrumentality or, upon initial issuance, any accrued interest; and

(b) The amount deemed payable by the Authority in respect of the principal of and interest on any Balloon Indebtedness, Capital Appreciation Indebtedness, Compound Interest Indebtedness or Variable Rate Indebtedness shall be calculated and, to the extent required, recalculated as provided in this Resolution.

"Debt Service Reserve Fund" means the fund so designated which is established pursuant to Section 4.07 of this Resolution.

"Debt Service Reserve Requirement" means, with respect to each separate series of the Bonds, the least of (i) the maximum annual Debt Service Requirements with respect to the Outstanding Bonds of that series of the Bonds in the then current and all future Fiscal Years (for the purposes of which calculation any Variable Rate Indebtedness shall be calculated at the maximum rate permitted under the Supplemental Resolution pursuant to which the Indebtedness has been issued); (ii) an amount equal to 10% of the proceeds from the sale of that series of the Bonds, and (iii) 125% of the average annual Debt Service Requirements with respect to the Outstanding Bonds of that series of the Bonds in the then current and all future Fiscal Years (for the purpose of which calculation any Variable Rate Indebtedness shall be calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued. For the purpose of calculating the Debt Service Reserve Requirement, the cost of any applicable Credit Facility shall be included as if it were interest on the Bonds of the related series of Bonds.

"Depository" means The Depository Trust Company, New York, New York, or any other entity performing substantially the same function under a Book-Entry System, and any successor depository designated pursuant to Section 2.06 hereof.

"Eastern Time" means the prevailing local time in the City of New York, New York.

"Engineer" means such engineer or firm of engineers of recognized standing having skill and experience with respect to the design, construction or operation of a water system similar to and having like characteristics as the County Water System, registered in the State as shall be at the time employed by the Authority for the purpose of performing the function and duties of an engineer under this Resolution or the Act and not unsatisfactory to the Trustee or any Credit Facility Provider. Except as otherwise expressly provided herein, the Engineer shall be Independent of the Authority.

"Event of Default" means any of the events described in Section 9.01 of this Resolution.

"Executive Director" means the Executive Director of the Authority.

"Federal Bankruptcy Code" means Title 11 of the United States Code.

"First Supplemental Resolution" means the First Supplemental Resolution dated as of September 1, 2008, by and between the Authority and the Trustee that is supplemental hereto and relates to the Series 2008 Bonds.

"Fiscal Year" means the period of twelve months beginning January 1 of each year and ending on December 31 of such year, or any other twelve (12) month period adopted by the Authority as its fiscal year for accounting purposes.

"Fund" means the Cost of Issuance Fund, the Revenue Fund, the Operating Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Operating Reserve Fund, the Rebate Fund, the Renewal and Replacement Fund, the Bond Redemption and Accumulated Surplus Fund or any additional fund established pursuant to Section 4.02 hereof.

"General Resolution" means this instrument, together with all modifications hereof and amendments and supplements hereto.

"Generally Accepted Accounting Principles" shall mean those accounting principles applicable in the preparation of financial statements of municipalities, authorities, or corporations as appropriate, as promulgated by the Financial Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

"Governing Board" means governing board of the Authority.

"Government Obligations" means United States Treasury bills or other interest-bearing direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the principal and interest of which are unconditionally guaranteed as to full and timely payment by, the United States of America, but not mutual funds (including unit investment trusts) investing in such obligations other than money market funds that are rated in the highest category by Moody's and S&P.

"Indebtedness" means, as to the Authority, at a particular time, all items which would, in conformity with Generally Accepted Accounting Principles, be classified as liabilities on a balance sheet of the Authority at such time, but in any event including without limitation (a) indebtedness arising under acceptance facilities or in respect of all letters of credit issued for the account of the Authority and, without duplication, all drafts drawn thereunder, (b) obligations under leases which have been, or under Generally Accepted Accounting Principles are required to be, capitalized, and (c) all indebtedness secured by (or for which the holder of such indebtedness has the right to be secured by) any mortgage, deed of trust, pledge, security interest or other lien, such mortgage, deed of trust, pledge, security interest, lien, charge or encumbrance upon property owned or acquired subject to such mortgage, deed of trust, pledge, security interest or other lien, whether or not the liabilities secured thereby have been assumed. Indebtedness shall not in any event include (i) current obligations payable from current revenue, including current payments for the funding of pension or other employee benefit plans (which shall be considered Operating Expenses) but shall include the current portion of Indebtedness classified as a current obligation under Generally Accepted Accounting Principles; (ii)

obligations under contracts for supplies, services and pensions, allocable to current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pension benefits paid (which shall be considered Operating Expenses in such future years).

"Independent" means a Person who is not an officer, director or employee of the Authority or a Credit Facility Provider; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the Credit Facility Provider shall not make such Person an employee within the meaning of this definition.

"Interest Payment Date" means for Bonds of a series of Bonds the date on which interest on such Bonds is payable according to the Supplemental Resolution pursuant to which such Bonds were issued.

"Investment Securities" means and includes any of the following:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from either Government Obligations or obligations of the Resolution Trust Company, which interest coupons are guaranteed by the United States of America;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following: Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Export-Import Bank of the United States, Federal Land Banks, or the Resolution Trust Company;
- (d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress;
- (e) (i) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or any successor federal deposit insurance corporation or entity or are one hundred percent (100%) collateralized with securities specified in paragraphs (a), (b), (c) or (d) above and those securities are held by a third party or (ii) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution which either (A) has an unsecured, uninsured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P or (B) is the lead bank of a parent bank holding company with an unsecured, uninsured and unguaranteed obligation meeting the rating requirements in (e)(ii)(A) above, and provided further that with respect to (i) and (ii) any such obligations are held by the Trustee or a

bank, trust company or national banking association other than the issuer of such obligations (unless the issuer is the Trustee);

(f) Repurchase agreements or investment agreements collateralized by securities described in subparagraphs (a), (b), (c) or (d) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation or that is an approved Federal Reserve Bank primary dealer or with any commercial bank (including the Trustee), provided that (1) a specific written repurchase agreement or investment agreement governs the transaction, (2) the securities, free and clear of any lien, are held by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures described in 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq., in such securities is created for the benefit of the Trustee, (4) the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two (2) Business Days of such valuation, or, in the case of a repurchase agreement, the agreement has a term of thirty (30) days or less, (5) the fair market value of the collateral securities in relation to the amount of the repurchase obligation or the payment obligation, depending on whether it is a repurchase agreement or an investment agreement, including principal and interest, is equal to at least 100% of the amount of the obligation which is secured and (6) the collateral was not acquired by the broker/dealer pursuant to a repurchase agreement or reverse repurchase agreement;

(g) Uncollateralized investment agreements issued or guaranteed by entities with debt obligations of comparable or longer maturity that are rated "a3" or better by Moody's and "A" or better by S&P.

(h) Money market funds rated "Am" or "Am-G" or better by Moody's and S&P;

(i) Commercial paper rated "Prime-1" or better by Moody's and "A-1" or better by S&P;

(j) Obligations rated "A3" or better by Moody's and "A-" or better by S&P;

(k) Shares of investment companies or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c) and (d) above; provided, however, that investment in obligations described in this clause (k) shall not exceed \$500,000;

(l) Advance-Refunded Municipal Bonds;

(m) Tax-Exempt Obligations that are rated "A-3" or better or V-MIG 1 by Moody's and "A-" or better or A-1 by S&P, or shares of investment companies that invest only in such obligations;

(n) Certificates that evidence ownership of the right to payments of principal of or interest on Government Obligations, provided that (1) such obligations shall be held in trust by a bank or trust company or national banking association meeting the requirements for a successor Trustee under this agreement, (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations, and (3) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated;

(o) An investment agreement, to the extent permitted by law, issued or guaranteed by a corporation whose long-term unsecured debt is rated in either of the two highest rating categories by Moody's and S & P; and

(p) The Trustee's "cash sweep account" or other short term investment fund of the Trustee, the assets of which consist of other Investment Securities defined above.

"Lien" means any sale, transfer, assignment, disposition, mortgage, pledge, security interest, lien, judgment lien, easement or other encumbrance on title, excluding Permitted Encumbrances.

"Moody's" means Moody's Investors Service, Inc., New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or any Remarketing Agent.

"Officer's Certificate" means a certificate or statement signed by an Authorized Representative or Authorized Officer of the Authority or, as the context may require, of the Credit Facility Provider.

"Operating Expenses" means, with respect to any Fiscal Year, all costs of the Authority to be paid during such Fiscal Year for the management, operation, maintenance or repair of the Project, including the administrative expenses of the Authority including, but not limited to, auditing fees, legal fees, engineering fees, financial advisory fees, office expenses, general administrative and management expenses, compensation and expenses of the Trustee (including those of its counsel) and any remarketing fees and expenses with respect to any Bonds provided, however, that Operating Expenses shall not include depreciation on the Project or any other non-cash charge, interest or principal on Bonds.

"Operating Fund" means the fund so designated which is described in Section 4.05 of this Resolution.

"Operating Reserve Fund" means the fund so designated which is described in Section 4.08 of this Resolution.

"Operating Reserve Requirement" means an amount equal to one-twelfth of the Authority's projected Operating Expenses for the then current Fiscal Year, as projected by the Authority in the Authority Budget. The Operating Reserve Fund may be funded with cash.

"Operating Revenues" means for any period the Revenues of the Authority, excluding any extraordinary gain or loss resulting from the extinguishment of Indebtedness, the sale of capital assets, the proceeds of insurance claims, except business interruption insurance, and settlements and of condemnation awards or payments in lieu thereof, and the proceeds of any Indebtedness, all determined in accordance with Generally Accepted Accounting Principles.

"Outstanding," when used with reference to a series of Bonds, means, subject to the provisions of the Resolution, as of any particular time all of the Bonds authenticated and delivered by the Trustee under the Resolution, except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which money in the necessary amount shall have been deposited with the Trustee, and with respect to Bonds to be redeemed prior to maturity, notice of such redemption shall have been given or provided for as provided in the Resolution;

(c) Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to the terms of the Resolution; and

(d) Bonds which are deemed to have been paid pursuant to the provisions of Article XIII hereof.

"Paying Agent" means Trustee or any other or successor Paying Agent appointed in accordance with any Supplemental Resolution.

"Payment Date" means, (a) with respect to payments of principal of or interest or redemption premium, if any, on the Series 2008 Bonds and any Additional Indebtedness, including upon the redemption of any of the same, such dates as may be specified in the applicable Supplemental Resolution and (b) in the case of payments to Bondholders after the occurrence of an Event of Default, such other date or dates as the Trustee shall establish for the payment of principal or interest.

"Payment Obligations" means all amounts due and owing to a Credit Facility Provider under a Credit Agreement.

"Permitted Encumbrances" means, as of any particular time, with respect to or in connection with the Project (i) leases, encumbrances, easements or rights of way with respect to real estate of the Authority which the Authority has determined by resolution to be necessary or desirable, other than with respect to any property the Project which shall be subject to the written consent of the County (ii) liens for ad valorem taxes, assessments or other governmental charges, permitted to exist as provided herein or not then delinquent, (iii) any Lien created under this Resolution, (iv) existing utility, access and other easements and rights of way, restrictions and exceptions and future encumbrances of like nature not arising out of the borrowing of money or the securing of advances of credit which will not interfere with or impair the operation of the Project for its intended purpose, (v) liens arising in connection with workers' compensation, unemployment insurance, old age pensions and social security benefits and liens securing appeal

and release bonds, provided that adequate provision for the payment of all such obligations has been made by the Authority, (vi) attachment and judgment liens, so long as the same are being contested in good faith and by appropriate legal proceedings, (vii) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right or purchase money security interest in respect thereof if payment is not yet due and payable under the contract in question or which is being contested in accordance with the provisions hereof and which is bonded if and to the extent required by law, including without limitation the General Municipal Law, and (viii) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the property and as do not, in the opinion of Counsel, have a materially adverse effect on the use of the property for the purposes intended.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, political subdivision, municipality or authority or any other group or entity.

"Pledged Revenues" means all Revenues of the Authority, whether or not they are held by the Trustee or its agent.

"Prime Rate" means the rate of interest publicly announced from time to time in The Wall Street Journal as the "prime rate" for major commercial banks, with the Prime Rate for any given calendar month being calculated by using the Prime Rate in effect as of the first day of such month.

"Principal Installment" means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including (x) for Capital Appreciation Bonds, any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the "principal amount" with respect to any Capital Appreciation Bonds issued thereunder, and (y) the principal amount of any Additional Parity Indebtedness) of such Series due on a certain future date of which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date.

"Principal Office," when referring to the Trustee or any Paying Agent, means the office where any such institution maintains its principal corporate trust office, and when referring to a Credit Facility Provider means the office at which a demand for payment must be made.

"Project" means the construction and operation of the 2008 County Water System Project and the County Water System.

"Project Budget" means a statement, and any amendments thereof, of the estimated Costs of the Project, as set forth in an Officer's Certificate of the Authority, setting forth the Costs in such categories and reasonable detail as shall be determined by the Authority.

"Rating Agencies" means S&P, Moody's, or any other nationally recognized credit rating agency, to the extent that such entity then maintains a credit rating with respect to the relevant security.

"Rebate Amount" means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

"Rebate Fund" means the separate fund created under Section 4.13 hereof.

"Record Date" means, as the case may be, (i) the Record Date for payment of the purchase price, principal of or interest on a series of Bonds as provided in the Supplemental Resolution pertaining to such series of Bonds or (ii) the record date established by the Authority in accordance with Section 12.02 hereof for obtaining consents from bondholders.

"Redemption Price" means, when used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution.

"Registered Owner" means the Depository or its nominee, if the Book-Entry System maintained by the Depository pursuant to Section 2.06 is in effect, or the person in whose name any Bond is registered, if the Bond Register System maintained by the Trustee pursuant to Section 2.07 hereof is in effect.

"Remarketing Agent" means the person or entity appointed as such under any Supplemental Resolution with respect to the Bonds of the series of Bonds authorized thereunder.

"Renewal and Replacement Fund" means the fund so designated which is described in Section 4.09 of this Resolution.

"Renewal and Replacement Requirement" means such amount as may be determined by the Authority from time to time by formal notice to the Trustee.

"Reserve Fund Credit Facility" means the letter of credit, insurance policy or surety bond, together with any substitute or replacement thereof, if any, complying with the provisions of Section 4.10 hereof, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

"Reserve Fund Credit Facility Provider" means any provider of a Reserve Fund Credit Facility.

"Resolution" means this instrument, together with all modifications hereof and amendments and supplements hereto.

"Revenue Fund" means the fund so designated which is described in Section 4.04 of this Resolution.

"Revenues" means (a) all amounts paid or payable to the Authority under the Service Agreement, including but not limited to Service Fees, together with the right to receive the same; (b) all receipts, revenue, income, rates, rents, service and user fees, surcharges and other amounts received by or on behalf of the Authority from the operation of the Project, and all rights to receive the same whether in the form of accounts receivable, general intangibles, contract rights,

chattel paper, instruments or other rights, insurance proceeds or condemnation awards, whether now existing or hereafter coming into existence and whether now owned or held or hereafter acquired by the Authority, and all proceeds of the foregoing; (c) all income, interest and profits received from the investment of money held in any fund or account established under the Resolution and (d) all operating grants and operating subsidies paid or payable to the Authority by the United States, the State or any agency or subdivision thereof or other person or entity on account of or in connection with the Project except to the extent that any pledge thereof would violate or be inconsistent with the terms of the grant or subsidy.

"S & P" means Standard & Poor's Corporation, New York, New York, its successors and assigns, or if such corporation dissolves or no longer performs the functions of a securities rating agency, such other nationally recognized securities rating agency designated by the Authority and not unacceptable to either the Trustee or the remarketing agent, if any.

"Service Agreement" means the Service Agreement, dated as of September 1, 2008, and as amended from time to time, by and among the Authority and the County.

"Service Fee Payment Date" means January 1, April 1, July 1 and October 1 in each year, beginning January 1, 2009.

"Service Fees" means Service Fees payable by the County to the Authority pursuant to the Service Agreement.

"Sinking Fund Installments" means for any Fiscal Year and any series of Bonds, the principal amount thereof subject to mandatory redemption pursuant to Section 4.06 hereof.

"State" means the State of New York.

"Stated Amount" means the amount set forth in any Credit Facility as the maximum amount the Trustee is permitted to draw from said Credit Facility, in respect of both principal and interest, as such amount is reduced and reinstated from time to time in accordance with the terms of the Credit Facility.

"Supplemental Resolution" means any Resolution amending, modifying or supplementing this Resolution made, signed and becoming effective in accordance with the terms hereof.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government or public instrumentality, including Bonds, that such interest is excluded from gross income for federal tax purposes (other than, in the case of Bonds that are "private activity bonds," within the meaning of Section 141 of the Code, for an owner who is a "substantial user" of the project being financed or a "related person" within the meaning of Section 147(a) of the Code), whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax under the Code. The Trustee may conclusively rely on an opinion of Independent Counsel experienced in the field of Tax-Exempt obligations to the effect that a particular series of Bonds is Tax-Exempt.

"Tender Agent" means the person or entity designated as such in a Supplemental Resolution.

"Trust Estate" means the revenue, receipts, property, and rights and interest of the Authority which are subject to the Lien of this Resolution.

"Trustee" means Wells Fargo Bank, N.A., in its capacity as trustee under this Resolution, or its successors in the trust.

"2008 Bonds" means the \$45,000,000 Saratoga County Water Authority Service Agreement Revenue Bonds, Series 2008.

"2008 County Water System Project" has the meaning given such term in the Service Agreement.

"Variable Rate Indebtedness" means any Bond, the rate of interest on which is subject to change prior to maturity and which cannot be determined in advance of such change, including but not limited to Bonds in a commercial paper mode. In calculating the Debt Service Requirement for purposes of compliance with Additional Parity Indebtedness requirements, such Variable Rate Indebtedness shall be deemed to be Indebtedness bearing interest calculated pursuant to the Supplemental Resolution pursuant to which the Indebtedness has been issued. Any ongoing liquidity activity charges and remarketing agent fees imposed in connection with such Variable Rate Bonds shall be deemed to be Operating Expenses.

"Water Rates" means water rates maintained by the Authority pursuant to the Service Agreement.

"Water Service" shall have the meaning set forth in the Recitals hereto.

SECTION 1.06 Form of Documents. Every "request," "order," "demand," "application," "requisition," "appointment," "notice," "statement," "certificate," "consent," or similar action hereunder by the Authority, unless the form thereof is specifically provided, shall be in writing signed by an Authorized Representative or Authorized Officer.

ARTICLE II.

CONCERNING THE BONDS.

SECTION 2.01 Authorization of Bonds. There shall be initially issued hereunder \$45,000,000 Saratoga County Water Authority Service Agreement Revenue Bonds, Series 2008, as more particularly described in the First Supplemental Resolution. The Series 2008 Bonds shall be issued for such purposes, shall be in such form and denomination, shall bear such dates, shall be numbered, shall mature and bear interest and shall have such other terms and provisions permitted under the Act and not contrary to the terms of this Resolution as shall be provided in the First Supplemental Resolution.

(a) The Bonds are special obligations of the Authority payable solely from the Trust Estate. Neither the State, the County, nor any municipality or public corporation other than the Authority is liable on the Bonds and the Bonds are not a debt of the State, the County, or any municipality or public corporation other than the Authority.

(b) Additional Parity Indebtedness may also be issued under this Resolution pursuant to and subject to the terms and conditions of Article III hereof. The Additional Parity Indebtedness shall be issued in such aggregate principal amounts, for such purposes, shall be in such form and denomination, shall bear such dates, shall be numbered, shall mature and bear interest and shall have such other terms and provisions (including the application of any Credit Facility) permitted under the Act and not contrary to the terms of this Resolution (including particularly but without limitation this Article II and Article III of the Resolution) as shall be provided in the Supplemental Resolution executed in connection with the issuance thereof.

(c) Bonds may also be issued under this Resolution pursuant to Section 2.10 hereof in lieu of Bonds theretofore issued which have been mutilated, lost, destroyed or stolen.

SECTION 2.02 Place, Manner and Source of Payment of Bonds. The principal of and interest on the Bonds issued and to be issued hereunder, and the redemption premium, if any, payable thereon in case of redemption, shall be payable as may be designated in the particular Bond issued or to be issued hereunder, in lawful money of the United States of America.

Interest on Bonds of each series of Bonds shall be payable at the rates and in the manner specified herein and in the Supplemental Resolution authorizing such series of Bonds and shall accrue from the dated date of such Bonds and be payable in arrears. Except as otherwise provided in a Supplemental Resolution, the interest on Bonds shall be paid by check or draft of the Trustee mailed on the relevant Interest Payment Date to the Registered Owner of the Bond as of the close of business on the relevant Record Date. Interest on any Bonds may also be payable by wire transfer to any Registered Owner of such Bonds in the principal amount of \$1,000,000 or more as of the close of business on the Record Date next preceding any Interest Payment Date at a wire destination in the continental United States provided such owner submits to the Trustee a written request therefor at least five (5) days before the Record Date for such payment.

The principal amount of the Bond and any redemption premium shall be paid to the Registered Owner thereof upon the surrender of the Bond at the Principal Office of the Trustee or Paying Agent.

SECTION 2.03 Execution of Bonds. All Bonds issued hereunder shall be executed in the name of the Authority by the manual or facsimile signature of its Chairperson, Vice-Chairperson or Executive Director and an actual impression or facsimile of the corporate seal shall be thereunto affixed and attested by the manual or facsimile signature of its Secretary (or in either case such other officer as may be designated by the Authority). Any such Bonds may be authenticated, issued and delivered notwithstanding that one or more of the officers signing such Bonds or whose facsimile signature shall be upon such Bonds or any thereof, shall have ceased to be such officer or officers at the time when such Bonds shall actually be delivered, and although at the nominal date of the Bonds any such person shall not have been such officer of the Authority.

SECTION 2.04 Authentication of Bonds. No Bonds shall become valid or obligatory for any purpose until such Bonds shall have been authenticated by the Trustee, and such authentication by the Trustee upon any Bond shall be conclusive evidence and the only evidence that the Bond so authenticated has been duly authenticated pursuant to the written direction of the Authority and delivered hereunder and that the Registered Owner thereof is entitled to the benefit of the trust and lien hereby created.

SECTION 2.05 Bonds Are Negotiable Instruments. The Bonds shall have the qualities of negotiable instruments under the merchant law and the negotiable instruments law of the State, as well as the Uniform Commercial Code as adopted by the State, subject to the provisions for registration and transfer contained in Section 2.06 and in the Bonds.

SECTION 2.06 Transfer and Exchange of Bonds; Book-Entry System. (a) Except as provided in this Section 2.06 or in Section 2.07, each series of Bonds shall be subject to the Book-Entry System of ownership and transfer. Each series of Bonds subject to the Book-Entry System of ownership and transfer shall initially be evidenced by one certificate for each maturity, in an amount equal to the aggregate principal amount thereof. Unless otherwise provided in the Supplemental Resolution the Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for the Depository. The Bonds subject to the Book Entry System of ownership and transfer may not thereafter be transferred or exchanged on the registration books of the Authority held by the Trustee as bond registrar except:

- (i) to any successor Depository designated pursuant to (b) below;
- (ii) to any successor nominee designated by a Depository; or
- (iii) if the Authority shall, by resolution, elect to discontinue the Book-Entry System pursuant to (b) below, the Authority will cause the Trustee to authenticate and deliver replacement Bonds in fully registered form to such persons, and in such authorized denominations, as may be designated by the Depository, but without any liability on the part of the Trustee or the Authority for the accuracy of such designation;

thereafter the provisions of Section 2.07 below regarding registration, transfer and exchange of Bonds shall apply.

(b) Upon the resignation of any institution acting as Depository hereunder, or if the Authority determines that continuation of any institution in the role of Depository is not in the best interests of the Beneficial Owners or the Authority, the Authority will attempt to identify another institution qualified to act as Depository hereunder. If the Authority is unable to identify such successor Depository prior to the effective date of the resignation, the Authority shall, by resolution, discontinue the Book-Entry System, as provided in (a)(iii) above with respect to the applicable series of Bonds.

(c) So long as the Book-Entry System is used for Bonds of a series of Bonds, the Authority and the Trustee shall treat the Depository (or its nominee) as the sole and exclusive owner of such Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of such Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, except as may otherwise be provided by law; and neither the Authority nor the Trustee shall be affected by any notice from any Person other than the Depository (or its nominee) to the contrary. Neither the Authority, the Trustee nor the Credit Facility Provider shall have any responsibility or obligation to any participant in the Depository, any person claiming a beneficial ownership interest in Bonds subject to the Book-Entry System of ownership and transfer under or through the Depository or any such participant, or any other person which is not shown on the registration books of the Trustee as being a Bondholder, with respect to: (A) such Bonds; or (B) the accuracy of any records maintained by the Depository or any such participant; or (C) the payment by the Depository or any such participant of any amount in respect of the principal or redemption price of or interest on such Bonds; or (D) any notice which is permitted or required to be given to Bondholders under this Resolution; or (E) the selection by the Depository or any such participant or any person to receive payment in the event of a partial redemption of such Bonds; or (F) any consent given or other action taken by the Depository as Bondholder. The Trustee shall cooperate with the Depository in connection with any consent given or other action taken by the Depository as Bondholder if and to the extent the Depository has delegated by proxy such consent or action to other Persons.

(d) Notwithstanding the payment provisions contained in the forms of Bonds subject to the Book-Entry System of ownership and transfer, so long as such Bonds or any portion thereof are registered in the name of the Depository or any nominee thereof, all payments of the principal or redemption price of or interest on such Bonds shall be made to the Depository or its nominee in New York Clearing House or equivalent next day funds on the dates provided for such payments under this Resolution, except as provided in a Supplemental Resolution. Each such payment to the Depository or its nominee shall be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal or redemption price of or interest on such Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds subject to the Book-Entry System of ownership and transfer Outstanding, the Trustee shall not require surrender by the Depository or its nominee of the Bonds so redeemed, but the Depository (or its nominee) may retain such Bond certificate as to

the amount of such partial redemption; provided that, in each case the Trustee shall request, and the Depository shall deliver to the Trustee, a written confirmation of such partial redemption and thereafter the records maintained by the Trustee shall be conclusive as to the amount of the Bonds of such series and maturity which have been redeemed.

(e) So long as the Bonds subject to the Book-Entry System of ownership and transfer or any portion thereof are registered in the name of the Depository or any nominee thereof, all notices required or permitted to be given to the Bondholders under this Resolution shall be given to the Depository.

SECTION 2.07 Provisions for Bond Register System. The Bonds or any series of Bonds may be subject to a Bond Register System of ownership and transfer if so designated by the Authority in the Supplemental Resolution authorizing such series of Bonds or as provided in Section 2.06. A Supplemental Resolution may provide that Bonds of the series of Bonds authorized thereby will be subject to a Book-Entry System of ownership only at particular times or from time to time. If the Book-Entry System shall be discontinued for any series of Bonds, the conversion to a Bond Register System for each such series of Bonds shall be effected pursuant to arrangements for the surrender of a single Bond for the applicable series of Bonds by the Depository and the issuance of Bonds of such series to Registered Owners that are reasonably satisfactory to the Trustee, which arrangements shall be communicated by the Trustee to the Depository on behalf of the Beneficial Owners. The conversion shall become effective hereunder and binding upon the Authority, the Trustee and all Registered Owners and Beneficial Owners at such time as may be specified in a Supplemental Resolution authorizing such series of Bonds or as specified in a resolution of the Authority. The general provisions of such Bond Register System, after conversion from the Book-Entry System, are as follows.

Any Bond may be transferred at the Principal Office of the Trustee by the Registered Owner in person or by his attorney duly authorized in writing, and thereupon, the Authority shall execute in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new Bond or Bonds, of the same series, of the same maturity, and for the same aggregate principal amount registered in such name or names as shall be requested. The Trustee shall register any transfer and shall deliver an appropriately registered and authenticated Bond or Bonds within seventy-two (72) hours of the receipt of the Bond or Bonds to be transferred and such other necessary documentation.

All Bonds shall be exchangeable for like Bonds of the same series of Bonds but different Authorized Denominations, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner hereinafter provided. The Registered Owner of any Bond or Bonds, desiring to exchange such Bond or Bonds, shall present such Bond or Bonds, accompanied by appropriate instruments of transfer, at the principal corporate trust office of the Trustee, together with a written request for exchange, in form approved by the Authority, setting forth the denomination or denominations thereof and the person or persons in whose name such Bond or Bonds are to be registered. Thereupon, the Trustee shall authenticate and deliver to the Registered Owner thereunto entitled a new Bond or new Bonds of the same series of Bonds in authorized denominations aggregating the principal amount of the Bond or Bonds surrendered, maturing as to principal on the same date or dates, bearing the same rate of interest and bearing the same designation as to series.

Except as may be set forth in a Supplemental Resolution with respect to a series of Bonds, Bonds issued in exchange for or upon the registration of transfer of Bonds on or after the first Interest Payment Date thereon shall be dated as of the Interest Payment Date next preceding the date of delivery thereof by the Trustee, except that (a) if such date of delivery shall be an Interest Payment Date thereof, said Bonds shall be dated as of such date of delivery, or (b) if there shall be no Interest Payment Date thereof preceding such date of delivery, then notwithstanding any of the foregoing provisions of this section, such Bonds shall be dated the date of Bonds of such series upon their original issuance, or (c) if such date of delivery is on or after a Record Date and before the next succeeding Interest Payment Date, such Bonds shall be dated the date of such next succeeding Interest Payment Date, or (d) if interest on such Bonds shall not have been paid in full in accordance with their terms, then, notwithstanding any of the foregoing provisions of this Section, such Bonds shall be dated as of the date to which interest has been paid in full on such Bonds.

Registration, transfer and exchanges of Bonds authorized under this Article shall be without expense to the Registered Owners of such Bonds, except that any taxes or other governmental charges shall be paid by the Registered Owner requesting any such transaction, as a condition precedent to the exercise of such privilege.

The Trustee shall not be required to issue or transfer any Bonds during a period beginning at the opening of business on the fifth day (whether or not a Business Day) next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is given or to transfer any Bonds which have been selected or called for redemption in whole or in part.

All Bonds executed, authenticated and delivered in exchange for Bonds surrendered or upon the transfer of registered Bonds shall be valid obligations of the Authority, evidencing the same debt as the Bonds surrendered, and shall be secured by the lien of this Resolution to the same extent as such surrendered Bonds.

SECTION 2.08 Ownership of Bonds. The Authority, the Trustee and any Paying Agent designated in any Bond may treat the Registered Owner of the Bond as the absolute owner of such Bond for all purposes whether or not such Bond shall be overdue, and neither the Authority, the Trustee nor any Paying Agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the Registered Owner of any Bond shall be conclusive and binding upon such Registered Owner, his heirs, successors or assigns, and upon all transferees of such Bond whether or not notation of such consent, waiver or other action, shall have been made on such Bond or on any Bond issued in exchange therefor or upon registration or transfer thereof.

SECTION 2.09 Temporary Bonds. Until Bonds of a series of Bonds in definitive form are ready for delivery, the Authority may execute, and upon its request in writing the Trustee shall authenticate and deliver in lieu of any thereof, and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds of such series of Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described and with appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form may be for the amount of any authorized denomination or any multiple thereof, as the Authority

may determine. Until exchanged for Bonds of the same series of Bonds in definitive form such Bonds in temporary form shall be entitled to the lien and benefit of this Resolution. Unless otherwise agreed with the Registered Owner of such temporary Bond, the Authority shall, without unreasonable delay, prepare, execute and deliver to the Trustee, and thereupon, upon the presentation and surrender of any Bond or Bonds in temporary form, the Trustee shall authenticate and deliver, in exchange therefor, a Bond or Bonds in definitive form of the same series and the same maturity for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange shall be made by the Authority at its own expense and without making any charge therefor. Until such Bonds in definitive form are ready for delivery, the Registered Owner of one or more Bonds in temporary form may, with the consent of the Authority, exchange the same, upon surrender thereof to the Trustee for cancellation, for Bonds in temporary form of like aggregate principal amount, of the same series and maturity and in authorized denominations.

SECTION 2.10 Mutilated, Destroyed, Lost or Stolen Bonds. Upon receipt by the Authority and the Trustee of evidence satisfactory to both of them that any Outstanding Bond has been mutilated, destroyed, lost or stolen, and of indemnity satisfactory to both of them, then the Authority, in its discretion, may execute and thereupon the Trustee shall authenticate and deliver, a new Bond of the same series and same maturity and of like tenor in exchange and substitution for, and upon surrender and cancellation of, the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, lost or stolen.

The Authority may, for each new Bond authenticated and delivered under the provisions of this Section, require the payment of the expenses, including counsel fees, which may be incurred by the Authority and the Trustee in connection therewith. In case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Authority, in its discretion, may, instead of issuing a new Bond, direct the payment thereof and the Trustee shall thereupon pay the same.

Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be destroyed, lost or stolen, shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued under this Resolution.

ARTICLE III.

ISSUANCE OF ADDITIONAL INDEBTEDNESS.

SECTION 3.01 Purposes of Additional Parity Indebtedness. The Authority may issue from time to time, and the Trustee shall authenticate, Additional Parity Indebtedness for any lawful corporate purpose including providing all or part of the funds necessary to refinance or refund all or any portion of any Bonds, including accrued and unpaid interest and redemption premium, if any, and the costs and expenses of any financing.

SECTION 3.02 Conditions Precedent to the Issuance of Additional Parity Indebtedness. The Trustee shall not authenticate or deliver to the Authority on its order any Additional Parity Indebtedness pursuant hereto unless (i) the Act continues to permit, on the date of issuance of such Additional Parity Indebtedness, the issuance by the Authority of Indebtedness for the purpose or purposes for which such Additional Parity Indebtedness are proposed to be issued, (ii) any Additional Parity Indebtedness is issued in accordance with the Act, and (iii) theretofore or simultaneously therewith there shall have been delivered or paid to the Trustee the following:

(a) a certified copy of a resolution or resolutions of the Governing Board of the Authority authorizing the issuance of such Additional Parity Indebtedness, stating the purpose or purposes for the issuance of such Additional Parity Indebtedness, describing in brief and general terms the projects to be financed by the issue of such Additional Parity Indebtedness, if any, and that such projects are part of the Project, authorizing the execution and delivery of the Supplemental Resolution, and fixing the terms of such Additional Parity Indebtedness;

(b) a Supplemental Resolution executed by the Authority providing for the issuance of the Additional Parity Indebtedness, and containing such other necessary or proper terms, requirements and provisions which shall not be inconsistent with this Resolution or any previous Supplemental Resolution, unless all Bonds, the Registered Owners of which are entitled to the protection of the provision or provisions with which the Supplemental Resolution is inconsistent, have been paid or redeemed or provision therefor duly made. The provisions of Article II of this Resolution shall apply to any Additional Parity Indebtedness unless the relevant Supplemental Resolution explicitly provides otherwise;

(c) a written opinion or opinions of Bond Counsel to the effect that: (i) all conditions precedent to the issuance of the Additional Parity Indebtedness pursuant to the Act, this Resolution and any relevant Supplemental Resolution have been satisfied; (ii) the Additional Parity Indebtedness, when issued, will be valid and binding obligations of the Authority in accordance with their terms; (iii) it is proper for the Trustee to authenticate the Additional Parity Indebtedness; and (iv) if the Additional Parity Indebtedness are intended to be Tax-Exempt, an opinion to the effect that interest on the Additional Parity Indebtedness is Tax-Exempt;

(d) the written order of the Authority, signed by the Chairperson, Vice Chairperson or Executive Director of the Authority, ordering the Trustee to authenticate and deliver such Additional Parity Indebtedness, stating the amount of the proceeds of sale thereof and directing the application of such proceeds;

(e) a written statement of the Authority, signed by the Chairperson, Vice Chairperson or Executive Director of the Authority, that no Bonds are then in Default;

(f) the proceeds of the Additional Parity Indebtedness in the amounts stated in the order of the Authority described above, to be applied as described in such order;

(g) any additional deposit to the Debt Service Reserve Fund required with respect to the Additional Parity Indebtedness;

(h) a written statement of the Authority, signed by the Chairperson, Vice Chairperson or Executive Director of the Authority, that such Additional Parity Indebtedness is to be incurred for the purposes set forth in Section 3.04(a) of the Service Agreement or, if such Additional Parity Indebtedness is to be incurred for the purposes other than those set forth in Section 3.04(a) of the Service Agreement, the written consent of the County to the issuance of such Additional Parity Indebtedness together with an acknowledgment by the County that such Additional Parity Indebtedness constitutes "Service Agreement Revenue Bonds" for the purposes of the Service Agreement and a written statement of the Authority, signed by the Chairperson, Vice Chairperson or Executive Director of the Authority, that such Additional Parity Indebtedness is to be incurred for purposes consistent with the Act;

(i) a certificate duly executed by an Accountant (or an Authorized Representative of the Authority, to the extent permitted by Section 3.03 hereof) stating that, based upon an audit of the books and records of the Authority, for any twelve (12) consecutive month period of the eighteen (18) calendar months immediately preceding the month during which the Additional Parity Indebtedness is to be issued (i) all deposits required to be paid into the Debt Service Fund were made, and (ii) the Debt Service Reserve Requirement was maintained in accordance with the Resolution;

(j) a certificate duly executed by an Engineer (or an Authorized Representative of the Authority, to the extent permitted by Section 3.03 hereof) setting forth in detail and based upon reasonable assumptions set forth therein (1) his or her estimate of the Operating Expenses of the Authority for each of the five (5) Fiscal Years immediately succeeding the issuance of such Additional Parity Indebtedness plus the Fiscal Year in which such Additional Parity Indebtedness is issued, and (2) the Debt Service Requirements for each such Fiscal Year;

(k) if the Additional Parity Indebtedness is being issued to finance part of the Project, a certificate duly executed by an Engineer (or an Authorized Representative of the Authority, to the extent permitted by Section 3.03 hereof) (1) stating that such part of the Project will be useful or desirable in connection with the operation of the County Water System, will be technically feasible and are in compliance with the Authority's water system plan, as the same may be amended from time to time, (2) setting forth in detail and based upon reasonable assumptions set forth therein the estimated Costs of the acquisition or construction of such part of the Project including any financing expenses and, if judged necessary, a balance for contingencies, the sources of funds expected to be applied to finance such Costs, and the time period which will be required for completion of the acquisition or construction of such part of the Project, (3) his or her opinion that the net proceeds of the Additional Parity Indebtedness, together with other moneys which are then available or are reasonably expected to be available therefore, will be

sufficient to pay the Costs of the acquisition or construction of such part of the Project, and (4) his or her opinion as to the date when such part of the Project will be placed in commercial operation;

(l) if the Additional Parity Indebtedness is being issued to finance a refunding, the Authority may provide, in lieu of the certificate described in paragraph (i) of this Section, a certificate duly executed by an Accountant (or an Authorized Representative of the Authority, to the extent permitted by Section 3.03 hereof) stating that for the then current and each future Fiscal Year, the Debt Service Requirements for the refunding Bonds will be no more than ten per centum (10%) more than the Debt Service Requirements that would have existed for that Fiscal Year with respect to the portion of the Bonds being refunded; and

(m) if the Additional Parity Indebtedness is being issued to finance a refunding, (1) executed counterparts of such documents as are necessary or appropriate for the purposes of the refunding, including, specifically, an escrow deposit agreement providing for the deposit and application of funds for the refunding, (2) unless all refunded Indebtedness is to be redeemed or otherwise retired on the date of settlement for the refunding Indebtedness, such schedules, verified as to their mathematical accuracy by an Accountant, as are necessary to demonstrate the adequacy of funds deposited for the refunding and the income thereon for the purpose of paying, when due, the principal or redemption price of and interest on the refunded Indebtedness, and (3) evidence satisfactory to the Trustee that notice of any necessary redemption has been properly given, or that provisions satisfactory to the Trustee have been made therefor, or that sufficient waivers of such notice have been duly filed with the Trustee.

The opinion(s) of Counsel described in paragraph (c) above may be accepted by the Trustee as conclusive evidence that the requirements of this Section have been complied with, and the Trustee shall thereupon be authorized to execute said Supplemental Resolution, to authenticate the Additional Parity Indebtedness, if so required, and to deliver the same to or upon the order of the Chairperson, Vice-Chairperson or Executive Director of the Authority.

SECTION 3.03 Exceptions for Certain Additional Parity Indebtedness.

(a) Notwithstanding anything to the contrary in paragraphs (i), (j) or (k) of Section 3.02 above, the Authority may meet the requirements of those paragraphs by providing certificates as described in those paragraphs executed by an Authorized Representative of the Authority, so long as the aggregate principal amount of Additional Parity Indebtedness being issued does not exceed either \$500,000 or is for the completion of a Project, provided that with respect to Additional Parity Indebtedness to be issued to complete a Project, that the Engineer certifies that the proceeds of the Additional Parity Indebtedness are sufficient to complete the cost of the construction of such Project.

(b) Furthermore, notwithstanding anything to the contrary in paragraphs (i), (j), (k) or (l) of Section 3.02 above, the Authority may issue Additional Parity Indebtedness in any authorized amount without satisfying paragraphs (i), (j), (k) and (l) of Section 3.02 above if (A)(i) all Outstanding Bonds are secured as to the payment of the principal of and interest due on such Additional Parity Indebtedness by a Credit Facility or Credit Facilities issued concurrently with the delivery of such Additional Parity Indebtedness and being security for such Additional Parity Indebtedness, or any replacement thereof permitted in accordance with any Supplemental

Resolution pursuant to which the applicable Additional Parity Indebtedness was issued and no such Credit Facility Provider has wrongfully dishonored a draw request for payment under such Credit Facility, which wrongful dishonor remains uncured and (ii) the Credit Facility Provider or Credit Facility Providers, as the case may be, of each series of such Outstanding Bonds consents to the issuance of the Additional Parity Indebtedness without satisfaction of such paragraphs or (B) if the proceeds of such Additional Parity Indebtedness will be expended on a Project required to be constructed to comply with any State or federal law, rule or regulation.

SECTION 3.04 Application of Proceeds of Additional Parity Indebtedness. The proceeds of any Additional Parity Indebtedness, after paying the costs and expenses of the financing and making any other payments, shall be deposited with the Trustee in such Fund or account to be established in and as shall be provided in the pertinent Supplemental Resolution. Any capitalized interest funded from the proceeds of any such Additional Parity Indebtedness shall be deposited with the Trustee in a separate sub-account within the relevant account of the Debt Service Fund, as directed by the Authority.

The Trustee shall be authorized to disburse the money in the Construction Fund from time to time for the purpose of paying or reimbursing the Authority for the Costs of construction, acquisition, completion, restoration or replacement of any part of the Project upon submission of requisitions of the Authority of the character contemplated by Section 4.04, upon which the Trustee may conclusively rely, or as otherwise provided in the pertinent Supplemental Resolution. In the case of payments for the purchase price of lands, rights of way or easements, or for any part of the Project which is to be situate on lands, rights of way or easements for which the Authority has not previously received the opinion of Counsel hereinafter described, the Authority shall also furnish to the Trustee an opinion of Counsel, upon which the Trustee may conclusively rely, that the Authority has acquired title or such appropriate interest thereto, which opinion may be based and rely upon title insurance, provided that if all Additional Parity Indebtedness then Outstanding shall have the benefit of one or more Credit Facilities, such opinion shall not be required if the Credit Facility Provider or Providers shall state that the opinion is not required in a writing delivered to the Trustee before any such payment.

The proceeds of Additional Parity Indebtedness issued for refunding purposes shall, after paying all costs and expenses incidental to the redemption and to the financing, be directly or indirectly applied by the Trustee to the payment or redemption of the Indebtedness to be refunded pursuant to the written order of the Authority described in Section 3.02(d) hereof.

The proceeds of Additional Parity Indebtedness issued for a purpose other than acquiring, constructing, completing, restoring or replacing any part of the Project or to accomplish a refunding program of the Authority shall, except as otherwise provided in a supplemental resolution, after paying all costs and expenses incidental to the financing, be deposited in the Construction Fund and disbursed to the Authority as provided in Article IV hereof, unless otherwise prescribed by the Supplemental Resolution authorizing the Additional Parity Indebtedness.

SECTION 3.05 Additional Parity Indebtedness on Parity. All Additional Parity Indebtedness issued from time to time under this Article III shall be on parity with the Series

2008 Bonds and with all other Additional Parity Indebtedness issued hereunder, except as expressly provided herein or permitted by this Resolution.

SECTION 3.06 Credit Notes. The Authority may issue from time to time one or more Credit Notes pursuant to the provisions of a Supplemental Resolution. Any Credit Note that secures a Credit Facility with respect to any Additional Parity Indebtedness shall be subordinate only to the Additional Parity Indebtedness to which the Credit Facility relates. Therefore, a Credit Facility Provider shall be entitled to share in the Trust Estate under and according to Article IX hereof only when all amounts due and payable on the Additional Parity Indebtedness to which the Credit Facility it has issued relates have been fully paid. Furthermore, notwithstanding anything to the contrary contained herein, the Authority shall not be obligated to establish or fund a Debt Service Reserve Requirement with respect to any Credit Note, nor include any contingent payments under any Credit Note, nor include any contingent payments under any Credit Note as part of any calculation of Debt Service Requirements.

ARTICLE IV.

REVENUES AND FUNDS.

SECTION 4.01 Pledge of Revenues; Security Interest. As security for its obligation to make payments required hereunder and to secure the performance and observance of all the covenants and conditions contained herein, and in confirmation of and subject to the Granting Clauses hereof, the Authority pledges and grants to the Trustee, subject to the uses and applications authorized or required by this Resolution, a lien on and security interest in the Trust Estate. The pledge made by this Resolution shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth herein to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Registered Owners of the Bonds, all of which Bonds, regardless of their times of issue and maturity, shall be of equal rank, without preference, priority of or distinction of any one Bond over any other Bond. The Trust Estate shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and, except as otherwise provided herein, shall be held by the Trustee until disbursed as authorized by this Resolution in trust for the benefit of the Registered Owners from time to time of the Bonds issued and Outstanding under this Resolution.

Notwithstanding the above pledge, money from time to time deposited and held in the Debt Service Fund for the payment of particular Bonds shall be held in trust by the Trustee for payment to the respective Registered Owners from time to time of the particular Bonds for the payment of which said money has been deposited in said Fund, and whenever Bonds shall be selected for redemption out of money on deposit in the Bond Redemption and Accumulated Surplus Fund, the money in such Fund to the amount necessary to pay principal, redemption premium, if any, and interest to the date fixed for redemption on the Bonds selected for redemption, shall be held by the Trustee in trust for the payment to the respective Registered Owners of the particular Bonds so selected for redemption.

SECTION 4.02 Establishment of Funds and Accounts. (A) The Authority hereby creates and establishes the following funds:

- (a) Construction Fund;
- (b) Revenue Fund;
- (c) Operating Fund;
- (d) Debt Service Fund;
- (e) Debt Service Reserve Fund;
- (f) Renewal and Replacement Fund;
- (g) Operating Reserve Fund;
- (h) Bond Redemption and Accumulated Surplus Fund;

- (i) Costs of Issuance Fund; and
- (j) Rebate Fund.

(B) The Revenue Fund, the Operating Fund, the Renewal and Replacement Fund, the Operating Reserve Fund, and the Bond Redemption and Accumulated Surplus Fund shall be held by the Authority. The Construction Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Costs of Issuance Fund and the Rebate Fund shall be held by the Trustee. All moneys or securities held by the Authority or deposited with the Trustee pursuant to the Resolution shall be held in trust and applied only in accordance with the provisions thereof and shall be considered trust funds for the purposes of the Resolution.

(C) The Authority may establish within any Fund held by the Authority such Accounts as it determines necessary and may in like manner establish within any Account such sub-accounts for the purposes of such Accounts. The Trustee shall, at the request of the Authority, establish within any Fund held by the Trustee such Accounts as shall be designated in the written instructions of an Authorized Officer and shall in like manner establish within any Account such sub-accounts for the purposes of such Accounts as shall be so designated.

SECTION 4.03 Construction Fund. (A) There is hereby created a special fund known as the Construction Fund which shall be held in trust by the Trustee until applied as provided hereunder. The Construction Fund shall include such separate accounts or sub-accounts as may be provided in a Supplemental Resolution. No disbursements of funds held from time to time in the Construction Fund shall be made except as permitted in this Article or in the related Supplemental Resolution. Amounts held in the Construction Fund shall be invested solely in Investment Securities as directed in writing by an Authorized Representative of the Authority subject to the limitations imposed therein by the Act. Any State, federal or municipal aid provided to the Authority for the construction or acquisition Costs of any part of the Project shall be deposited by the Authority in the Construction Fund.

(B) The Trustee shall make payments from the Construction Fund only (i) upon the prior receipt of a requisition, signed on behalf of the Authority by an Authorized Representative, and if with respect to construction costs approved by the Engineer, stating (a) the date, (b) the name of the Person to whom the payment is to be made (which may be the Authority if it is to be reimbursed for advances made or obligations incurred by it and properly chargeable against the Construction Fund), (c) the amount to be paid, (d) in reasonable detail, the purpose for which the payment is to be made, (e) that the obligation was properly incurred and is a Cost, (f) that the amount requisitioned is due and unpaid, and has not been the subject of any previously paid requisition, (g) that following the payment either (i) the amount remaining on deposit in the Construction Fund is estimated to be sufficient to pay the remaining Cost of completing the Project, an addition to the Project or another improvement, repair or other construction for which the payment was made or (ii) the Authority is taking appropriate steps either to reduce the Cost or raise additional moneys (whether through increasing Revenues or through the issuance of debt) so that the amount remaining or deposited in the Construction Fund is estimated to be sufficient to pay the remaining Costs of completing the Project, an addition to the Project or another improvement, repair, or construction, and (h) that with respect to items covered in the requisition, the signer has no knowledge of any vendors', mechanics' or other

liens, conditional sales contracts, chattel mortgages, leases of personalty, title retention agreements or security interests which should be satisfied or discharged before the payments as requisitioned therein are made or which will not be discharged by such payment or (ii) as otherwise provided in a Supplemental Resolution. If the Costs of the Project, an addition to the Project or another improvement, repair or other construction in question are in aggregate less than \$250,000, the approving Engineer need not be Independent of the Authority.

(C) In the event that proceeds of the Series 2008 Bonds or Additional Parity Indebtedness are intended to be used in whole or in part to acquire an addition to the Project, whether or not the Project is completely or partly constructed, such proceeds shall be disbursed from the Construction Fund to or upon the order of the Authority for the payment of the purchase price of the addition to the Project upon the terms and conditions specified in the Supplemental Resolution authorizing the Series 2008 Bonds or Additional Parity Indebtedness, as the case may be. In cases where an addition to the Project is intended to be acquired and construction may remain to be done following acquisition, the Authority shall state the amount of money held in the account established therefore in the Construction Fund that is to be allocated to the purchase price of the project and the remaining construction Cost of such addition to the Project at the time of its acquisition.

(D) The Trustee agrees that it shall hold all requisitions, affidavits, certificates and other documents delivered to the Trustee pursuant to this Section for a period of at least seven (7) years. Bondholders, and their agents and representatives, shall have the right to inspect such requisitions, affidavits, certificates and other documents at the Trustee's Principal Office at reasonable times and upon reasonable notice. Whenever disbursements are to be made to reimburse the Authority for advances or to discharge indebtedness of the Authority, the requisition shall relate to the underlying obligation for which the Authority is being reimbursed or for the payment of which the indebtedness of the Authority was incurred.

(E) The Authority covenants and agrees to complete the acquisition and construction, free of all liens and encumbrances other than Permitted Encumbrances, of all parts of the Project financed, or refinanced, with the proceeds of the Series 2008 Bonds or Additional Parity Indebtedness with all due dispatch and efficiency, provided, however that if the Authority makes a determination, evidenced by a resolution of the Governing Board of the Authority, that to complete any individual part of the Project would not be in the best financial interests of the Authority, then the Authority shall discontinue the completion of that part of the Project and the Trustee, upon receipt of such resolution, shall transfer any amounts remaining in the Construction Fund with respect to such discontinued part of the Project to a segregated account in the Bond Redemption and Accumulated Surplus Fund, and apply such funds to either the redemption of the series of Bonds issued to finance that part of the Project in question or, if there is delivered to the Trustee an opinion of Bond Counsel to the effect that the exclusion of interest on such series of Bonds will not be adversely affected, the financing of Costs of another part of the Project.

(F) The Authority covenants that in the construction of all facilities by or under the control of the Authority it will comply with all laws, acts, rules, regulations, permits, orders and requirements lawfully made, of any national, state, legislative, executive, administrative or judicial body, commission or office, or other competent public authority now

or hereafter existing, exercising any power of regulation or supervision over the Authority or over the manner of the construction or operation thereof.

(G) The Authority covenants that it will enter into, or accept by assignment, construction contracts with competent contractors for any part of the Project the construction of which is financed, or refinanced, with the proceeds of Bonds. The Authority shall obtain from each contractor either a performance bond and a labor and material payment bond executed by a surety company qualified to do business in the State and having a rating of at least "A" by a nationally recognized rating agency or a letter of credit written upon a financial institution acceptable to the Authority providing, respectively, that the contractor shall faithfully perform his or her contract and shall indemnify and save the Authority harmless from expenses and damages, and that the contractor shall pay or cause to be paid all sums due for material furnished and labor supplied or performed in the prosecution of the work contemplated by his or her contract. The Authority shall deposit in the Construction Fund the net amounts recovered on such bonds or on any bonds or deposits delivered in connection with competitive bids of contractors or suppliers in connection with any part of the Project, if any. Notwithstanding the above, the Authority may, in its discretion, waive the requirements for a performance bond, labor and material payment bond, or letter of credit for construction contracts in an amount equal to or less than \$50,000.

(H) The Authority will maintain, or cause to be maintained, builder's risk (or equivalent coverage) insurance upon any work done or materials furnished under construction contracts except excavations, foundations and any other structures not customarily covered by such insurance.

The Authority will also maintain, or cause to be maintained, worker's compensation insurance covering all employees of contractors and subcontractors in amounts required by law, and public liability insurance against bodily injury and property damage in amounts not less than those recommended by the Engineer, who need not be Independent, and Authority Counsel.

If all Bonds are secured by Credit Facilities issued concurrently with the delivery of each series of Bonds and being security for each series of Bonds, or any replacement thereof permitted in accordance with any Supplemental Resolution pursuant to which the applicable Bonds were issued and the Credit Facility Providers of all such Credit Facilities approve and no such Credit Facility Provider has wrongfully dishonored a draw require for payment under such Credit Facility, which wrongful dishonor remains uncured, the terms and provisions of this Section may be varied by the Authority, or need not be followed by the Authority, without the need for the Authority to obtain the approval of any Bondholder.

(I) The Authority shall deliver to the Trustee within a reasonable time after the substantial completion of the Project, an Officer's Certificate of completion approved by the Engineer stating the date of substantial completion of the Project and the sum, if any, to be retained in the relevant account of the Construction Fund for the payment of any unpaid Costs of the Project.

Upon delivery of such certificate to the Trustee, any amount remaining in the relevant account of the Construction Fund and not reserved for the payment of Costs of the Project shall be transferred by the Trustee to the Bond Redemption and Accumulated Surplus Fund and applied to permitted purposes.

Within ninety (90) days of delivering the described certificate to the Trustee and in accordance with Section 1.141-6(a) and 1.148-6(d) of the Income Tax Regulations, the Authority shall make a final allocation of the proceeds of the Series 2008 Bonds to the expenditures made to complete the Project (or, in the case of Additional Indebtedness, the proceeds of that series of the Bonds to the expenditures made to complete the project financed by that series of Bonds). This final allocation must be made by the later of (i) eighteen (18) months after the date on which a particular expenditure was paid, or (ii) eighteen (18) months after the date on which the Project, or any distinct component thereof, (or subsequent project or distinct component thereof) was placed in service. Further, in no event shall this final allocation be made later than sixty (60) days after the fifth anniversary of the date of issuance of the Series 2008 Bonds or sixty (60) days after the retirement of the Series 2008 Bonds, if earlier (or, in the case of Additional Indebtedness, sixty (60) days after the fifth anniversary of the date of issuance of that series of Bonds or sixty (60) days after the retirement of that series of the Bonds, if earlier). The Authority shall create a written record of the final allocation of the proceeds of the Series 2008 Bonds (or other series of the Bonds) to the expenditures made to complete the Project (or any addition to the Project) and shall maintain and retain that record for not less than six (6) years after the date of payment in full of the Series 2008 Bonds (or other series of the Bonds) or such other period as shall be necessary to comply with the Code. In complying with the foregoing, the Authority may rely upon instructions from Bond Counsel and/or an opinion of Bond Counsel to assure that the allocation satisfies the requirements of Section 1.141-6(a) and 1.148-6(d) of the Income Tax Regulations and other requirements of the Code.

SECTION 4.04 Revenue Fund; Payments from Revenue Fund. (A) There shall be deposited promptly upon receipt by the Authority to the credit of the Revenue Fund all Revenues.

(B) The Authority shall, on each Service Fee Payment Date, transfer moneys in the Revenue Fund to the Operating Fund in an amount reasonably estimated by the Authority to be sufficient to pay Operating Expenses until the next Service Fee Payment Date. To the extent amounts in the Operating Fund are at any time insufficient to pay Operating Expenses the Authority may transfer from the Revenue Fund to the Operating Fund such additional amounts as are sufficient to pay such Operating Expenses.

(C) The Authority shall, on each Service Fee Payment Date, transfer moneys in the Revenue Fund to the Debt Service Fund in an amount such that the balance in the Debt Service Fund shall be sufficient to make all interest and Principal Installment payments due on or before the next scheduled Service Fee Payment Date.

(D) The Authority shall, immediately following the transfers from the Revenue Fund set forth in the preceding paragraphs of this Section 4.04, transfer from the Revenue Fund to the Debt Service Reserve Fund the amount, if any, necessary to increase the balance in the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(E) The Authority shall, only on the first Service Fee Payment Date of each Fiscal Year and immediately following the transfers from the Revenue Fund set forth in the preceding paragraphs of this Section 4.04, transfer from the Revenue Fund to the Operating Reserve Fund the amount, if any, that is necessary to increase the balance in the Operating Reserve Fund to the Operating Reserve Requirement.

(F) The Authority shall, only on the first Service Fee Payment Date of each Fiscal Year and immediately following the transfers from the Revenue Fund set forth in the preceding paragraphs of this Section 4.04, transfer from the Revenue Fund to the Renewal and Replacement Fund the amount, if any, equal to the Renewal and Replacement Requirement.

(G) At such time as payment is due pursuant to Section 5.05(a) of the Service Agreement, the Authority shall transfer from the Revenue Fund to make payment to the County, from the balance, if any, in the Revenue Fund after making the deposits required by the preceding paragraphs, such amount as is necessary pursuant to Section 5.05(a) of the Service Agreement to make payment to satisfy the Authority's outstanding repayment obligations to the County thereunder. At any such time as a payment is made from the Authority to the County pursuant to this paragraph (G), the Authority shall deliver to the Trustee simultaneously therewith an Officer's Certificate certifying that (i) all deposits required to be made to the Funds and Accounts in Section 4.04 (B) through (F) have been made prior to the making of the payment pursuant to Section 4.04 (G) and (ii) the payment to the County pursuant to Section 4.04 (G) of the Resolution is pursuant to and in accordance with the terms of the Service Agreement.

(H) The Authority may, only on the first Service Fee Payment Date of each Fiscal Year and immediately following the transfers from the Revenue Fund set forth in the preceding paragraphs of this Section 4.04, transfer from the Revenue Fund the balance at the end of the preceding Fiscal Year, if any, in the Revenue Fund after making the deposits required by the preceding paragraphs, to the Bond Redemption and Accumulated Surplus Fund.

SECTION 4.05 Operating Fund. (A) There shall be deposited to the Operating Fund (i) all amounts transferred from the Revenue Fund pursuant to Section 4.04(B) of the Resolution, (ii) all amounts transferred from the Operating Reserve Fund for deposit therein pursuant to Section 4.08, (iii) all amounts transferred from the Renewal and Replacement Fund pursuant to Section 4.09, and (iv) any other amounts transferred to the Operating Fund by the Authority for deposit therein. The Operating Fund shall initially consist of one account, the Operating Expense Account. Whenever the Operating Fund exceeds the amount reasonable and necessary for Operating Expenses including reserves and working capital, the Authority shall redeposit the excess in the Revenue Fund for application in accordance with Section 4.04.

(B) Amounts in the Operating Fund shall be paid out from time to time by the Authority for reasonable and necessary Operating Expenses, free and clear of the lien and pledge created by the Resolution. Amounts held in the Operating Fund may be invested solely in Investment Securities, subject to the limitations imposed thereon by the Act. The disbursement of amounts in the Operating Fund shall be governed by such financial control standards and practices as are deemed prudent by the Authority.

(C) In the event there occurs and continues an Event of Default hereunder, the Operating Fund shall immediately be transferred by the Authority to an account held in trust with the Trustee. If an Event of Default has occurred and is then continuing hereunder or under the Service Agreement, and if the Trustee has exercised its remedy contained in Section 9.02(1) hereof, and the Trustee is required to pay all Operating Expenses, the Trustee shall, without further instruction, apply an amount to the applicable Operating Expense sub-account estimated in the Annual Budget as the estimated Operating Expenses through the next following Payment Date. In the event that any unanticipated Operating Expenses in excess of the amounts set forth in the Annual Budget occur in any month the Authority may transfer amounts from the Revenue Fund sufficient to meet such unanticipated Operating Expenses.

SECTION 4.06 Debt Service Fund. (A) There shall be deposited to the Debt Service Fund (i) all amounts transferred from the Revenue Fund pursuant to Section 4.04(C), (ii) all amounts transferred from the Debt Service Reserve Fund for deposit therein pursuant to Section 4.07, (iii) all amounts transferred from the Renewal and Replacement Fund for deposit therein pursuant to Section 4.09, and (iv) any other amounts transferred to the Debt Service Fund by the Authority for deposit therein.

(B) The Trustee shall pay out of the Debt Service Fund, as follows (on a parity basis without priority of any Bonds over the others) to the respective Paying Agents for any of the Bonds: on or within 3 days before each Payment Date, the amounts required for the payment of the Principal Installment, if any, and interest due on the Outstanding Bonds on such date and the amounts required for the payment of the Principal Installment of and of accrued interest on and redemption premium or purchase price of Bonds to be redeemed or purchased for retirement, and such amounts shall be applied by such Paying Agents to such payments.

(C) The amounts accumulated in the Debt Service Fund for each Sinking Fund Installment when so directed by an Authorized Officer shall be applied (together with amounts with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows:

(a) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable by application of such Sinking Fund Installment plus unpaid interest accrued to the date of purchase; or

(b) to the redemption of such Bonds pursuant to the Resolution, if then redeemable by their terms, at the Redemption Price referred to in clause (a) above.

(D) Upon the purchase or redemption of any Bond pursuant to the second paragraph under this Section "Debt Service Fund", an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to Bonds of the same Series and maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order. The portion of any

Sinking Fund Installment remaining after the crediting thereto of any such amounts (or the original amount of any such Sinking Fund Installment if no such amount shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, the Trustee shall call for redemption, pursuant to the Resolution, on such due date, Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the redemption of the principal amount specified for such Sinking Fund Installment of the Bonds of such Series and maturity. The Trustee shall call such Bonds for redemption whether or not moneys sufficient to pay the applicable Redemption Price thereof on the Redemption Date have been deposited in the Debt Service Fund.

SECTION 4.07 Debt Service Reserve Fund. (A) There shall be deposited to the Debt Service Reserve Fund (i) all amounts transferred from the Revenue Fund pursuant to Section 4.04(D) and (ii) any other amounts transferred to the Debt Service Reserve Fund by the Authority for deposit therein. The Debt Service Reserve Fund shall include a separate account for each series of Bonds issued hereunder. Amounts held in the Debt Service Reserve Fund shall be invested by the Trustee as directed in writing by an Authorized Representative of the Authority solely in Investment Securities, subject to the limitations imposed by the Act.

(B) Amounts on deposit in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefore in the Debt Service Fund, to pay the principal of and Sinking Fund Installments and interest on Bonds when due, whether by call for redemption or otherwise. Whenever on any valuation date, the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee, when directed by the Certificate of an Authorized Officer of the Authority, shall withdraw from the Debt Service Reserve Fund the amount in excess of the Debt Service Reserve Requirement as of the date of such withdrawal and deposit the moneys so withdrawn into the Debt Service Fund.

(C) Upon written instructions of an Authorized Officer of the Authority during the twelve (12) month period prior to the final maturity date of any series of Bonds, money held in the related account shall be credited against the amount otherwise transferable from the Revenue Fund to the Debt Service Fund in respect of Debt Service Requirements for such Bonds and shall be transferred to the Debt Service Fund for the payment of such Debt Service Requirements; provided, however, that no such credit shall be given and no such transfer shall be made if, immediately prior to such crediting and transfer, the amount on deposit in the related account is not at least equal to (i) the Debt Service Requirements due with respect to such series of Bonds less (ii) the amounts previously transferred to the Debt Service Fund for payment of such series of Bonds during such twelve (12) month period pursuant to this Section 4.07, and any amounts which are currently payable to the Rebate Fund.

(D) Except to the extent that a Supplemental Resolution shall provide otherwise, when all Outstanding Bonds of a particular series shall have been paid, purchased or redeemed, or provision for their payment or redemption duly made, the amount then held in the Debt Service Reserve Fund in respect of such series of Bonds (except for amounts payable to the Rebate Fund)

shall, upon the written instructions of an Authorized Officer of the Authority, be transferred from the Debt Service Reserve Fund and deposited in the Revenue Fund.

(E) The Debt Service Reserve Requirement may be satisfied in whole or in part by a Reserve Fund Credit Facility.

SECTION 4.08 Operating Reserve Fund. (A) There shall be deposited to the Operating Reserve Fund (i) all amounts transferred from the Revenue Fund pursuant to Section 4.04(E) and (ii) any other amounts transferred to the Operating Reserve Fund by the Authority for deposit therein.

(B) Amounts on deposit in the Operating Reserve Fund may be (i) used by the Authority at any time in any Fiscal Year to pay anticipated and unanticipated Operating Expenses (ii) transferred to the Operating Fund. Any such use of amounts in the Operating Reserve Fund shall be specified, if applicable, in the Authority Budget adopted pursuant to the Resolution or an amended Authority Budget adopted during such Fiscal Year pursuant to the Resolution.

SECTION 4.09 Renewal and Replacement Fund. (A) There shall be deposited to the Renewal and Replacement Fund (i) all amounts transferred from the Revenue Fund pursuant to Section 4.04(F) and (ii) any other amounts transferred to the Renewal and Replacement Fund by the Authority for deposit therein.

(B) Prior to the adoption of an Authority Budget for a Fiscal Year, the Authority shall direct the Engineer to develop a Renewal and Replacement Requirement for such Fiscal Year. Such Renewal and Replacement Requirement shall set forth the amount to be deposited in the Renewal and Replacement Fund during such Fiscal Year. In establishing the Renewal and Replacement Requirement for a Fiscal Year, the Engineer may take into account the timing and amount of Revenues projected during such Fiscal Year and the timing and amount of Operating Expenses projected for such Fiscal Year. The Authority shall include the recommendations of the Engineer as to the Renewal and Replacement Requirement for a Fiscal Year in the Authority Budget for such Fiscal Year.

(C) The money in the Renewal and Replacement Fund shall be paid out from time to time by the Authority upon delivery of written notice to the Trustee indicating in reasonable detail the purpose of the payment and signed on behalf of the Authority by an Authorized Officer.

The money on deposit in the Renewal and Replacement Fund may be used for any one or more of the following purposes:

(a) to pay all or any part of the Cost of constructing, acquiring, completing or restoring the Project or any part thereof;

(b) to pay the Cost of Operating Expenses, renewals to or replacement of the Project or any part thereof or to pay the Cost of extraordinary maintenance and repairs thereto;

(c) to repay the temporary loans, or any part thereof, incurred for the purpose of acquiring or constructing the Project or any part thereof, renewals and replacements or undertaking extraordinary maintenance and repairs; or

(d) to pay other debts and liabilities of the Authority incurred in connection with the operation of the Project not otherwise provided for, and to the payment of Debt Service Requirements.

In case of payments for the acquisition of land, rights-of-way and easements, the Authority shall also furnish the Trustee with an opinion of Counsel satisfactory to the Trustee, upon which the Trustee may conclusively reply, stating that the Authority has acquired or upon satisfactory completion of the transaction will acquire title to such lands, rights-of-way or easements.

(D) If at any time there shall be insufficient amounts in the Revenue Fund, the Operating Fund and the Operating Reserve Fund to pay Operating Expenses, the Authority may transfer amounts in the Renewal and Replacement Fund to the Operating Fund to the extent reasonably necessary to pay such Operating Expenses.

(E) If at any time there shall be insufficient amounts in the Debt Service Fund to pay Debt Service Requirements on any Bonds Outstanding when due, after application of amounts in the Revenue Fund and the Debt Service Reserve Fund, the Authority may transfer amounts in the Renewal and Replacement Fund to the Debt Service Fund to the extent reasonably necessary to make such payments when due.

SECTION 4.10 Bond Redemption and Accumulated Surplus Fund. (A) There is hereby created a special Fund to be known as the Bond Redemption and Accumulated Surplus Fund which shall be held in trust by the Trustee until applied as hereinafter provided. Upon receipt thereof, the Authority shall deposit in the Bond Redemption and Accumulated Surplus Fund all net proceeds from the sale of any part of the Project as well as insurance and condemnation proceeds received as a result of damage, destruction or condemnation of any part of the Project in accordance with Section 7.01(b) hereof. Any such sale, insurance or condemnation proceeds shall be applied solely for the purpose of purchasing or redeeming Bonds as described below. On the first Service Fee Payment Date of each Fiscal Year, the Authority may deposit in the Bond Redemption and Accumulated Surplus Fund any Revenues then on hand and not otherwise on deposit in a Fund or account in each case pursuant to Section 4.04 or required to be paid to the County pursuant to Section 4.04(G) hereof.

(B) Whenever there shall be a deficiency in any other Fund or account hereunder, the Trustee shall forthwith and without instructions from the Authority, make good such deficiency from moneys, except sale, insurance or condemnation proceeds on deposit in the Bond Redemption and Accumulated Surplus Fund. If there shall be no such deficiency in any of said Funds or accounts, the money in the Bond Redemption and Accumulated Surplus Fund shall be paid out from time to time by the Trustee upon requisitions or letters of instruction indicating in reasonable detail the purpose of the payment and signed on behalf of the Authority by its Chairperson or Vice-Chairperson.

(C) The money on deposit in the Bond Redemption and Accumulated Surplus Fund may be used upon the written request of the Authority to purchase or redeem any Bonds of any series at a price not greater than 100% of the principal amount thereof (or, to the extent permitted by law, the then current optional redemption price for such series of Bonds) plus accrued interest.

SECTION 4.11 Costs of Issuance Fund. (A) The Authority shall transfer to the Trustee for deposit in the Costs of Issuance Fund any proceeds of Bonds or other amounts designated by the Authority. The Trustee shall apply the amounts on deposit in the Costs of Issuance Fund to the payment of Costs of Issuance of Bonds of the related series of Bonds at the written direction of the Authority. Any amounts on deposit therein that are not so applied within one year of deposit shall be applied to any Fund created or established hereunder in which there is a deficiency, and, to the extent not so required, transferred to the Bond Redemption and Accumulated Surplus Fund. Costs of Issuance, including without limitation the Cost of any Credit Facility, shall be paid by the Trustee from the Costs of Issuance Fund without need of prior invoice from the Credit Facility Provider.

(B) Amounts held in the Costs of Issuance Fund shall be invested by the Trustee pursuant to Section 5.02 hereof solely in Investment Securities, subject to the limitations imposed thereon by the Act.

SECTION 4.12 Reserve Fund Credit Facility. The Authority may elect to satisfy in whole or in part the Debt Service Reserve Requirement by means of a letter of credit, insurance policy or surety bond (together with any substitute or replacement therefor, the "Reserve Fund Credit Facility"), subject to the following requirements:

(A) The Reserve Fund Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the then current rating on the related series of Bonds and in any event equal to one of the Rating Agency's three highest long-term rating categories;

(B) The Authority shall not secure any obligation to the Reserve Fund Credit Facility Provider by a Lien on the Trust Estate superior to the Lien on the Trust Estate granted to the Bondholders;

(C) Each Reserve Fund Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the related series of Bonds) and shall entitle the Trustee to draw upon or demand payment at such times and for such purposes as the Trustee would be entitled to claim the funds and investments that would be on deposit in the Debt Service Reserve Fund were there no such Reserve Fund Credit Facility and receive the amount so requested in immediately available funds not later than five (5) Business Days after such draw or demand. To assure a timely draw on any Reserve Fund Credit Facility and timely payment of funds in the Debt Service Fund as provided in Section 4.08 hereof, any Supplemental Resolution providing for a Reserve Fund Credit Facility shall provide that the date for deposit in the applicable account of the Debt Service Fund for a series of Bonds for which a Reserve Fund Credit Facility has been provided shall be no later than five days prior to the first Business Day of each calendar month in which an Accrued Debt Service payment is due;

(D) The Reserve Fund Credit Facility shall permit a drawing by the Trustee for the full Stated Amount in the event (i) the Reserve Fund Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Bonds, and (ii) the Authority fails to satisfy the Debt Service Reserve Requirement by the delivery to the Trustee of cash, obligations, a substitute Reserve Fund Credit Facility, or any combination thereof, for deposit in the related account in the Debt Service Reserve Fund on or before the date of such expiration or termination;

(E) If the rating issued by the Rating Agencies to the Reserve Fund Credit Facility Provider is withdrawn or reduced below the rating assigned to that of the related series of Bonds immediately prior to such action by the Rating Agencies, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days after said rating change, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than forty-eight (48) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period; and

(F) If the Reserve Fund Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the Authority shall provide a substitute Reserve Fund Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Fund Credit Facility is delivered to the Trustee by such date, shall fund the Debt Service Reserve Requirement in not more than forty-eight (48) equal monthly payments commencing not later than the first day of the month immediately succeeding the date representing the end of said sixty (60) day period.

If the events described in either (E) or (F) above occur, the Trustee shall not relinquish the Reserve Fund Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Fund Credit Facility or any combination thereof. In the event a Reserve Fund Credit Facility is delivered to the Trustee, the Trustee shall transfer the money and securities held in the related account of the Debt Service Reserve Fund, to the extent not needed to comply with the Debt Service Reserve Requirement, to the Bond Redemption and Accumulated Surplus Fund. The Trustee is hereby authorized and directed to draw upon or demand payment from any such Reserve Fund Credit Facility in accordance with its terms in the event funds are needed from the Debt Service Reserve Fund in accordance with Section 4.07 hereof. Any amount received from the Reserve Fund Credit Facility shall be deposited directly into the Debt Service Fund and such deposit shall constitute the application of amounts in the Debt Service Reserve Fund. If amounts held in an account of the Debt Service Reserve Fund containing a Reserve Fund Credit Facility are less than the related Debt Service Reserve Requirement because the Reserve Fund Credit Facility has been drawn upon and has not been reinstated, the Authority shall transfer from the Revenue Fund, (after the deposits in Section 4.05, if any, 4.06 and 4.07 hereof have been made), amounts sufficient to reinstate said Reserve Fund Credit Facility, and the Trustee shall pay such amounts to the Reserve Fund Credit Facility Provider. Upon the reinstatement of the Reserve Fund Credit Facility, said payment shall constitute the replenishment of said account.

SECTION 4.13 Rebate Fund. This is hereby created and established with the Trustee a special fund designated as the "Rebate Fund" separate and apart from the other Funds and accounts of the Trustee which shall not be subject to the Lien of the Resolution. The moneys in the Rebate Fund shall be available for use only as herein provided.

(a) The Authority covenants to create and maintain one or more accounts in one or more banks or trust companies designated as the "Rebate Fund" separate and apart from the other Funds and accounts of the Authority which shall be used for the deposit of the Rebate Amount, and shall not be subject to the Lien of this Resolution.

(b) On an annual basis, the Authority will deposit into the accounts in the Rebate Fund the amounts necessary to increase the aggregate balance in the accounts in the Rebate Fund to the sum of the Rebate Amounts with respect to each outstanding series of Tax-Exempt Bonds.

(c) The Authority shall use such moneys deposited in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by Section 8.08 hereof. Funds on deposit in an account in the Rebate Fund in excess of the Rebate Amount for the related series of Tax-Exempt Bonds, however, may be withdrawn and paid over to the Authority. In complying with the foregoing, the Authority may rely upon instructions or opinions from Bond Counsel.

(d) If any amount shall remain in the Rebate Fund after payment in full of all series of Tax-Exempt Bonds and after payment in full of the Rebate Amount as to each such series of Tax-Exempt Bonds to the United States in accordance with the terms hereof, such amounts shall be available to the Authority for any lawful purpose.

(e) Any money held as a part of the Rebate Fund shall be invested or reinvested by the Authority in Investment Securities.

(f) The duty of the Trustee to make payments to the United States pursuant to this Section and Section 8.08 hereof shall be expressly limited to funds available in the Rebate Fund at the times such payments are required to be made (including all investment earnings on funds theretofore deposited by the Trustee in the Rebate Fund), and any other funds actually provided to the Trustee by the Authority for such payments. The Trustee shall not be under any duty to pay any amounts in excess of the amount available in the Rebate Fund, if any, or actually provided to it by the Authority. The Trustee shall not have any duty to determine the Rebate Amount or expend its own funds with respect to the determination that any amounts are rebatable or the calculation thereof.

SECTION 4.14 Sale of Property. The Authority may, from time to time, sell or permit the sale of any machinery, fixtures, apparatus, tools, instruments, or movable property or any materials used in connection therewith which are no longer needed or useful in connection with the operation of the Project, provided that if the fair market value of such machinery, fixtures, apparatus, tools, instruments, or movable property or any materials used in connection therewith is reasonably expected to be in excess of \$100,000 an Engineer shall concur in writing with such declaration, and the proceeds thereof shall be applied to the replacement of the property so sold or disposed of or shall be deposited, at the Authority's discretion, in the Bond

Redemption and Accumulated Surplus Fund or the Renewal and Replacement Fund. The Authority may also from time to time sell or convey such real property as the Authority by resolution shall declare to be no longer necessary or useful in connection with the operation of the Project, provided that if the fair market value of such real property is reasonably expected to be in excess of \$500,000 an Engineer shall concur in writing with such declaration. The proceeds of any sale of real property shall be deposited, at the Authority's discretion, in the Bond Redemption and Accumulated Surplus Fund or the Renewal and Replacement Fund.

SECTION 4.15 Discontinuation of Funds. In the event that the Authority shall desire to redeem and pay all Outstanding Bonds, and the money in the funds held by the Trustee under this Resolution, or in any one or more of said funds, together with other available money, are sufficient to effect such redemption or payment, including in addition to principal and interest, costs of redemption and proper charges and expenses of the Trustee, said funds or any one or more of them as the case may be, may be discontinued and the money therein applied toward such redemption or payment.

SECTION 4.16 Additional Funds or Accounts. The Authority or the Trustee at the direction of the Authority may create such additional Funds or accounts (or additional accounts or sub-accounts within existing Funds or accounts) as the Authority deems necessary or desirable. Any Supplemental Resolution may provide for additional amounts to be paid into any of the Funds or accounts established hereunder and the manner of making payments into and disbursements from such Funds or accounts not materially inconsistent with the provisions of this Resolution.

ARTICLE V.

SECURITY FOR AND INVESTMENT AND DEPOSIT OF FUNDS.

SECTION 5.01 Deposits and Security Therefor. All money received by the Trustee under this Resolution for deposit in any Fund established hereunder shall, except as hereinafter provided, be deposited in interest bearing accounts in the commercial or trust department of the Trustee, until or unless invested or deposited as provided in Section 5.02 hereof. All deposits in the commercial department of the Trustee (whether original deposits under this Section 5.01 or deposits or redeposits in time accounts under Section 5.02 hereof) in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation, shall be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited, or secured as required by applicable law. If at any time the commercial or trust department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such money with any other depository which is authorized to receive them and is subject to supervision by public authorities. All deposits in any other depository (whether under this Section or Section 5.02 as aforesaid) in excess of the amount covered by insurance by the Federal Deposit Insurance Corporation shall to the extent permitted by law, be secured by a pledge of Government Obligations having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited. Such security shall be deposited with a Federal Reserve Bank or with a bank or trust company having a combined capital and surplus of not less than \$20,000,000.

Notwithstanding the foregoing, or anything else to the contrary herein, the proceeds of any remarketing of Bonds pursuant to a Supplemental Resolution shall be held by the Trustee or a Tender Agent, as the case may be, separate and apart from any other Funds of the Authority, the Trustee or the Tender Agent and from any other Funds held under this Resolution for the exclusive benefit of the parties to be paid therefrom and may be invested only in Government Obligations maturing or coming due by the earlier of thirty (30) days following investment or the date needed for the purposes of this Resolution.

SECTION 5.02 Investment of Funds.

(A) The Trustee shall, pursuant to written or oral (promptly confirmed in writing) investment instructions from an Authorized Representative of the Authority, invest and reinvest money held in any Fund or account held by the Trustee under this Resolution in Investment Securities. Such instructions may authorize specific transactions with respect to the deposits to be made or the Investment Securities to be purchased and the prices to be paid, and may include general instructions for future reinvestments of cash as and when such obligations are paid or redeemed. The scope of such general instructions shall be satisfactory to the Trustee which may, if it deems it advisable, from time to time require specific instructions or general instructions within defined limits. All investments made pursuant to this Section 5.02 shall mature or be subject to redemption at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal, not later than the date when the amounts will foreseeably be needed for purposes of this Resolution.

(B) Except as otherwise provided in this Resolution, the interest and income received upon such investments and any interest paid by the Trustee or any other depository of any Fund or account and any profit or loss resulting from the sale of any investment shall be added or charged to the Fund or account in question, provided, however, that the Trustee shall credit any investment income or loss with respect to any Fund or account established hereunder to any other Fund or account, as directed in writing by the Authority.

(C) Upon request of the Authority, whenever a payment is to be made out of any Fund or account the Trustee shall sell such Investment Securities as may be requested or required to make the payment and restore the proceeds to the Fund or account in which the Investment Securities were held. The Trustee shall not be accountable for any depreciation in the value of any such Investment Security or for any loss resulting from the sale thereof.

SECTION 5.03 Valuation of Funds. To the extent the Trustee holds amounts in any Fund or account established under this Resolution, and at the direction of the Authority, the Trustee shall compute the value of the assets of each such Fund or account after taking into account any payments required to be made to Bondholders on such dates and any transfers required to be made hereunder. In computing the value of any Fund or account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the owner.

Notwithstanding anything contained herein to the contrary, the Trustee shall compute the value of all Investment Securities at the market value thereof at least annually. Deficiencies in the amount on deposit in any Fund or account resulting from a decline in market value shall be restored to the amount required by the Resolution for any such Fund or account not later than one hundred and twenty (120) days following any such determination of deficiency.

ARTICLE VI.

REDEMPTION OF BONDS.

SECTION 6.01 Bonds Subject to Redemption. The Bonds issued or to be issued hereunder shall be subject to redemption at such time or times and from time to time, in such order, at such redemption prices, upon such notice, and upon such terms and conditions as may be expressed in the particular Bond, or, as the case may be, in this Resolution or in the pertinent Supplemental Resolution. In the event of a conflict between this Resolution and a Supplemental Resolution concerning these matters, including, without limitation, notice of any redemption, the Supplemental Resolution shall govern.

SECTION 6.02 Notice of Redemption. Whenever the Authority shall, by Resolution of the Authority, determine to redeem Outstanding Bonds in accordance with the right reserved to do so, the Authority shall give the Trustee not more than sixty (60) days' and at least forty-five (45) days' notice of the date fixed for redemption. When Bonds are called for redemption, whether at the option of the Authority or pursuant to mandatory redemption, the Trustee shall cause a notice to be deposited in the United States mail first class, postage prepaid, not more than sixty (60) days and at least thirty (30) days prior to the redemption date addressed to the Registered Owners of the Bonds called for redemption, at the addresses appearing in the records kept by the Trustee. Such Notice shall be given in the name of the Authority, shall identify the Bonds to be redeemed by certificate number, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed and the numbers, including CUSIP numbers if applicable, of the Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers), shall specify the redemption date, the redemption price, and the Trustee's name and address and shall state that on the redemption date the Bonds called for redemption will be payable at the Principal Office of the Trustee and that from the date of redemption interest will cease to accrue; provided, however, that the Registered Owners of all Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such Bonds may be redeemed and all rights and liabilities of the Owners shall mature and accrue on the date set for such redemption, without the requirement of written notice. Any defect in or failure to give such notice with respect to any particular Bond or Bonds shall not affect the validity of any such redemption of other Bonds.

In addition, if Bonds to be redeemed are subject to the Book-Entry System of ownership, the Trustee shall cause copies of such notice of redemption to be sent by registered mail, certified mail, overnight delivery service or confirmed telecopy (or other similarly secure service acceptable to the Trustee) to The Depository Trust Company and two or more national information services that disseminate redemption information. Unless otherwise waived by The Depository Trust Company, the notice shall be sent to The Depository Trust Company at least two (2) Business Days in advance of the date notices addressed to registered owners and national information services are deposited in the United States mail. The current address of The Depository Trust Company is as follows: The Depository Trust Company, Redemption Announcements, 55 Water Street, 25th Floor, New York, New York 10041, Attn: Louis Larusso. Certain national information services include: Kenny Information Systems, Inc., Called Bond Service, 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors

Service, Inc., Municipal and Government, 99 Church Street, 8th Floor, New York, New York 10007; Standard & Poor's Ratings Group, Called Bond Records, 55 Water Street, New York, New York 10004; and The Bond Buyer, One State Street Plaza, New York, New York 10004. The Trustee shall not be required to advertise said notice of redemption.

The Trustee shall send a second copy of said redemption notice by registered or certified mail, postage prepaid, to all registered bond owners that do not present their Bonds for payment within thirty (30) days following the Redemption Date.

If at the time of the notice of redemption the Authority shall not have deposited with the Trustee money sufficient to redeem all the Bonds called for redemption and the Trustee shall not otherwise hold such money for such purpose, such notice may state that it is conditional, that is, subject to the deposit of the redemption money with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

SECTION 6.03 Payment of Redemption Price. Notice having been given in the manner hereinbefore provided, or written waivers of notice having been filed with the Trustee prior to the date set for redemption, the Bonds so called for redemption shall become due and payable on the redemption date so designated and, if an amount sufficient to pay the redemption price is on deposit with the Trustee for such purpose on such date, interest on such Bonds shall cease to accrue from the redemption date whether or not the Bonds shall be presented for payment. The principal amount of all Bonds or portions thereof so called for redemption, together with the accrued and unpaid interest thereon to the date of redemption, shall be paid by the Trustee or the Paying Agent, if any, mentioned in the Bond called for redemption, upon presentation and surrender thereof in negotiable form. If any Outstanding Bond is redeemed in part, the Trustee shall authenticate and deliver to the Registered Owner thereof, a new Bond or Bonds of any authorized denomination as requested by such Registered Owner in an aggregate principal amount equal to the principal amount of the Outstanding Bond not called for redemption.

SECTION 6.04 Destruction of Bonds. All Bonds which shall be paid, purchased or redeemed by the Trustee or Authority pursuant to the terms and provisions of this Resolution, or of any Supplemental Resolution, shall be cancelled and destroyed by the Trustee which shall furnish the Authority with its certificates of destruction.

ARTICLE VII.

INSURANCE.

SECTION 7.01 Insurance. All proceeds of permanent insurance received by the Authority in the event that any of the buildings, structures, additions or improvements of the Project are wholly or partially destroyed by fire or other casualty covered by such permanent insurance shall be paid by the Authority to the Trustee and applied, subject to the provisions of this Section, to the reconstruction, restoration, replacement or repair of the damaged or destroyed property, or to the acquisition or construction of any part of the Project or to the redemption or purchase of Bonds as follows:

(a) Deposit in Construction Fund. If the Authority shall by resolution determine to apply all or part of said proceeds to the reconstruction, restoration or repair of the damaged property, or to the construction or acquisition of any part of the Project, an Authorized Representative of the Authority shall provide a written authorization to the Trustee directing the Trustee to deposit such proceeds in the Construction Fund. Disbursements may be made from the Construction Fund by the Trustee from time to time upon requisitions made by an Authorized Representative of the Authority, stating the amount to be paid and designating the payee and certifying that the payment is due and payable for the reconstruction, restoration, replacement or repair of the damaged or destroyed property or for the construction or acquisition of any part of the Project, and, if the Engineer is employed to supervise the work, upon submission of certificates of the Engineer in form satisfactory to the Trustee approving such payment; provided, however, that if the Authority shall certify to the Trustee that the amount to be so applied from said insurance proceeds is not more than \$1,000,000, then the Authority may retain said insurance proceeds for application toward the reconstruction, restoration, replacement or repair of the damaged or destroyed property or toward the construction or acquisition of any part of the Project.

(b) Deposit in Bond Redemption and Accumulated Surplus Fund. All proceeds of permanent insurance not applied as hereinabove authorized shall be transferred to the Trustee for deposit in the Bond Redemption and Accumulated Surplus Fund and applied by the Trustee to redeem or purchase Bonds in accordance with the final paragraph of Section 4.10 hereof.

Nothing in this Section 7.01 shall be construed to relieve the Authority under the Service Agreement from its obligation to maintain the Project in good repair, working order and condition, excepting only that to the extent that the proceeds of insurance shall be applied to the reconstruction, restoration, replacement or repair of damaged or destroyed property, or to the construction or acquisition of any part of the Project, or shall be applied toward the purchase, redemption, or defeasance of Bonds, then and to such extent the Authority shall be relieved of such obligation with respect to the damaged or destroyed property.

ARTICLE VIII.

PARTICULAR COVENANTS OF THE AUTHORITY.

SECTION 8.01 Payment of Bonds. The Authority covenants that it will promptly pay from the Trust Estate the Debt Service Requirements for every Bond issued and to be issued hereunder and secured thereby at the place and on the dates and in the manner specified herein and in said Bonds, or therein, according to the true intent and meaning thereof. The Authority further covenants that it will pay as and when due from sources legally available therefor the Debt Service Requirements on all other Indebtedness.

SECTION 8.02 Operation of Project. The Authority covenants that it will at all times operate, maintain, or undertake its best efforts to cause to be operated and maintained, the Project and every material part thereof in good repair, working order and condition.

SECTION 8.03 Corporate Existence and Service. The Authority shall throughout the term of the Bonds maintain its existence and provide Water Service.

SECTION 8.04 No Impairment of Bondholders' Rights. The Authority covenants and agrees that so long as any of the Bonds secured hereby are Outstanding, none of the Pledged Revenues shall be used for any purpose other than as provided in this Resolution, and that no contract or contracts shall be entered into or amended or any action taken by which the rights or security of the Trustee or of the Bondholders may be impaired or diminished.

SECTION 8.05 Further Action. The Authority covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of this Resolution.

SECTION 8.06 No Extension of Time for Payment of Interest. In order to prevent any accumulation of claims for interest after maturity, the Authority covenants and agrees that it will not directly or indirectly extend or assent to the extension of time of payment of any claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, such claim for interest shall not be entitled in case of any default hereunder, to the benefit or security of this Resolution except subject to the prior payment in full of the principal of all Bonds issued and Outstanding hereunder, and of all claims for interest which shall not have been so extended or funded.

SECTION 8.07 Financing Statements. The Authority shall cause financing statements relating to this Resolution to be filed, registered and recorded in such manner and at such places as may be required by law (in the opinion of Counsel) to fully protect the security of the Registered Owners of the Bonds. The Authority shall perform or shall cause to be performed any acts, and execute and cause to be executed any and all further instruments as may be required by law (in the opinion of Counsel) or as shall reasonably be requested by the Trustee for the protection of the interests of the Trustee and the Bondholders, and shall furnish satisfactory evidence to the Trustee of recording, registering, filing and refileing of such instrument and of every additional instrument which shall be necessary to preserve the lien and security interest of this Resolution upon the Trust Estate or any part thereof until the principal of and interest on the

Bonds secured hereby shall have been paid. The Authority and the Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as the Trustee may be advised by an opinion of Counsel will preserve the lien and security interest of this Resolution upon the Trust Estate or any part thereof until the aforesaid principal and interest shall have been paid.

SECTION 8.08 Federal Tax Covenants. (a) It is the intention of the Authority and all parties under its control that the interest on each series of Tax-Exempt Bonds issued hereunder be and remain excluded from gross income for federal income tax purposes. To this end, in addition to any other requirements contained in this General Resolution, the Authority hereby covenants and agrees, for the benefit of the registered owners from time to time of each series of Tax-Exempt Bonds, to comply with the requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code to the extent necessary to preserve the exclusion from gross income for federal income tax purposes of interest on that series of Tax-Exempt Bonds. Specifically, without intending to limit in any way the generality of the foregoing, the Authority covenants and agrees:

- (i) to make or cause to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount;
- (ii) to set aside sufficient moneys from the Revenues, available investment earnings on amounts held in the Funds, or other legally available funds of the Authority, in the Rebate Fund or elsewhere to timely pay the Rebate Amount to the United States of America;
- (iii) to pay the Rebate Amount to the United States of America from the Revenues, from available investment earnings on amounts held in the Funds, or from any other legally available funds, at the times and to the extent required pursuant to Section 148(f) of the Code;
- (iv) to maintain and retain all records pertaining to the Rebate Amount with respect to each series of Tax-Exempt Bonds and required payments of the Rebate Amount with respect to each series of Tax-Exempt Bonds for at least six years after the final maturity of such series of Tax-Exempt Bonds or such other period as shall be necessary to comply with the Code;
- (v) with respect to each series of Tax-Exempt Bonds not intended by the Authority to be classified as private activity bonds under Section 141(a) of the Code, to refrain from taking any action that would cause such series of Tax-Exempt Bonds to be so classified;
- (vi) with respect to each series of Tax-Exempt Bonds intended by the Authority to be classified as private activity bonds under Section 141(a) of the Code (including the Series 2008 Bonds), to refrain from taking any action that would cause such series of Tax-Exempt Bonds not to be classified as "qualified bonds" under Section 141(e) of the Code;
- (vii) to refrain from taking any action that would cause any series of Tax-Exempt Bonds to become arbitrage bonds under Section 148 of the Code.

(b) The Authority hereby further covenants and agrees, for the benefit of the registered owners from time to time of the Series 2008 Bonds that:

(1) In the aggregate, no more than a permitted percentage of the Project will be used, directly or indirectly, (i) on a basis different than that available to any member of the general public, in the trade or business of a person who is neither a governmental unit nor an organization described in Section 501(c)(3) of the Code or (ii) in an unrelated trade or business of any organization described in Section 501(c)(3) of the Code, determined by applying Section 513(a) of the Code. For purposes of this subsection 8.08(b)(1), with respect to the Series 2008 Bonds, a permitted percentage equals five percent (5%) less that percentage (not to exceed 2%) of the net proceeds of the Series 2008 Bonds used to pay Costs of Issuance.

(2) At least ninety-five percent (95%) of the net proceeds of the Series 2008 Bonds will be used to finance or refinance capital expenditures incurred after August 5, 1997.

(3) The Authority covenants and agrees to refrain from taking any action that might cause the Series 2008 Bonds, or any of them, not to be classified as Qualified 501(c)(3) Bonds under Section 145 of the Code.

(4) The Project will be owned (as ownership is determined for federal income tax purposes) by the Authority, except that the Project, or components thereof, may be sold to and owned by (i) another state or local governmental unit or one or more organizations described in Section 501(c)(3) of the Code ("Permitted Owners"), or (ii) persons other than a Permitted Owner if: (a) in the judgment of the Authority, such component has become obsolete, worn out or surplus, provided that any amounts received by the Authority upon such disposition will be applied by the Authority to acquire, construct or renovate property qualified for financing under Section 145 of the Code or (b) Bond Counsel delivers to the Trustee and the Authority a written opinion to the effect that any such disposition will not adversely affect the validity of the Series 2008 Bonds or the exclusion of interest on any 2008 Bonds from gross income for federal income tax purposes.

(5) None of the proceeds of the Series 2008 Bonds will be used, directly or indirectly, to make or finance loans to two or more ultimate borrowers (including governmental borrowers).

(6) None of the proceeds of the Series 2008 Bonds will be used to provide any airplane, skybox or other private luxury box, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(7) The Authority covenants that no more than two percent (2%) of the net proceeds of the Series 2008 Bonds will be used to pay Costs of Issuance of the Series 2008 Bonds.

(8) The average maturity of the Series 2008 Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected economic life of the Project. The average reasonably expected economic life of each component of the Project is measured from the later of (i) the date of issuance of the Series 2008 Bonds, or (ii) the date such

component is placed in service, and by taking into account the respective cost of each component being financed.

(9) (i) The payment of principal or interest with respect to the Series 2008 Bonds will not be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); (ii) five percent (5%) or more of the proceeds of the Series 2008 Bonds will not be (A) used in making loans the payment of principal and interest with respect to which are to be guaranteed (in whole or in part) by the United States (and any agency or instrumentality thereof), or (B) invested (directly or indirectly) in federally insured deposits or accounts as defined in Section 149(b) of the Code; and (iii) the payment of principal or interest on the Series 2008 Bonds will not be otherwise indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

The foregoing provisions of this subsection shall not apply to proceeds of the Series 2008 Bonds (u) invested for an initial temporary period until such proceeds are needed for the purpose for which such issue was issued; (v) invested in a bona fide debt service fund; (w) invested in a reserve which meets the requirements of Section 148(d) of the Code with respect to reasonably required reserve replacement funds; (x) used to purchase investments held in a refunding escrow (*i.e.*, a fund containing proceeds of a refunding bond issue established to provide for the payment of principal or interest on one or more prior bond issues); (y) invested in obligations issued by the United States Treasury; or (z) invested in other investments permitted under regulations promulgated pursuant to Section 149(b)(3)(B)(v) of the Code.

(10) The Authority shall not enter into any interest rate swap or any other hedging transaction with respect to the Series 2008 Bonds without obtaining an opinion of Bond Counsel to the effect that such interest rate swap or other hedging transaction will not adversely affect the exclusion of interest on the Series 2008 Bonds from gross income for federal income tax purposes.

(c) The Authority understands and acknowledges that the foregoing covenants impose continuing obligations on the Authority that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code are applicable to those series of Bonds that are Tax-Exempt.

(d) Notwithstanding, any other provision of this General Resolution, including, in particular Article 13 hereof, the obligation of the Authority to pay the Rebate Amount to the United States of America and to comply with the other requirements of this provision shall survive the defeasance or payment in full of a series of Tax-Exempt Bonds.

SECTION 8.09 Maintenance of Service Agreement. The Authority covenants and agrees to take all steps legally within its power to maintain in full force and effect, for its part, the Service Agreement, to comply with its obligations under the Service Agreement and to enforce it against the County.

SECTION 8.10 Authority Budget. The Authority covenants that it will adopt by resolution and file with the Trustee for each Fiscal Year, an Authority Budget or Budgets setting forth the estimated monthly revenues and expenses of the Authority (whether or not related to

the Project) together with detailed estimates of Revenues, Operating Expenses and Debt Service Requirements. Any Authority Budget may be amended or supplemented at any time, but such amendment or supplemented Authority Budget shall not supersede any prior Authority Budget until it shall have been authorized by a certified resolution of the Authority. The Authority Budget may authorize certain variances for various line items at the discretion of the Authority Officers, as the Governing Board of the Authority deems prudent, and amounts expended within such authorized variances shall be deemed to be within the amount provided for in the Authority Budget.

SECTION 8.11 Engineer. The Authority shall, until the Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, for the purpose of performing and carrying out the duties imposed on the Engineer by this Resolution or the Service Agreement, employ an Independent Engineer or engineering firm having a national and favorable reputation for skill and experience in such work and, except in the case of the firm serving as Engineer at the time of the adoption of this Resolution, who shall be acceptable to the Trustee; provided, however that the acceptance of the Trustee shall not be unreasonably withheld, and if the Trustee shall fail to so accept, it shall deliver to the Authority a statement of its reasons for such failure. In rendering any report, certificate or opinion required pursuant to this Resolution or the Service Agreement, the Engineer may rely upon information, certificates, opinions or reports required to be provided by others pursuant to this Resolution, and upon other sources which the Engineer considers reliable, and other considerations and assumptions as deemed appropriate by the Engineer.

SECTION 8.12 Schedule of Water Rates. The Authority covenants and agrees to keep on file with the Trustee at all times a copy of the Schedule of Water Rates currently in effect.

ARTICLE IX.

EVENTS OF DEFAULT AND REMEDIES.

SECTION 9.01 Events of Default. Each of the following shall be an "Event of Default" hereunder:

(A) Payment of the principal of any Bond is not made when it becomes due and payable at maturity or upon redemption, or otherwise or if payment of any installment of interest on any Bond is not made when it becomes due and payable; or

(B) If the Authority defaults in the due and punctual performance of any other covenant in the Bonds or in this Resolution, and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Authority by the Trustee; provided that if any such default cannot be cured within thirty (30) days the period shall be extended for such period as is reasonable to cure the same with due diligence if the Authority commences the cure within thirty (30) days and proceeds diligently; or

(C) A default under the Service Agreement by the Authority shall have occurred and be continuing after any permitted period of cure therein provided for a period of forty-five days after written notice thereof stating that such notice is a "Notice of Default" to the Authority by the Trustee, or to the Authority and the Trustee by the holders of not less than twenty-five percent (25%) in principal amount of Bonds Outstanding;

(D) A termination of the Service Agreement at any such time that Service Fees are due and payable to the Authority from the County thereunder or upon suspension by the County of payments of the Service Fee under the Service Agreement; or

(E) The occurrence of any Act of Bankruptcy with respect to the Authority; or

(F) The failure of timely payment of the purchase price of any tendered Bond required to be paid according to the Supplemental Resolution authorizing such Bond; or

(G) Such additional Events of Default as may be set forth in a Supplemental Resolution duly executed in connection with the issuance of the Bonds.

The Trustee shall give written or telephonic (promptly confirmed in writing or by confirmed telecopy) notice of any Event of Default, as herein defined, to the Authority and any Credit Facility Provider as soon as practicable after the occurrence of such Event of Default becomes known to the Trustee.

Notwithstanding the foregoing provisions, Additional Parity Indebtedness in the form of capitalized leases may provide for grace periods of up to twelve (12) months before the occurrence of a default under the lease shall constitute an Event of Default hereunder.

SECTION 9.02 Enforcement of Remedies by Trustee. Upon the happening and continuance of any Event of Default specified in Section 9.01 then and in every such case the Trustee may, and upon the written request of the Registered Owners of not less than twenty-five

percent (25%) in principal amount of the Bonds then Outstanding hereunder, shall take one or more of the following actions:

(1) By mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Registered Owners, including the right (i) to require the Authority to collect Water Rates adequate to carry out any agreement as to, or pledge of, such Water Rates, (ii) to demand all monies and securities then held by the Authority in any Operating Expense account and all Revenues be promptly paid to the Trustee for deposit in the Revenue Fund, and (iii) to require the Authority to carry out any other agreements with the County under the Service Agreement or the Registered Owners of such Bonds and to perform its duties under this Resolution and the Act;

(2) Bring suit upon such Bonds;

(3) By action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the Registered Owners of such Bonds;

(4) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of such Bonds;

(5) Enforce the Service Agreement, as assignee of the Authority; and

(6) Perform the Authority's obligations under the Service Agreement.

The Trustee hereunder shall proceed in accordance with the Act, subject to the provisions of Section 9.01, to protect and enforce its rights and the rights of the Registered Owners under the laws of the State or under this Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. In the enforcement of any remedy under this Resolution the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming and at any time remaining due from the Authority for principal, interest or otherwise under any of the provisions of this Resolution or of the Bonds and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Registered Owners, and to recover and enforce any judgment or decree against the Authority, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from money in any Fund created in the Resolution) in any manner provided by law, the money adjudged or decreed to be payable.

Any suit, action or proceeding by the Trustee on behalf of Registered Owners shall be heard or maintained in a court of competent jurisdiction. All rights of action under this Resolution or under any of the Bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the

Trustee shall be brought in its name for the benefit of all the Registered Owners of such Bonds, subject to the provisions of this Resolution.

SECTION 9.03 Effect of Discontinuance of Action. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

SECTION 9.04 Control of Proceedings. Anything in this Resolution to the contrary notwithstanding, the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding hereunder shall have the right, subject to the provisions of Section 9.05 of this Resolution, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution.

SECTION 9.05 Restriction on Bondholders' Action. No Registered Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or, for any other remedy hereunder unless (i) any Registered Owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted which specifically refers to such event as an "Event of Default", (ii) the Registered Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name; (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby; and (iv) the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared, in every such case at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Resolution or for any other remedy hereunder. It is understood and intended that no one or more Registered Owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Registered Owners of such Outstanding Bonds.

Nothing contained in this Article, however, shall affect or impair the right of any Registered Owner to enforce the payment of the principal of and interest on his Bonds, or the obligation of the Authority to pay the principal of, interest on and premium, if any, on each Bond issued hereunder to the Registered Owners thereof at the time and place expressed in said Bond.

SECTION 9.06 Appointment of Receiver. Upon the happening and continuance of any Event of Default specified in Section 9.01 the Trustee, whether or not the issue of Bonds

represented by such Trustee has been declared due and payable, shall be entitled as of right to the appointment of a receiver of any part or parts of the Revenues which are pledged for the security of the Bonds of such issue and, subject to any pledge or agreement with Bondholders, shall take possession of all money and collect and receive all Revenues subject to any pledge thereof or agreement with Bondholders relating thereto and perform the public duties and carry out the agreements and obligations of the Authority under the direction of the court. In any suit, action or proceeding by the Trustee the fees, counsel fees and expenses of the Trustee and of the receiver, if any, shall constitute taxable disbursements and all costs and disbursements allowed by the court shall be a first charge on any Revenues.

SECTION 9.07 Extension of Maturity of Bonds. In case the maturity of any of the Bonds or the time for payment of any installments of interest shall be extended by mutual agreement between the Authority and the Registered Owner of any such Bonds, such Bonds or claims for interest shall not be entitled in case of any Event of Default to the benefit of this Resolution or to any payment out of any assets of the Trust Estate or the Funds (except Funds held in trust by the Trustee for the payment of particular Bonds or claims for interest pursuant to this Resolution) held by the Trustee, subject to the prior payment of the principal of all Bonds issued and outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

SECTION 9.08 Modifications with Respect to Credit Facilities Pursuant to Supplemental Resolutions. If so specified in the Supplemental Resolution relating to a particular series of Bonds, any action that may be taken by and any consent that must be received from the Registered Owners of all or some lesser percentage of the Bonds Outstanding of such series of Bonds under Article X of this Resolution shall instead and in lieu thereof be taken by or received from the Credit Facility Provider of a Credit Facility under which Debt Service Requirements for Bonds of such series of Bonds are payable if and when there does not exist a Credit Facility Default with respect to such Credit Facility. If any such action or consent requires a vote by the Registered Owners of the Bonds of such series of Bonds because there are then Outstanding hereunder Bonds of more than one series of Bonds, the Supplemental Resolution may also specify that the Credit Facility Provider shall have the right to vote hereunder with respect to the action or consent fully as if it were the Registered Owner of all of the Bonds of the series of Bonds unless there shall then exist a Credit Facility Default with respect to the Credit Facility.

SECTION 9.09 Priority of Payments After Default. Notwithstanding any other provisions of this Resolution other than those contained in this Section, in the event that, subsequent to the occurrence of an Event of Default, the Funds held by the Trustee shall be insufficient for the payment of interest and principal then due on the Bonds, such Funds (other than Funds held for the payment or redemption of particular Bonds or installments of interest which have theretofore become due at maturity or otherwise) and any other money received or collected by the Trustee, after making provision for the payment of any expenses necessary in its opinion to preserve the continuity of the Revenues or to provide continued Water Service or otherwise to protect the interests of the Registered Owners of the Bonds, and for the payment of the charges, expenses (including those of its counsel) and liabilities incurred and advances made by the Trustee in the performance of its duties hereunder, shall be applied as follows:

First: To the payment to the Persons entitled thereto all installments of interest then due on Bonds (with interest on overdue installments of interest then due on such Bonds, to the extent permitted by law, at the rate per annum borne by such Bonds) in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to the difference, if any, in the respective rates of interest specified in the Bonds; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due (with interest on such Bonds at their rate from the respective dates upon which they became due) whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment ratably, according to the amounts of principal and interest due on such dates, to the persons entitled thereto, without any discrimination or preference except as to the difference, if any, in the respective rates of interest on the Bonds.

Whenever money is to be applied pursuant to the provisions of this Section, such money shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the earliest practicable date it deems suitable and which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

The Trustee may, in its sole discretion, hire one or more consultants experienced in the operation of water systems for the purpose of determining what expenses are necessary to preserve the continuity of the Revenues or to provide for continued Water Service. The fees and expenses of any such consultant shall be considered expenses incurred by the Trustee in the performance of its duties for purposes of this Resolution. The Trustee may conclusively rely on any determination made by such consultant.

Notwithstanding anything to the contrary in this Section 9.10, the proceeds of any Credit Facility that are intended to pay the Debt Service Requirements of a particular series of Bonds shall be applied exclusively to the payment of such Debt Service Requirements and for no other purpose. Until the Credit Facility Provider shall have been reimbursed through this Resolution for the payment of such Debt Service Requirements, the Debt Service Requirements shall not be deemed to have been discharged hereunder. Furthermore, in the event that the Credit Facility Provider of any such Credit Facility shall have paid all Debt Service Requirements of the applicable series of Bonds as and when due, such Credit Facility Provider shall be surrogated to the Registered Owners of the Bonds of such series of Bonds with respect to all rights such Registered Owners may have under this Resolution, including without limitation the rights to payment under this Section 9.10.

ARTICLE X.

CONCERNING THE TRUSTEE.

SECTION 10.01 Acceptance of Trust and Duties; Abrogation of Right to Appoint Trustee. The Trustee acknowledges receipt of the Service Agreement and accepts and agrees to execute the trust hereby created, but only upon the terms set forth in this Resolution, to all of which the parties hereto and the respective holders of the Bonds agree, and to perform any act required of the Trustee by the Service Agreement for the benefit of the Bondholders. The Trustee shall perform only such duties as are specifically set forth in this Resolution, and no implied covenants or obligations shall be read into this Resolution against the Trustee. The right of the holders of Bonds to appoint a trustee under the Act is hereby abrogated as permitted by the Act.

SECTION 10.02 No Responsibility for Recitals. The recitals, statements and representations contained in the Resolution or in the Bonds, save only the Trustee's authentication upon the Bonds, shall be taken and construed as made by and on the part of the Authority, and not by the Trustee, and the Trustee assumes and shall be under no responsibility or obligation for the correctness of same.

SECTION 10.03 Power to Act Through Agents; Liability Limited. The Trustee may execute any of the trusts or powers hereof and perform the duties required by it, by or through attorneys, agents, receivers, or employees, and shall be entitled to advice of counsel concerning all matters of trust hereof and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or employees selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Resolution or under any Supplemental Resolution, nor for anything whatever in connection with the trust, except only its own willful misconduct or negligence.

SECTION 10.04 Compensation. The Authority shall pay to the Trustee reasonable compensation for all services rendered by it hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee hereunder, all as may be mutually agreed to in writing between the Authority and the Trustee including any liability or loss except as such may result from the Trustee's misconduct or gross negligence. If any Event of Default shall have occurred and be continuing, the Trustee may, upon the failure by the Authority to pay any such compensation, deduct the same from any money coming into its hands (excluding the proceeds of any Credit Facility or the remarketing of any Bonds) and shall be entitled to a preference in payment over any of the Outstanding Bonds hereunder (except from any such excluded proceeds).

SECTION 10.05 Notice of Default; Right to Investigate. The Trustee shall within ninety (90) days after the occurrence thereof give written notice by first class mail to each Registered Owner of Bonds of all Events of Default known to the Trustee to have occurred and be continuing. The Trustee shall not be deemed to have notice of any default under paragraph (C), (D), or (E) of Section 9.01 unless notified in writing of such default by the Registered Owners of at least 25% in principal amount of the Bonds then Outstanding, which notice shall specifically refer to such event as an "Event of Default". The Trustee may, however, at any time

that it has reasonable cause to question the same, require of the Authority full information as to the performance of any covenant hereunder; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to this Resolution and the properties covered thereby.

SECTION 10.06 Obligation to Act on Defaults. If any Event of Default of which the Trustee is deemed to have knowledge according to Section 9.01 hereof shall have occurred and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by this Resolution and shall use the same degree of care in their exercise as a prudent man would use in the circumstances in the conduct of his own affairs; provided that, if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

SECTION 10.07 Records. The Trustee will keep proper books of record of all transactions relating to the receipts, disbursements, allocations and applications of all funds accruing to the Trustee hereunder, and such books shall be available for inspection by the Authority or any Bondholder at reasonable hours and under reasonable conditions. Other than its duty to enforce the terms of the Resolution, the Trustee shall have no responsibility for the nonperformance of any covenant or agreement by the Authority under any such instrument, nor any duty to see to the application of insurance or condemnation proceeds or other money received by the Authority with respect to the Project.

SECTION 10.08 Reliance on Resolutions, Certificates, etc. The Trustee may conclusively rely and act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper Persons or to have been prepared and furnished pursuant to any of the provisions of the Resolution; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

SECTION 10.09 Trustee May Deal in Bonds. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if the Trustee were not a party to this Resolution. The Trustee may also engage in or be interested in any financial or other transaction with the Authority; provided that if the Trustee determines that any such relation is in conflict with its duties under this Resolution it shall eliminate the conflict or resign as Trustee.

SECTION 10.10 Advances to Cure Defaults. If the Authority shall fail to perform any of the covenants or agreements contained in this Resolution, the Trustee may, in its uncontrolled discretion and without notice to the Bondholders, at any time and from time to time, make advances to effect performance of the same on behalf of the Authority, but the Trustee shall be under no obligation so to do; and any and all money paid or advanced by the Trustee for any such purpose, together with interest thereon at the rate equal to the Prime Rate plus two percent (2%) per annum, shall be repaid by the Authority immediately upon demand therefor, and until such payment by the Authority shall be a lien in favor of the Trustee upon the Revenues

on a parity with the lien of the Bonds; but no such advance shall operate to relieve the Authority from any default hereunder.

SECTION 10.11 Construction of Resolution. The Trustee may construe any of the provisions of this Resolution insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof; and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Bondholders.

SECTION 10.12 Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Resolution by written notice filed with the Chairperson of the Authority not less than sixty (60) days before the date when such resignation is stated to take effect; provided notice of such resignation is also given to the Bondholders in the same manner as notice of redemption. Such resignation shall take effect on the day specified in the notice unless a successor Trustee is previously appointed, in which event the resignation shall take effect immediately on the appointment of such successor, and unless no successor has been appointed as of the day specified therein, in which event the resignation shall not take effect until the successor is in fact appointed.

SECTION 10.13 Removal of Trustee. Any Trustee hereunder may be removed at any time upon thirty (30) days' written notice to the Trustee and, with regard to clause (i) hereof, to the Authority by an instrument appointing a successor to the Trustee so removed, executed by either (i) the Registered Owners of a majority in principal amount of the Bonds then Outstanding or (ii) so long as no Event of Default has occurred and is continuing, by an Authorized Representative of the Authority. Such Trustee shall continue to act as Trustee hereunder until the successor is in fact appointed.

SECTION 10.14 Appointment of Successor Trustee. In case at any time the Trustee, or any Trustee hereinafter appointed, shall resign, or shall be removed, or be dissolved, or its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, a vacancy shall forthwith and ipso facto exist in the office of Trustee and a successor may be appointed, (i) so long as no Event of Default has occurred and is continuing, by the Authority by an instrument authorized by resolution of the Governing Board of the Authority and signed by an Authorized Representative of the Authority or (ii) if an Event of Default has occurred and is continuing, by the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Chairperson of the Authority, signed by such Bondholders or by their attorneys in fact duly authorized. Copies of each instrument shall be promptly delivered by the Authority to the predecessor Trustee and to the Trustee so appointed.

Until a successor Trustee shall be appointed by the Bondholders as herein authorized, the Authority, by an instrument authorized by resolution of its Governing Board, may appoint a Trustee to fill such vacancy. After any appointment by the Authority, it shall deposit written notice of such appointment in the United States mail, first-class, postage prepaid, addressed to each Registered Owner of Bonds at the addresses appearing upon the Bond register. Any new Trustee so appointed by the Authority shall immediately and without further act be superseded by a Trustee appointed by the Bondholders in the manner above provided. In case at any time

the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee or any Bondholder may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

SECTION 10.15 Qualification of Successor Trustee. Every successor in the trust appointed pursuant to the provisions of this Article X shall be any trust company or a state or national bank with trust powers, within or without the State, having capital and paid in surplus of at least \$50,000,000, if there be such a trust company or bank willing and able to accept the trust on reasonable and customary terms.

SECTION 10.16 Instruments of Succession. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. Upon request of such successor Trustee and the Trustee ceasing to act, the Authority shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of the Trustee so ceasing to act; and the Trustee so ceasing to act shall pay over to the successor Trustee all money at the time held by it hereunder.

SECTION 10.17 Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor Trustee under this Resolution, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 10.18 Actions by Trustee. All rights of actions under the Resolution and the Service Agreement or under any of the Bonds which may be asserted by the Trustee may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds; however, any recovery of judgment shall, subject to the provisions of Section 9.09 hereof, be for the equal benefit of the holders of the Outstanding Bonds.

SECTION 10.19 No Duty to Effect or Renew Insurance. The Trustee shall be under no duty to effect or to renew any policies of insurance, nor shall the Trustee incur any liability for the failure of the Authority to effect or renew insurance or to report claims thereunder, or be subject to any liability with respect to losses suffered from the investment of any funds on deposit with it under this Resolution, except for the safekeeping of the securities in which said funds are invested and the collection of interest thereon.

SECTION 10.20 Indemnification of Trustee. The Authority covenants to indemnify the Trustee, its officers, directors, employees and agents (the “Indemnified Parties”), and to hold such Indemnified Parties harmless to the extent permitted by law against any loss, liability, expenses or advances, including taxes (other than taxes based on the income of the Trustee) and reasonable fees and expenses of counsel and other experts, incurred or made on the part of any Indemnified Party, in the exercise and performance of any of the powers and duties hereunder by any Indemnified Party, including the reasonable costs and expenses of defending itself against any claim of liability arising under this General Resolution, and the enforcement of any remedies under this General Resolution or any related document, except for loss, liability, expenses or advances arising from the gross negligence or misconduct of any Indemnified Party.

ARTICLE XI.

EVIDENCE OF RIGHTS OF BONDHOLDERS.

SECTION 11.01 Proof From Registered Owners. Any request consent or other instrument required by this Resolution to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent duly appointed by an instrument in writing. Proof of the execution of any such request, consent or other instrument or writing appointing any such agent shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Article.

SECTION 11.02 Proof of Writing. The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such affidavit or certificate shall also constitute sufficient proof of his authority.

SECTION 11.03 Proof of Bonds Held. The ownership of Bonds shall be proved by the registration books of such Bonds kept by the Trustee.

Any request, consent, vote, other instrument or action required by this Resolution of the Registered Owner of any Bond shall bind every future Registered Owner of the same Bond and the Registered Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority pursuant to such request, consent or vote, whether or not notation thereof be made on any Bond issued hereunder.

SECTION 11.04 Presumptions. In determining whether the Registered Owners of the requisite aggregate principal amount of Bonds shall have concurred in any demand, request, direction, consent or waiver under this Resolution, Bonds which are owned by the Authority or by any person directly or indirectly controlling or controlled by or under common control with the Authority shall be disregarded and deemed not to be Outstanding. For the purposes of determining whether the Trustee shall be protected in relying on such demand, request, direction, consent or waiver, only Bonds which the Trustee actually knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purpose of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the Authority. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of Counsel shall be full protection to the Trustee.

ARTICLE XII.

SUPPLEMENTAL RESOLUTIONS.

SECTION 12.01 Supplemental Resolutions Without Bondholders' Consent. The Authority and the Trustee may from time to time and at any time, subject to the conditions and restrictions of this Resolution, enter into a resolution or resolutions supplemental hereto, which Resolution or Resolutions thereafter shall form a part hereof, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority under this Resolution or to surrender any right or power herein reserved or conferred upon the Authority and which shall not adversely affect the interests of the Registered Owners of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained in this Resolution, or in regard to matters or questions arising under this Resolution, or to include provisions relating to the Funds and accounts established hereunder or under any Supplemental Resolution, as the Authority and the Trustee may deem necessary or desirable and which shall not adversely affect the interests of the Registered Owners of the Bonds, or for other purposes as the Authority and the Trustee may deem desirable but only if and to the extent that such Supplemental Resolution does not in any manner adversely affect or impair the rights of the Bondholders under this Resolution;

(c) to subject, describe or redescribe any property subjected or to be subjected to the Lien of this Resolution;

(d) to provide for the issuance of the Series 2008 Bonds or Additional Indebtedness pursuant to Article III hereof;

(e) to modify, amend or supplement this Resolution or any Resolution supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect, and if they so determine, to add to this Resolution or any Resolution supplemental hereto such other terms, conditions and provision as may be required by said Trust Indenture Act of 1939, as amended, or similar Federal statute; provided, however, that no such modification shall adversely affect or impair the rights of the Bondholders or permit the creation of any Lien prior to or on a parity with the Lien of the Resolution (except as herein expressly permitted) or deprive the Bondholders of the Lien created by the Resolution;

(f) to modify, amend or supplement the Resolution in such manner as may be necessary to obtain or maintain from the Rating Agencies a securities rating on the Series 2008 Bonds or any Additional Indebtedness; and

(g) to the extent necessary, as evidenced by an opinion of Bond Counsel, to preserve the exclusion of interest on one or more series of outstanding Tax-Exempt Bonds from gross income for federal income tax purposes; and

(h) to make any other change to this Resolution that affects one or more particular series of Bonds if notice by registered or certified mail, return receipt requested, of such change, including a copy of the proposed Supplemental Resolution, is given to each Holder of a Bond of such series at least thirty (30) days prior to the effective date of the Supplemental Resolution and if each such Holder shall have had at least one opportunity to require the purchase of such Bond pursuant to the terms of the Supplemental Resolution under which the particular Bonds were issued during a period beginning thirty (30) days after the giving of such notice and ending on the effective date of the Supplemental Resolution.

Any Supplemental Resolution authorized by the provisions of this Section may be executed by the Authority and the Trustee without the consent of the Registered Owners of any of the Bonds at the time Outstanding, but the Trustee shall not be obligated to enter into any such Supplemental Resolutions which affect the Trustee's rights, duties or immunities under this Resolution or otherwise.

SECTION 12.02 Supplemental Resolutions With Bondholders' Consent. With the consent of the Registered Owners of a majority in aggregate principal amount of Bonds as of the relevant Record Date, the Authority and the Trustee may from time to time and at any time, subject to the conditions and restrictions of this Resolution, enter into a resolution or resolutions supplemental hereto for the purpose of adding any provisions or changing in any manner or eliminating any of the provisions of this Resolution or of any Supplemental Resolution; provided, however, that no such Supplemental Resolution shall (a) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected or (b) reduce the aforesaid percentage of Registered Owners of Bonds required to approve any such Supplemental Resolution. Upon receipt by the Trustee of certified resolutions authorizing the execution of any such Supplemental Resolutions, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Authority in the execution of such Supplemental Resolution unless such Supplemental Resolution will affect the Trustee's own rights, duties and immunities under this Resolution or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such Supplemental Resolution.

The Authority shall in its sole discretion select a Record Date in connection with obtaining the consent of Registered Owners to Supplemental Resolutions. Only Registered Owners as of the close of business on said Record Date shall be entitled to consent to any such Supplemental Resolution. Any such consent shall be irrevocable and binding on all subsequent transferees, whether or not such Supplemental Resolution has been executed or approved by the requisite number of Registered Owners at the time of any such consent or subsequent transfer. For the purpose of determining consents, any Bond in a denomination other than the minimum Authorized Denomination for that series shall be treated as representing such number of separate Bonds of that series as is obtained by dividing the actual principal amount of such Bond by the minimum Authorized Denomination of that series. The Registered Owner of more than one Bond shall be entitled to consent or disapprove of any Supplemental Resolution as holder of any Bond independent of the consent or disapproval given as holder of any other Bonds.

It shall not be necessary for the consent of the Bondholders under this Section to approve the particular form of any proposed Supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 12.03 Effect of Supplemental Resolutions. Upon the execution of any Supplemental Resolution pursuant to the provisions of this Article XII, this Resolution shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under this Resolution of the Authority, the Trustee and all Registered Owners of Bonds Outstanding thereunder shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Resolution shall be and be deemed to be part of the terms and conditions of this Resolution for any and all purposes.

SECTION 12.04 Opinion of Counsel as to Supplemental Resolution; Reliance on Counsel. Before the Trustee shall enter into any Supplemental Resolution pursuant to Section 12.01, there shall have been delivered to the Trustee an opinion of Counsel to the Authority, which Counsel shall not be unsatisfactory to the Trustee, to the effect that such Supplemental Resolution (i) is authorized under this Resolution and complies with the requirements of this Article, (ii) will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms, and (iii) will not affect the exclusion from gross income of the interest on any Tax-Exempt Bonds for federal income tax purposes. The Trustee may conclusively rely upon such an opinion of Counsel.

SECTION 12.05 Voting Rights of Credit Facility Provider. As long as the Credit Facility Provider has not failed to comply with its payment obligations under the Credit Agreement, the Credit Facility Provider shall have all rights and privileges of the Holders of the Credit Facility Bonds to exercise rights of approval, consent, discretionary waiver and make all requests on behalf of and in place of such Holders. For purposes of computing applicable percentages of Bondholders under this Resolution, actions taken by such Credit Facility Provider shall be treated as action taken by the Holder of such Credit Facility Bonds.

ARTICLE XIII.

DEFEASANCE.

SECTION 13.01 Defeasance. Subject to provisions of a Supplemental Resolution that may modify this Section insofar as it governs the Bonds authorized by such Supplemental Resolution, if the Authority shall pay or cause to be paid, in accordance with the provisions of this Resolution, to the Registered Owners of any Bond, the principal and interest and premium, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of the Trust Estate and any other money and securities hereby pledged and all other rights granted hereby shall be discharged and satisfied with respect to such Bond. In the event the Authority so provides for all Outstanding Bonds issued under this Resolution, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Notwithstanding the release and discharge of the Lien of this Resolution as provided above, those provisions of this Resolution and any applicable Supplemental Resolution relating to the maturity of the Bonds, interest payments and dates thereof, tender and purchase provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust, and the duties of the Trustee, Tender Agent and Remarketing Agent in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee, Tender Agent, Remarketing Agent, the Authority and the Bondholders.

Any Bond for the payment or redemption of which funds shall have been set aside and shall be held in trust by the Trustee (through deposit of funds for such payment or redemption or otherwise), whether at or prior to the maturity or redemption date thereof, shall be deemed to have been paid within the meaning and with the effect expressed in the first sentence of this Section. Subject to provisions of a Supplemental Resolution that may modify this Section insofar as it governs the Bonds authorized by such Supplemental Resolution, any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in the first sentence of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided herein, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or noncallable Investment Securities of the type listed in subparagraphs (a), (b), or (n) of the definition of Investment Securities, the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) if said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days and such Bonds are to be redeemed, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice to the Registered Owners of such Bonds

that the deposit required by (ii) above has been made in accordance with this Section and stating such maturity or redemption date upon which money is to be available for the payment of the principal and premium, if applicable, on said Bonds. Neither Investment Securities or money deposited with the Trustee pursuant to this Section, nor principal or interest payable on any such Investment Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or premium, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, at the written direction of the Authority and to the extent practicable, be reinvested in Investment Securities of the type hereinbefore described in this paragraph maturing at times and in amounts sufficient, together with other money available for the purpose, to pay when due the principal, premium, if applicable, and interest to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge, provided, further, that any Investment Securities may be sold, transferred, redeemed or otherwise disposed of, and the proceeds thereof applied to the purchase of other Investment Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with money and other Investment Securities then held by the Trustee for such purpose shall be sufficient to pay when due the principal, premium, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be.

Anything in the Resolution to the contrary notwithstanding and except as the escheat laws of the State may otherwise provide, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for four years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money were held by the Trustee at such date, or for four years after the date of deposit of such money if deposited with the Trustee after the said date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority, as its or their absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that before being required to make any such payment, the Trustee shall, at the expense of the Authority, cause to be published once in an Authorized Newspaper, notice that said money remains unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of first publication of such notice, the balance of such money then unclaimed will be returned to the Authority as provided above.

SECTION 13.02 Surplus Funds. In addition to payments authorized to be made to the Authority pursuant to Section 13.01, any surplus money held by the Trustee after all obligations arising under the Bonds and this Resolution have been paid shall be transferred to the Authority.

ARTICLE XIV.

MISCELLANEOUS PROVISIONS.

SECTION 14.01 Benefit of Covenants. All the covenants, stipulations, promises and agreements in this Resolution contained by or on behalf of the Authority shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

SECTION 14.02 No Further Beneficiaries. Nothing expressed or implied in this Resolution or in the Bonds is intended or shall be construed to give to any person other than the parties hereto and the Registered Owners of the Bonds issued hereunder, any legal or equitable right, remedy or claim under or in respect of this Resolution or any covenants, conditions or provisions therein or herein contained.

SECTION 14.03 Waiver of Notice. Whenever in this Resolution the giving of notice by mail or otherwise shall be required, the giving of such notice may be waived in writing by all Persons entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 14.04 Severability. In case any one or more of the provisions contained in this Resolution or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Resolution or the Bonds, but this Resolution or the Bonds shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 14.05 Substitute Notice. If for any reason it shall be impossible to make publication of any notice required hereby in an Authorized Newspaper, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

SECTION 14.06 Notices. Except as otherwise provided herein, all notices, demands, requests, consents, certificates, directions, elections and waivers pursuant to any provision of this Resolution shall be in writing and sent by United States registered or certified mail, return receipt requested, postage prepaid, or alternatively, by hand delivery, addressed to the Authority as follows:

Saratoga County Water Authority
357 Milton Avenue, Suite H
Ballston Spa, New York 12020
Attention: Chairperson

and to the Trustee as follows:

Wells Fargo Bank, N.A.
213 Court Street - Suite 703
Middletown, Connecticut 06457
Attention: Corporate, Municipal and Escrow Solutions

or to such other address as the party to receive the communication may hereafter designate by written notice to all other Persons listed above. Copies of all notices shall be sent to the Trustee at its address above. All notices shall be deemed to have been given hereunder on the day following mailing thereof in accordance with the requirements of this Section, except for telephonic notice pursuant to specific provisions hereof authorizing such notice or notice by hand delivery, which shall be deemed given immediately.

SECTION 14.07 Successors and Assigns. All the covenants, promises and agreements contained in this Resolution by or on behalf of the Authority; or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14.08 Headings for Convenience Only. The descriptive headings herein are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 14.09 Counterparts. This Resolution may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 14.10 Payments on Weekends, Holiday. Whenever the date fixed for the payment of the principal or redemption price of or the interest on any Bonds falls on any date that is not a Business Day, then the payment of principal, redemption price or interest need not be made on such date, but may be made on the next-succeeding regular Business Day with the same force and effect as if made on the date fixed, and no interest shall accrue on such payment to the date payment is made.

SECTION 14.11 No Personal Liability. No recourse under or upon any obligation, covenant or agreement contained in this Resolution or in any Bond hereby secured, or under any judgment obtained against the Authority or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of this Resolution, shall be had against any member, officer or employee, as such, past, present or future, of the Authority for the payment for or to the Authority or any receiver thereof, or for or to the Registered Owners of any Bonds issued hereunder or otherwise, of any sum that may be due and unpaid by the Authority upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member, officer or employee of the Authority as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Registered Owner of any Bond issued thereunder or otherwise, of any sum that may remain due and unpaid upon the Bonds and hereby secured or any of them, is hereby expressly

waived and released as a condition of and consideration for the execution of this Resolution and the issuance of such Bond.

SECTION 14.12 No Indebtedness Created. Neither the State, the County nor any other municipality or public corporation shall be liable for the payment of the principal of or interest on any of the Bonds issued hereunder, or for the performance of any pledge, mortgage, obligation or agreement or indebtedness of the Authority, except as specifically provided herein, and none of the Bonds of the Authority issued hereunder shall be construed to constitute an indebtedness of the State, the County or any other municipality or public corporation.

SECTION 14.13 Governing Law. This Resolution shall be governed exclusively by the provisions hereof and by the applicable laws of the State without reference to conflict of law provisions.

SECTION 14.14 Consents. Whenever the consent of any Person is required pursuant to the terms of this Resolution, the same shall not be unreasonably withheld.

SECTION 14.15 Construction of Delivery by Trustee or Tender Agent. Any reference herein to delivery of Bonds by the Trustee or the Tender Agent shall be understood to mean only that the Trustee or the Tender Agent, as the case may be, shall make the Bond or Bonds available for pick-up during normal business hours at its principal corporate trust office in New York, New York.

SECTION 14.16 Action by Authority or Credit Facility Provider. Except as otherwise expressly stated herein, any action to be taken hereunder or under any Supplemental Resolution by the Authority or Credit Facility Provider may be taken by an Authorized Representative thereof.

SECTION 14.17 Agreement of the State. There is hereby incorporated in this Resolution by this reference, fully as if set forth herein at length, the agreement of the State with the Registered Owners of the Bonds set forth in Section 1199-mmm of the Act.

IN WITNESS WHEREOF, the SARATOGA COUNTY WATER AUTHORITY has caused this Resolution to be executed by its Chairperson and its corporate seal to be hereunto affixed, attested by its Secretary, and Wells Fargo Bank, N.A. has caused this Resolution to be executed by one of its authorized officers and its seal to be hereunto affixed and attested by its Secretary or other authorized officer, all as of the day and year first above written.

(AUTHORITY SEAL)

SARATOGA COUNTY WATER
AUTHORITY

Attest:

By:

Secretary

Chairperson

(TRUSTEE'S SEAL)

WELLS FARGO BANK, N.A.,
as Trustee

Attest:

By:

Vice President

STATE OF NEW YORK)
)
COUNTY OF SARATOGA) ss.:

On this _____ day of September, 2008, personally appeared before me _____, personally known to me and known by me to be the person who executed the foregoing instrument in the name and on behalf of the Saratoga County Water Authority, who, being by me duly sworn, did depose and say that he is the Chairperson of said Authority, that the said Authority is the body corporate and politic described in and that executed the said instrument, and acknowledged said instrument so executed to be his voluntary act and the voluntary act and deed of said Authority, and stated on oath that said instrument was so signed by him and sealed and attested by _____, Secretary of said Authority, and delivered on behalf of said Authority and at its direction, and that the seal affixed to said instrument is the official seal of said Authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year aforesaid. _____

Notary Public

My commission Expires:

STATE OF NEW YORK)
)
COUNTY OF _____) ss.:

On this _____ day of September, 2008, personally appeared before me _____, personally known to me and known by me to be the person who executed the foregoing instrument in the name and on behalf of WELLS FARGO BANK, N.A., who, being by me duly sworn, did depose and say that he is a Vice President of said Trustee, that the said Trustee is the banking corporation described in and that executed the said instrument, and acknowledged said instrument so executed to be his voluntary act and the voluntary act and deed of said Trustee, and stated on oath that said instrument was so signed by him and sealed and attested by _____, a Vice President of said Trustee, and delivered on behalf of said Trustee and at its direction, and that the seal affixed to said instrument is the official seal of said Trustee.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year aforesaid. _____

Notary Public

(Notarial Seal)

My commission Expires:

APPENDIX F — Form of the Service Agreement

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EXECUTION COPY

SERVICE AGREEMENT

By and Between

THE COUNTY OF SARATOGA, NEW YORK

and

SARATOGA COUNTY WATER AUTHORITY

Dated as of September 1, 2008

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SERVICE AGREEMENT

This Service Agreement has been entered into as of September 1, 2008, between **the County of Saratoga** (the “County”), New York, a municipal corporation having an office at 40 McMaster Street, Ballston Spa, New York, and **Saratoga County Water Authority** (the “Authority”), a public corporation and a body corporate and politic constituting a public benefit corporation having an office at 357 Milton Avenue, Suite H, Ballston Spa, New York:

WHEREAS, the County’s Board of Supervisors has determined that there is a need for a county water system; and

WHEREAS, in accordance with that determination, the County has completed a study and has engaged the engineering firm of Malcolm Pirnie, Inc. to design a county water system and to assist in obtaining the necessary permits for its construction from various governmental agencies with jurisdiction; and

WHEREAS, the design of an initial county water system (referred to herein as the “2008 County Water System Project”) has been completed by Malcom Pirnie, Inc. and all necessary permits for its construction have been obtained from governmental agencies with jurisdiction; and

WHEREAS, the Authority was established by the New York State Legislature pursuant to Article 8-F of the Public Authorities Law (the “Act”) as a public authority for the purpose of the construction and operation of a water supply system for the provision of water to municipalities and private water companies (as defined in the Act) located in the territorial jurisdiction of the County; and

WHEREAS, the Authority has assumed and taken over responsibility for the 2008 County Water System Project from the County; and

WHEREAS, pursuant to the Act the County is authorized to make transfers of money and other property and to assist the Authority in its purposes, and the Authority is likewise authorized to receive such property and assistance; and

WHEREAS, the Authority intends to issue Service Agreement Revenue Bonds (as hereinafter defined) to finance the construction of the 2008 County Water System Project, including the purchase and installation of equipment therein;

NOW, THEREFORE, in consideration of the premises and the respective representations and agreements hereinafter contained and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby agreed as follows:

ARTICLE I

DEFINITIONS AND EXPLANATION OF TERMS

Section 1.01. Definitions

For the purposes of this Agreement, the following words and terms shall have the respective meanings set forth below, unless the context otherwise requires:

(a) “**2008 Bonds**” means Bonds issued by the Authority to finance the 2008 County Water System Project, including Bonds issued to:

(i) fund any reserves required under the Bond Resolution in connection with the issuance of the 2008 Bonds;

(ii) finance the payment of interest on the 2008 Bonds during the completion and initial operation of the 2008 County Water System Project; and

(iii) finance the initial Operating Costs of the 2008 County Water System Project.

(b) **“2008 County Water System Project”** means a public bulk water supply using the upper Hudson River as a source, to serve the territory within the Saratoga County, including a raw water intake structure in the upper Hudson River in the Town of Moreau, a raw water pump station, a water treatment plant on an approximately 30-acre parcel of land at the corner of Butler and Potter Roads in the Town of Moreau, a water storage tank at the Luther Forest Technology Campus and approximately 28 miles of 30"-36" diameter underground water transmission main located mostly beneath existing roads or utility rights of way through the towns and/or city of Moreau, Greenfield, Wilton, Saratoga Springs, Milton, Ballston, Stillwater and Malta, together with all equipment and facilities used in the construction and operation thereof and portions that are expected to be constructed by others, as well as structures, facilities or other improvements required for the repair, replacement or relocation of any of the foregoing.

(c) **“Act”** shall mean the Saratoga County Water Authority Act, being Title 8-F of the Public Authorities Law as enacted by Chapter 678 of the Laws of 1990 of the State, as amended to date.

(d) **“Additional Bonds”** shall mean Bonds issued by the Authority in accordance with Section 3.04.

(e) **“Authority”** shall mean the Saratoga County Water Authority.

(f) **“Authority Budget”** shall mean the budget of the Authority for a Fiscal Year, as the same may be amended from time to time, including estimated monthly revenues and expenditures thereof.

(g) **“Board of Supervisors”** shall mean the County’s Board of Supervisors, constituting and acting as the governing body of the County, or any successor body.

(h) **“Bond Resolution”** means the General Resolution of the Authority dated as of September 1, 2008 under which the 2008 Bonds will be issued and any Supplemental Resolution providing for the issuance of Additional Parity Indebtedness under (and as defined in) such General Resolution.

(i) **“Bonds”** means any bonds, notes or other evidence of indebtedness of the Authority.

(j) **“Chairman”** shall mean the Chairman of the Authority then in office, or the holder of any successor office.

(k) **“Chair of the Board of Supervisors”** shall mean the Chair of the Board of Supervisors then in office, or the holder of any successor office.

(l) **“Construction”** shall mean acquisition, erection, building, equipping, alteration, repair, improvement, increase, enlargement, extension, reconstruction, renovation or rehabilitation of a physical betterment, together with engineering, architectural, permitting, inspection, supervision, legal, fiscal and economic investigations and studies, surveys, designs, plans, working drawings, specifications, procedures and other actions incidental thereto.

(m) **“Construction Contract”** shall mean, collectively, all contracts for the Construction of the 2008 County Water System Project.

(n) **“County”** shall mean the County of Saratoga.

(o) **“County Administrator”** shall mean the County Administrator of the County then in office, or the holder of any successor office.

(p) **“County Water System”** shall mean the 2008 County Water System Project, together with all future extensions, improvements, enlargements and additions thereto, and all replacements thereof, and other public water supply and distribution projects intended to serve

territory within Saratoga County undertaken by the Authority and designated by the Authority as a part of the “County Water System” for purposes of this Agreement.

(q) “**Debt Service**” shall mean, for any Fiscal Year, the aggregate of all payments required to be made by the Authority during such Fiscal Year with respect to Service Agreement Revenue Bonds, including:

- (i) principal and interest on any Service Agreement Revenue Bonds;
- (ii) any required deposits into a fund or account established under the Bond Resolution (including any deposit required to the Debt Service Reserve Fund so that the amount on deposit will equal to the Debt Service Reserve Requirement under the Resolution) for items not otherwise covered under clauses (i) or (iii) through (vii) of this definition;
- (iii) the fees of any Trustee, Paying Agent or Remarketing Agent;
- (iv) any letter of credit and other credit enhancement fees;
- (v) any amounts required to reimburse the issuer of a letter of credit or other credit enhancement;
- (vi) amounts required by the Authority for the mandatory redemption or mandatory purchase of Service Agreement Revenue Bonds under the Bond Resolution, including optional purchase in lieu of a mandatory redemption; and
- (vii) all other amounts required to be paid under the Bond Resolution, or any reimbursement agreement or other credit enhancement agreement.

The amount of interest included in Debt Service for this purpose will be reduced by the amount of any interest subsidy or corpus allocation percentage reasonably anticipated by the Authority to be available under any project financing and/or loan agreement entered into by the

Authority and the New York State Environmental Facilities Corporation, or any successor thereof, or any similar state agency or instrumentality.

(r) “**Fiscal Year**” shall mean the fiscal year of the Authority which shall be January 1 to December 31.

(s) “**Force Majeure**” shall mean any cause beyond the reasonable control of the Authority, including, but not limited to, (i) acts of God, including epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, or droughts and other water shortage, (ii) strikes, lockouts or other industrial disturbances, (iii) orders of the government of the United States or the State, or any agency or instrumentality of either the United States or the State, or of any other civil, judicial or military authority, (iv) the suspension, termination, interruption, denial or failure of renewal or issuance of any permit, license, consent, authorization or approval relating in any way to the continuation or operation of any portion of the County Water System, (v) the adoption of or change in any federal, state or local laws, rules, regulations, ordinances, permits or licenses, or changes in the interpretation of such laws, rules, regulation, ordinances, permits or licenses, by a court or public agency having appropriate jurisdiction, (vi) a partial or complete failure of a water supply for the County Water System, (vii) acts of war, terrorism, insurrections, riots, arrests, civil disturbances, or acts of any public enemy, (viii) explosions, power failure, or breakage or accidents to machinery, pipelines, dams or canals, (ix) the inability to obtain materials or equipment because of the effect of any similar causes on suppliers or carriers, or (x) failure of other entities, including the Town of Malta, the Town of Stillwater and the State Department of Transportation, to complete or transfer to the Authority in a timely manner the portions of the County Water System for the construction of which they are responsible.

(t) **“Governmental Requirements”** means federal, State and local laws, rules, regulations and ordinances applicable to the Construction, operation and maintenance of the County Water System, as they now exist and as they may hereafter be amended.

(u) **“Members”** shall mean the members of the Authority constituting and acting as the governing body of the Authority.

(v) **“Operating Costs”** shall mean, with respect to any Fiscal Year, all costs of the Authority to be paid during such Fiscal Year for the management, operation, maintenance or repair of the County Water System, including the administrative expenses of the Authority.

(w) **“Plans and Specifications”** shall mean the plans and specifications submitted to and approved by the State Department of Health Bureau of Public Water Supply for the 2008 County Water System Project, including any modification or alteration thereof.

(x) **“Refunding Bonds”** means Bonds issued by the Authority in accordance with Section 3.05.

(y) **“Service”** is defined in Section 5.03(b).

(z) **“Service Agreement Revenue Bonds”** means the 2008 Bonds, any Additional Bonds and any Refunding Bonds.

(aa) **“Service Agreement Term”** shall mean the period commencing on the date of issuance of the 2008 Bonds and terminating on the date on which no Service Agreement Revenue Bonds are outstanding under the Bond Resolution.

(bb) **“Service Fee”** shall mean the amounts payable on each Service Fee Payment Date as provided in Section 5.02 of this Agreement.

(cc) **“Service Fee Payment Date”** shall mean January 1, April 1, July 1 and October 1 in each year, beginning January 1, 2009.

(dd) “**State**” shall mean the State of New York.

(ee) “**Trustee**” shall mean the Trustee or Trustees for bondholders appointed pursuant to the Bond Resolution.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties of the County

The County represents and warrants as follows:

(a) The County is a municipal corporation of the State, constituting a political subdivision thereof, duly created and validly existing under the Constitution and laws of the State.

(b) The County has the right and lawful authority and power to execute and deliver this Agreement, to perform the obligations and covenants contained herein and to consummate the transactions contemplated hereby.

(c) The County has duly authorized, by all necessary actions, the execution and delivery hereof and the performance of the obligations and covenants hereunder and the consummation of the transactions contemplated hereby.

(d) This Agreement constitutes a legal, valid and binding obligation of the County, enforceable against the County in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws relating to the enforcement of creditors’ rights generally or the availability of any particular remedy.

(e) This Agreement, the execution and delivery hereof and the consummation of the transactions contemplated hereby (i) do not and will not in any material respect conflict with, or constitute on the part of the County a breach of or default under (A) any existing law,

administrative regulation, judgment, order, decree or ruling by or to which its revenues, properties or operations are bound or subject, or (B) any agreement or other instrument to which the County is a party or by which it or any of its revenues, properties or operations are bound or subject and (ii) except as expressly set forth herein or authorized hereby, will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the County's revenues, properties or operations.

(f) All consents, approvals, authorizations or orders of, or filings, registrations or declarations with any court, governmental authority, legislative body, board, agency or commission which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the County of its obligations hereunder or the consummation of the transactions contemplated hereby, have been duly obtained and are in full force and effect.

(g) No action, suit, proceeding or investigation, in equity or at law, before or by any court or governmental agency or body, is pending or, to the best knowledge of the County, threatened, wherein an adverse decision, ruling or finding might adversely affect (i) the transactions contemplated hereby, (ii) the validity or enforceability hereof or of any agreement or any instrument to which the County is a party relating to the transactions contemplated hereby, (iii) any revenues or properties of the County which is used or is contemplated for use in the consummation of the transactions contemplated hereby or (iv) except as set forth in Schedule A and Schedule B, the acquisition, construction or operation of any portion of the County Water System.

Section 2.02. Representations and Warranties of the Authority

(a) The Authority is a public corporation and a body corporate and politic, constituting a public benefit corporation, duly created and validly existing under the Constitution and laws of the State.

(b) The Authority has the right and lawful authority and power to execute and deliver this Agreement, to perform the obligations and covenants contained herein and to consummate the transactions contemplated hereby.

(c) The Authority has duly authorized, by all necessary actions, the execution and delivery hereof and the performance of its obligations and covenants hereunder and the consummation of the transactions contemplated hereby.

(d) This Agreement constitutes a legal, valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws relating to the enforcement of creditors' rights generally or the availability of any particular remedy.

(e) This Agreement, the execution and delivery hereof and the consummation of the transactions contemplated hereby (i) do not and will not in any material respect conflict with, or constitute on the part of the Authority a breach of or default under (A) any existing law, administrative regulation, judgment, order, decree or ruling by or to which it or its revenues, properties or operations are bound or subject (except that the Authority makes no representation as to the merits of any of the allegations referred to in Schedule B to this Agreement as to the construction and operation of portions of the 2008 County Water System Project on claimed forest preserve lands), or (B) any agreement or other instrument to which the Authority is a party or by which it or any of its revenues, properties or operations are bound or subject and (ii) except

as expressly set forth herein or authorized hereby, will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the Authority's revenues, properties or operations.

(f) Except as described in Schedule D, all consents, approvals, authorizations or orders of, or filings, registrations or declarations with any court, governmental authority, legislative body, board, agency or commission which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations hereunder or the consummation of the transactions contemplated hereby, have been duly obtained and are in full force and effect.

(g) No action, suit, proceeding or investigation, in equity or at law, before or by a court or governmental agency or body, is pending or, to the best knowledge of the Authority, threatened wherein an adverse decision, ruling or finding might adversely affect, (i) the transactions contemplated hereby, (ii) the validity or enforceability hereof or any agreement or instrument to which the Authority is a party, (iii) any revenues or properties of the Authority and which is used or is contemplated for use in the consummation of the transactions contemplated hereby or (iv) except as set forth in Schedule A and Schedule B, the acquisition, construction and operation of any portion of the County Water System.

ARTICLE III
AGREEMENT TO UNDERTAKE AND COMPLETE
THE COUNTY WATER SYSTEM

Section 3.01. Completion of County Water System

The Authority represents and warrants to the County that it possesses the expertise and professional knowledge necessary to acquire, develop, construct, manage, maintain and operate the County Water System. The Authority agrees that it will use its best efforts to complete the Construction of its portion, and to use its best efforts to cause other entities to construct their portions, of the 2008 County Water System Project in accordance with the Plans and Specifications and the Construction Contract as soon as practicable after the issuance of the 2008 Bonds, delays due to Force Majeure excepted. Upon completion of Construction of the 2008 County Water System Project and receipt of necessary governmental approvals, the Authority will forthwith commence to deliver water to all customers of the County Water System.

The parties to this Agreement further agree that if for any reason (i) there is a delay in either the completion of the Construction of the County Water System, (ii) water is not delivered to customers of the County Water System in accordance herewith or (iii) the County Water System is not managed as hereinafter provided in this Agreement, there shall be no diminution or postponement of the Service Fee payable hereunder by the County, except as otherwise provided in Section 5.03.

Section 3.02. Operation and Maintenance of the County Water System

The Authority agrees that during the Service Agreement Term it will operate and maintain the County Water System and every part and parcel thereof in accordance with good engineering and business practices for an essential public utility and in any event will (i) keep the County Water System in good safe condition, repair, working order and condition; (ii) promptly

make all necessary repairs, replacements and renewals to the County Water System (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); (iii) maintain the County Water System in a neat and orderly condition and in a condition which permits compliance with, and the Authority will operate the County Water System in compliance with, all applicable Governmental Requirements, including without limitation all federal, State and local laws relating to labor, wages, nondiscrimination, water quality, pollution discharge, environmental control, safety and other regulatory requirements; (iv) protect the County Water System against deterioration, other than that attributable to ordinary wear and tear; (v) cause the County Water System to continue to have the capacity and functional ability to perform, on a continuing basis, in normal operation, at design capacity, the functions for which it was specifically designed (and, with respect to the 2008 County Water System Project, substantially in accordance with and as described in the Plans and Specifications); (vi) comply with such standards and perform periodic maintenance inspections as required to enforce warranty and similar claims against contractors for the County Water System and any standards imposed by any insurance policies in effect at any time with respect to the County Water System or any part thereof; (vii) provide all necessary labor, materials and equipment for the proper operation and maintenance of the County Water System; (viii) cause the County Water System at all times to be operated and maintained as a public water system; and (ix) maintain the safety of the County Water System at a level consistent with applicable law and the sound operation of a public water system.

Section 3.03. Issuance of 2008 Bonds

In order to provide moneys for the Construction of the 2008 County Water System Project, the Authority will use its best efforts to diligently proceed to issue, sell and deliver the 2008 Bonds.

Section 3.04. Additional Bonds

(a) The Authority may issue Additional Bonds, without the consent of the County, for the purpose of financing the cost of:

- (i) completion of any portion of the 2008 County Water System Project, including portions expected to be financed or constructed by others;
- (ii) any repair, replacement or relocation of components of the 2008 County Water System Project;
- (iii) compliance with the Governmental Requirements in accordance with Section 3.02 of this Agreement;
- (iv) any reconstruction, modification, extension, enlargement or relocation of any portion of the 2008 County Water System Project required as a result of the occurrence of an event within the definition of “Force Majeure”;
- (v) Debt Service or Operating Costs during any period in which payment of the Service Fee by the County is suspended as provided in Section 5.03; and
- (vi) the construction of a water storage tank if funding is not available from other sources for that purpose.

(b) The Authority may also issue Additional Bonds for any purpose consistent with the Act if the Authority obtains the consent of the County to the issuance of such Bonds and an

acknowledgment by the County that such Bonds constitute “Service Agreement Revenue Bonds” for the purposes of this Agreement.

Section 3.05. Refunding Bonds

The Authority may issue Refunding Bonds, without the consent of the County, for the purpose of refunding any outstanding 2008 Bonds or Additional Bonds of the Authority if:

- (a) the final maturity of the Refunding Bonds is no later than the final maturity of the Bonds being refunded; and
- (b) the net present value of the total debt service on the Refunding Bonds is lower than the net present value, as of the date of the refunding, of the total remaining debt service on the Bonds being refunded.

Section 3.06. Bonds not an Obligation of the State or County

The Bonds of the Authority shall not constitute a debt of either the State or the County, and neither the State nor the County shall be liable thereon, nor shall the Bonds be payable out of any funds of the Authority other than those specifically pledged therefor.

ARTICLE IV

MANAGEMENT OF THE COUNTY WATER SYSTEM

Section 4.01. General Management Responsibilities

The parties to this Agreement acknowledge and agree that the primary objective of this Agreement is for the Authority to provide for the development, acquisition, Construction, maintenance, management and operation of the County Water System, in a manner consistent with good engineering and business practices for an essential public utility. Accordingly, the Authority will undertake the development, acquisition and Construction of the County Water System in a financially sound manner and in accordance with good engineering and business

practices for an essential public utility and in compliance with all environmental permits and approvals and all other Governmental Requirements. When the 2008 County Water System Project is completed, the Authority will cause the County Water System and all other facilities leased, operated or owned by the Authority to be operated in a financially sound manner, in accordance with good engineering and business practices for an essential public utility and in full compliance with all environmental permits and approvals and all other Governmental Requirements.

ARTICLE V

PAYMENTS TO THE AUTHORITY

Section 5.01. Obligation To Pay The Service Fee

(a) The County recognizes and acknowledges that the Authority intends to issue Service Agreement Revenue Bonds in reliance upon the County's agreement to pay the Service Fee and that the County's agreement to pay the Service Fee will be an integral part of the security for the Service Agreement Revenue Bonds. Therefore, the County will pay the Service Fee at the time and in the manner required of it by this Agreement without any right of offset and without regard to any dispute as to the amount of such payments or the County's obligation to make such payments. Any disputes between the County and the Authority over the amount of the Service Fee or the County's obligation to pay the Service Fee will be resolved after such payments are made.

(b) The obligation of the County to pay the Service Fee shall accrue as of the date of this Agreement and shall continue during the term of this Agreement and, except as provided in Section 5.03, shall not be affected by:

(1) any delay in the commencement or completion of the Construction of the County Water System or in the commencement of the delivery of water to customers of the County Water System as provided in Section 3.01;

(2) any failure by the Authority to immediately obtain, treat and deliver water to customers of the County Water System;

(3) any failure by the Authority to operate and manage the County Water System, as heretofore provided in this Agreement;

(4) any abatement, reduction, set-off, defense, counterclaim or recoupment whatsoever or any right to any thereof, including, without limitation, abatements, reductions, set-offs, credits, defenses, counterclaims and recoupments for or on account of any past, present or future claim of any kind or character which the County may have against any person whatsoever, including without limitations, the Authority or any of its Members, employees, agents or representatives or any owner of Bonds, or arising out of or in connection with the construction of and operation of the County Water System;

(5) unless prohibited by any applicable law, any insolvency, bankruptcy, reorganization or similar proceedings against the Authority or any other person;

(6) any adverse determination in any proceeding described in Schedule A, Schedule B or Schedule D; and

(7) any other circumstance or happening or event whatsoever, whether or not similar to any of the foregoing.

Section 5.02. Payment of the Service Fee

(a) The Service Fee shall be payable by the County to the Authority on January 1, 2009, and on each Service Fee Payment Date thereafter.

(b) The amount of the Service Fee payable on each Service Fee Payment Date shall be the amount budgeted by the Authority to be due for Operating Costs and Debt Service in the period commencing on the day following that Service Fee Payment Date and extending through and including the next ensuing Service Fee Payment Date (the "Covered Period"), less the amount of cash held by the Authority or the Trustee as of the 35th day before the Service Fee Payment Date in the Revenue Fund, the Operating Fund and the Bond Redemption and Accumulated Surplus Fund created under the Bond Resolution and expected to be available during the Covered Period for the payment of Debt Service and Operating Costs.

(c) The following will not be considered cash expected to be available for the payment of Debt Service or Operating Costs during a Covered Period:

(1) Cash held in reserve by the Authority or the Trustee on the 35th day before the Service Fee Payment Date in the Debt Service Reserve Fund, Operating Reserve Fund and the Renewal and Replacement Reserve Fund created under the Bond Resolution; and

(2) Cash held by the Authority or the Trustee on the 35th day before the Service Fee Payment Date in the Debt Service Fund or the Operating Fund created under the Bond Resolution that the Authority reasonably expects to be applied to the payment of Debt Service or Operating Costs before the beginning of the Covered Period.

(c) At least 30 days before each Service Fee Payment Date, the Authority will notify the County of the amount of the Service Fee that will be due on such Service Fee Payment Date.

If the Authority fails to notify the amount of the County of such amount, the County will pay the Service Fee in an amount determined on the basis of the Authority Budget delivered in accordance with Section 5.04.

Section 5.03. Suspension of County Obligation

(a) If the Authority does not provide Service (as defined in Section 5.03(b)), the County may suspend payment of the Service Fee to the Authority until such time as Service is resumed.

(b) For the purposes of this Agreement, "Service" means the supplying of potable water to Authority customers within the County by means of the County Water System or by any other means, including the construction and start up of the County Water System. "Service" includes:

(i) in the event of any interruption in the Authority's ability to supply potable water to its customers, any efforts undertaken by the Authority to restore its ability to supply potable water; and

(ii) if the Authority is unable to deliver potable water through the County Water System for any reason, any efforts by the Authority to develop or acquire new or alternative sources of or means to deliver potable water, including the study of potential additional or alternative water sources, transmission facilities or other facilities, and the development, construction and placement into use of such additional or alternative water sources, transmission facilities or other facilities.

Section 5.04. Authority Budgets

(a) Not later than September 15 of each Fiscal Year (or with respect to the 2008 Fiscal Year, not later than two weeks after issuance of the Series 2008 Bonds) the Authority shall

provide to the County Administrator and the Board of Supervisors the proposed Authority Budget for the next ensuing Fiscal Year and shall make such proposed Authority Budget available to any resident of the County if requested. The County Administrator, or his representatives, and a duly appointed committee or representative of the Board of Supervisors and residents of the County shall have the right to make reasonable requests for documentation in support of the estimates of all items of revenue and expenditures set forth therein, and the Authority shall promptly and fully comply with all such requests. The Board of Supervisors, acting through such committee or representatives, shall have the right, within 15 days of receipt of such proposed Authority Budget, to request modifications with respect to such proposed Authority Budget, and any resident of the County, within such period, may provide comments with respect to such proposed Authority Budget, which modifications and comments shall be considered by the Authority in the adoption of the Authority Budget for such Fiscal Year; provided, however, that the Authority Budget shall not be less than the sum of Debt Service and that portion of Operating Costs proposed to be expended for the operation and maintenance of the County Water System.

(b) Not later than November 1st of each Fiscal Year the Authority shall deliver to the County Administrator and the Board of Supervisors its Authority Budget for the next ensuing Fiscal year.

(c) If the Authority deems it necessary to make expenditures during any Fiscal Year in excess of that provided to be expended in such Fiscal Year as contained within the adopted Authority Budget, the Authority shall amend the Authority Budget and shall immediately forward a copy of such amendment to the County Administrator and the Board of Supervisors. The parties to this Agreement acknowledge and agree that the obligation of the County is to pay

the Service Fee, including the obligation to take all actions as may be necessary to provide for the timely payment of the Service Fee, and that the requirement that the Authority provide the adopted Authority Budget and any amendments thereto is for informational purposes only and that failure of the Authority to provide either the proposed Authority Budget, the adopted Authority Budget or any amendment to the adopted Authority Budget to either the County Administrator or the Board of Supervisors shall not permit the County to reduce or postpone the payment of the Service Fee.

Section 5.05 Repayment

(a) The Authority will repay to the County any and all amounts paid by the County as a Service Fee hereunder, together with interest thereon at the rate of four (4%) per cent per annum, compounded annually, from the date on which such payment is made. The repayment will be due only to the extent that the revenues of the Authority from the operation of the County Water System for any Fiscal Year exceed the total of (i) Operating Costs and Debt Service for such Fiscal Year and (ii) amounts that, in the opinion of the Authority's consulting engineer, are reasonably expected to be needed in the next fiscal year to pay for maintenance and repairs of the County Water System in accordance with good engineering and business practices for an essential public utility, in excess of the amounts available for such purpose in the Operating Reserve Fund or the Renewal and Replacement Reserve Fund created under the Bond Resolution.

(b) The County's right to repayment of the Service Fee under this section is subordinate to any claim against the Authority with respect to the (i) payment of debt service on Service Agreement Revenue Bonds by or on behalf of holders of Service Agreement Revenue

Bonds or by the issuer of bond insurance or other credit enhancement for the Service Agreement Revenue Bonds or (ii) the payment of Operating Costs.

(c) Any repayment of the Service Fee that is due under this paragraph must be paid to the County within 30 days after the delivery of annual financial statements of the Authority as required by Section 6.03 of this Agreement, if the amount of the Authority's revenues, Debt Service and Operating Costs as shown on such financial statements indicate that a repayment of the Service Fee is due with respect to the Fiscal Year covered by such financial statements. The Authority may at its option prepay the Service Fee to the County at any time without premium or penalty. Any payment made by the Authority under this paragraph will be applied by the County to accrued interest prior to the application of any portion of the payment to the principal of the amount due from the Authority.

(d) The Authority agrees that, until all amounts paid by the County to the Authority as Service Fees and the interest thereon are repaid to the County, it will not reduce the cost of water being supplied to its customers below the rates set forth in Schedule C hereto. If after full repayment of Service Fees and interest thereon, the County again pays Service Fees, the Authority will reinstate water rates to the applicable rates in Schedule C.

(e) Failure of the Authority to repay the Service Fee to the County as provided in this Section will not relieve the County of its obligation to pay the Service Fee under Section 5.02.

(f) The agreement of the Authority to maintain minimum water rates as provided in sub-section (d) of this Section is for the sole benefit of the County and the County may waive compliance with or agree to modify such provisions without the consent of the Trustee or the holders of Service Agreement Revenue Bonds notwithstanding any assignment of this Agreement by the Authority to the Trustee.

ARTICLE VI

ADDITIONAL COVENANTS

Section 6.01. Agreement to Provide Information; Reports; Meetings Agendas and Minutes

(a) The Authority agrees, whenever requested by the County Administrator or the Board of Supervisors acting through a duly appointed committee or representative, to provide and certify, or cause to be provided and certified, such information concerning the Authority, its finances, and other topics as each, from time to time, that is reasonably necessary or appropriate in connection with the transactions contemplated by this Agreement, including, but not limited to, such information as to enable it to make any reports required by law or governmental regulation.

(b) The Authority shall forward to the County Administrator and to the Clerk of the Board of Supervisors the agenda of all meetings of the Members of Authority as soon as practicable after the same is prepared.

(c) The Authority shall forward to the County Administrator and to the Clerk of the Board of Supervisors copies of all minutes of such meetings as soon as practicable after the same are prepared.

Section 6.02. Right of Inspection

The Authority covenants and agrees to permit duly authorized representatives of the County Administrator and the Board of Supervisors to have reasonable access to any facility of the Authority for the purpose of inspection, provided that the such representatives will comply with all reasonable safety rules adopted by the Authority and will use their best efforts to cause minimum interference with the operation of the facility.

Section 6.03. Financial Information of the Authority

The Authority shall forward to the County Administrator and to the Clerk of the Board of Supervisors a sufficient number of copies for the County Administrator and the Board of Supervisors:

- (a) as soon as available, and in any event within one hundred eighty (180) days after the end of each Fiscal Year, combined statements of revenues, expenditures, transfers and changes in fund balances for the Authority for such Fiscal Year, accompanied by the opinion of a firm of independent certified public accountants of recognized standing retained by the Authority for such purpose, which firm of certified public accountants shall be acceptable to the County Administrator, together with a written statement signed by the Chairman of the Authority as to the amount of any repayment of the Service Fee that is required under Section 5.05 of this Agreement; and
- (b) such other financial information pertaining to the Authority as the County Administrator or the Board of Supervisors acting through a duly appointed committee or representatives shall reasonably request.

Section 6.04. Notice of Litigation; Right to Participate

The Authority and the County shall each deliver written notice to the other of any litigation or any similar proceeding to which each shall be a party and which shall question the validity or enforceability of this Agreement or which shall relate to the subject matter hereof. The Authority and the County shall each have the opportunity to contest any such litigation or proceeding to which the other is a party, to the extent legally authorized.

Section 6.05. Consultation With the County

The Authority agrees to consult with the County Administrator, or his representatives, on the terms and timing of proposed sales of Service Agreement Revenue Bonds and the contents of all resolutions, certificates, applications, contracts, official statements, prospectuses, placement memoranda or other similar documents relating to the sale of Service Agreement Revenue Bonds, notices of sale, advertisements, and other documents relating to financing of the acquisition, Construction, reconstruction, construction of additions to or equipping of the facilities of the County Water System.

Section 6.06. Compliance With Laws

The parties hereto agree to comply with all laws, rules, regulations, orders and decrees applicable to the County Water System or the performance hereof, including but not limited to the provisions of the Act.

Section 6.07. Covenants Not to Affect the Tax Exempt Status of the Bonds

The Authority and the County each agree that they will take no action, or permit any action to be taken, with respect to the County Water System which will impair the excludability of interest on any Bonds then outstanding from the gross income of the owners thereof for Federal income tax purposes.

Section 6.08. Environmental Quality Review

The Authority and the County acknowledge that the requirements of the Environmental Conservation Law of the State, and all regulations promulgated thereunder, applicable to the Construction of the County Water System or the withdrawal, treatment and sale of water have been complied with prior to the execution and delivery of this Agreement.

Section 6.09. Provision of Information Necessary for Bonds

The County agrees to provide to the Authority, (i) as soon as available and in any event within 270 days after the end of each fiscal year of the County, statements of revenues, expenditures, transfers and changes in fund balances for the County for such fiscal year, accompanied by an opinion of a firm of independent certified public accountants of recognized standing retained by the County for such purpose, and (ii) all other financial and other material information with respect to the County necessary, in connection with the issuance and sale of, or matters related to any Service Agreement Revenue Bonds. If required in connection with the issuance of any Service Agreement Revenue Bonds, the County will execute an undertaking to provide continuing disclosure for the purpose of compliance with Rule 15c2-12 of the Securities and Exchange Commission. The Authority will pay any costs of providing continuing disclosure in connection with the Service Agreement Revenue Bonds, including any additional costs incurred by the County, but will not be responsible for costs that would otherwise have been incurred by the County, such as the cost of preparing or auditing the County financial statements or providing continuing disclosure required in connection with Bonds issued by the County.

Section 6.10. County's Covenant Not to Impair of Rights of Bondholders

The County agrees, for the benefit of the holders of Service Agreement Revenue Bonds, that it will not take any action that would alter or interfere with the remedies of the holders of Service Agreement Revenue Bonds or impair the security for the repayment of Service Agreement Revenue Bonds by the Authority, other than the termination of the County's obligation to pay the Service Fee as provided in this Agreement. The Authority may incorporate this covenant of the County into the Bond Resolution or any other resolution, indenture or other agreement with the holders of Service Agreement Revenue Bonds.

ARTICLE VII
MISCELLANEOUS

Section 7.01. Term of Agreement

This Agreement shall be in full force and effect and be legally binding upon the Authority and the County from the date of the execution and delivery hereof. This Agreement shall remain in full force and effect so long as any Service Agreement Revenue Bonds remain “Outstanding”, as defined in the Bond Resolution.

Section 7.02. Termination of Agreement

This Agreement shall terminate on the day on which no Service Agreement Revenue Bonds remain outstanding under the Bond Resolution. Neither the Authority nor the County shall have the right to terminate this Agreement so long as any Service Agreement Revenue Bonds remain outstanding, except as provided in Section 5.03.

Section 7.03. Amendment of Agreement

Except (a) for amendments, modifications or supplements to cure any ambiguity, defect or omission herein not adversely affecting the interest of the Trustees or the holders of the Service Agreement Revenue Bonds, (b) Section 6.01, 6.02, 6.03, 6.04, and 6.05, and (c) prior to the appointment of the Trustee, this Agreement may not be amended, waived, modified, supplemented or rescinded without the prior written consent of the Trustee, and any such amendment, waiver, modification, supplement or rescission without such prior consent shall be void and of no effect. Any amendment to this Agreement shall be in writing and shall be executed by the Authority and the County and, if required, the Trustee.

Section 7.04. Further Assurances

At any and all times the Authority and the County, so far as may be authorized by law, shall pass, make, do, execute, acknowledge and deliver any and every such further resolution,

act, instrument, assignment, and assurance as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and interests, including, but not limited to, the payment by the County of the Service Fee, now or hereafter pledged or assigned, or intended so to be, as security for Service Agreement Revenue Bonds or any portion thereof. The Authority and the County shall each at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Service Fee and all the rights of every owner of any Bond against all claims and demands of all persons whatsoever. The County shall also provide such information, execute such further instruments and documents and take such action as may be reasonably requested by the underwriters for the Authority, not inconsistent with the provisions of this Agreement and not involving the assumption of obligations other than those provided for in this Agreement, to permit the offer and sale of Service Agreement Revenue Bonds.

Section 7.05. Non-assignability

Except that the Authority may assign its rights under this Agreement to the Trustee for the benefit of the holders of Service Agreement Revenue Bonds, no party to this Agreement may assign or encumber any interest herein to any person without the consent of each other party hereto, and the terms of this Agreement shall inure to the benefit of and be binding upon the respective successors or assigns of each party hereto. The parties hereto retain the right to reorganize and to have any other body corporate and politic succeed to the rights, privileges, powers, immunities, liabilities, disabilities, functions and duties of each party hereto, as may be authorized by law, in the absence of any prejudicial impairment of any obligation of contract hereby imposed.

Section 7.06. Beneficiaries of Agreement

Except as specifically provided in this Section, nothing in this Agreement, whether express or implied, shall be construed to give to any contractor or subcontractor, to the providers of any surety, insurance or other credit facility, or to any other person whatsoever other than the parties hereto, the Trustee, and the holders of the Service Agreement Revenue Bonds any legal or equitable right, remedy or claim under or in respect of this Agreement, and this Agreement shall be for the sole and exclusive benefit of the parties hereto, the Trustees, and the holders of the Service Agreement Revenue Bonds, and their successors and assigns.

Section 7.07. Notices

Any notice or communication required or permitted hereunder shall be in writing and sufficiently given if delivered in person or sent by certified or registered mail, postage prepaid, as follows:

If to the County: County of Saratoga
40 McMaster Street
Ballston Spa, NY 12020
Attention: County Administrator

With a copy to:

Mark Rider, Esq.
County Attorney
40 McMaster Street
Ballston Spa, NY 12020

If to the Authority: Saratoga County Water Authority
357 Milton Avenue, Ste. H
Ballston Spa, NY 12020

With a copy to:

Craig M. Crist Esq.
Dreyer Boyajian, LLP
75 Columbia Street
Albany, NY 12210

Changes in the respective persons and, or, addresses to which such notices may be directed may be made from time to time by any party by notice to the other parties.

Section 7.08. Severability

If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Agreement and this Agreement shall be construed and enforced as if such invalid and unenforceable provision had not been contained herein.

Section 7.09. Execution of Documents

This Agreement may be executed in any number of counterparts, any of which shall be regarded for all purposes as an original and all of which shall constitute but one and the same instrument. Each party agrees that it will execute any and all deeds, documents or other instruments, and take such other action as is necessary to give effect to the terms of this Agreement or the transactions contemplated herein.

Section 7.10. Waiver

Unless otherwise specifically provided by the terms of this Agreement, no delay or failure to exercise a right resulting from any breach of this Agreement will impair such right or shall be construed to be a waiver thereof, but such right may be exercised from time to time and as often as may be deemed expedient. Any waiver must be in writing and signed by the party granting such waiver. If any covenant or agreement contained in this Agreement is breached by any party and thereafter waived by any other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach under this Agreement.

Section 7.11. Governing Law and Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of the State. Any disputes arising from, or in any way related to this Agreement shall be venued in Saratoga County Supreme Court.

Section 7.12. References and Headings

Except as otherwise indicated, all references herein to Sections and Articles are to sections and articles of this Agreement. Section and article headings herein have been inserted for convenience of reference only and will not limit, expand or otherwise affect the construction of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives as of the day and year first above written.

COUNTY OF SARATOGA

BY

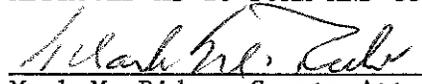

CHAIR, BOARD OF SUPERVISORS

SARATOGA COUNTY WATER AUTHORITY

BY


CHAIR

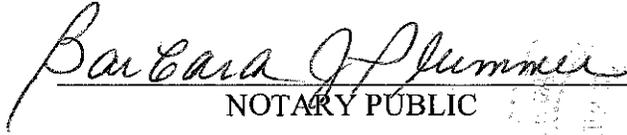
APPROVED AS TO FORM AND CONTENT:


Mark M. Rider, County Attorney

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
) ss.
COUNTY OF SARATOGA)

On the 8 day of September, in the year 2008, before me, the undersigned, a notary public in and for said state, personally appeared GEORGE J. HARGRAY personally known to me or proven to me on the basis of satisfactory evidence, to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/~~she~~ executed the same in his ~~her~~ capacity, and that by his/~~her~~ signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.


NOTARY PUBLIC

STATE OF NEW YORK)
) ss.
COUNTY OF SARATOGA)

BARBARA J. PLUMMER
Notary Public, State of New York
No. 8392545
Qualified in Saratoga County
My Commission Expires 9/30/10

On the 4th day of September, in the year 2008, before me, the undersigned, a notary public in and for said state, personally appeared John E. Lawler, personally known to me or proven to me on the basis of satisfactory evidence, to be the individual whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his her capacity, and that by his/her signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.


NOTARY PUBLIC

CRAIG CRIST
Notary Public, State of New York
No. 02CR5061301
Qualified in Rensselaer County
Commission Expires June 3, 2010

Schedule A

Litigation

The Authority commenced litigation in the form of a condemnation proceeding against several property owners, entitled *Saratoga County Water Authority v. 708 Route 9 LLC et al.*, in Saratoga County Supreme Court in March 2008. The Authority was granted interim relief allowing it to perform interim construction pending the hearing on the merits. On July 21, 2008 Judge Thomas Nolan granted the requested easements over all requested properties. The matter is now in the valuation phase of the matter with scheduling orders to be issued by the court.

Schedule B

Other Matters, Including Summary of Threatened Litigation and Claims Filed Against The Authority

1. The Authority has been apprised that the following environmental groups had threatened to intervene in, or commence their own action(s) based upon the same or similar claims as set forth in the *MacKay v. Ash, et al*, Albany County Supreme Court, Index No.: 9116-07, relating to the use of claimed forest preserve lands and the public trust doctrine :

- A. Sierra Club;
- B. The Association for the Protection of the Adirondacks;
- C. Parks & Trails New York;
- D. Adirondack Mountain Club;
- E. Audubon Society of the Capital Region;
- F. The Adirondack Council;
- G. Residents' Committee to Protect the Adirondacks

An agreement as to a settlement with these groups is being sought, and a proposed settlement agreement is being drafted and negotiated by the attorneys for the Authority and the entities listed above. No assurance can be provided that a settlement will be agreed upon or that the threatened Litigation will not be commenced.

2, The following contractors have filed demands for additional compensation in at least the amounts set forth below:

- 1. 1000 Oaks, Inc. – (\$409,812.11);
- 2. Trinity Construction, Inc. – (\$122,572.58);
- 3. The Delaney Group, Inc. (Contract 5) – (no amount set forth);
- 4. The Delaney Group, Inc. (Contract 7) – (no amount set forth);
- 5. W.M. Schultz, Inc. – (\$228,083.47).

All of said claims relate to price increases in piping, fuel, etc., which the contractors seek to pass along to the Authority as a result of claimed delays relating to claimed denial of access to the necessary project areas. The Delaney Group has filed a notice purporting to terminate one of its contracts.

3. Litigation has been threatened by the following persons, two of who have filed Notices of Claim:

- 1- Mr. Brian Farrell, who has asserted that he suffered damage to his foundation because of a contractor's truck traffic;
- 2- Claim of Meyer, who has filed a Notice of Claim alleging damages of no more than \$4,000.00 for wrongful tree removal;

- 3- Claim of Begum, who the Authority has been apprised, but has not received, a Notice of Claim alleging that the septic system at claimant's motel was damaged by construction activities.

Schedule C

Minimum Water Rates

The minimum rate charged by the Authority for delivery of water to its customers will be \$2.05 per 1,000 gallons for the period beginning on the day on which water is first delivered to any customer of the water system through December 31 of the following year, and for each calendar year thereafter, the minimum rate for the previous year, plus 1.5%.

Schedule D

Outstanding Permits and Approvals

The following approvals are in the process of being obtained:

1. An agreement between the Saratoga County Water Authority and New York State Department of Transportation (“DOT”), whereby the Authority will accept for operation and maintenance a portion of transmission main being constructed by DOT, must be approval by the New York State Comptroller and New York State Attorney General’s Office.
2. Permanent easements from the State of New York for the raw water pump station and sections of water transmission main must be approval by the New York State Comptroller and New York State Attorney General’s Office. The New York State Office of Parks, Recreation and Historic Preservation has accepted payment for these easements and issued construction permits.

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APPENDIX G — Bonds to be Refunded

The Authority will refund the Refunded Bonds identified below on the Redemption Date listed below with proceeds of the Series 2021 Bonds, together with other available funds.

<u>Series</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP 80348Q</u>
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APPENDIX H — Form of Bond Counsel Opinion

Upon delivery of the Series 2021 Bonds, Hodgson Russ LLP, Albany, New York, Bond Counsel, proposes to issue its approving opinion as to the Series 2021 Bonds in substantially the following form:

[LETTERHEAD OF HODGSON RUSS LLP, BOND COUNSEL]

December __, 2021

Saratoga County Water Authority
26 Butler Road
Gansevoort, New York 12831

Re: Saratoga County Water Authority
Water System Refunding Revenue Bonds
Series 2021 (Taxable) in the aggregate principal amount of \$ _____

Ladies and Gentlemen:

We have acted as bond counsel to the Saratoga County Water Authority (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York (the “State”), created and existing under and by virtue of the Saratoga County Water Authority Act, constituting Title 8-F of Article 5 of the Public Authorities Law of the State, as amended (the “Act”), in connection with the issuance on the date hereof by the Authority of its Water System Refunding Revenue Bonds, Series 2021 (Taxable) (the “Series 2021 Bonds”). The Series 2021 Bonds are authorized to be issued pursuant to (i) the Act, (ii) the Water System General Revenue Bond Resolution adopted by the Authority on September 1, 2008 (the “General Resolution”), as amended by Supplemental Resolutions adopted September 1, 2008, August 1, 2014, and March 30, 2016 (collectively, the “Supplemental Resolutions”), (iv) the Fourth Supplemental Resolution to Water System General Revenue Bond Resolution adopted by the Authority on October 27, 2021, authorizing the issuance of the Series 2021 Bonds (the “Series 2021 Bonds Supplemental Resolution” and, together with the General Resolution and the Supplemental Resolutions, the “Resolutions”) and (v) the Certificate of Determination for the Series 2021 Bonds dated December __, 2021 (the “Certificate of Determination”) executed and delivered pursuant to the Series 2021 Bonds Supplemental Resolution. The Authority has appointed Computershare Trust Company, N.A.,] to act as trustee (the “Trustee”) under the Resolutions. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Resolutions and the Certificate of Determination.

The Series 2021 Bonds are being issued to finance (A) the refunding of some or all of the Authority’s outstanding Water System Revenue Bonds, Series 2014 and some or all of the Authority’s outstanding Water System Refunding Revenue Bonds, Series 2016; (B) the funding of a debt service reserve fund for the Series 2021 Bonds; and (C) the payment of the costs of issuance of the Series 2021 Bonds.

The Series 2021 Bonds are dated hereof, are issued as fully registered bonds without interest coupons, and mature and bear interest as set forth therein. The Series 2021 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in Resolutions and the Certificate of Determination.

The Series 2021 Bonds are special obligations of the Authority, payable solely from and secured by the Trust Estate made up of revenues and assets pledged as security for the Series 2021 Bonds by the Resolutions, including revenues received by the Authority for the delivery of water through the Water System and payments from Saratoga County under a Service Agreement dated as of September 1, 2008, the proceeds from the sale of the Series 2021 Bonds, the Debt Service Reserve Account in the Debt Service Fund and Reserve Fund created for the benefit of the Series 2021 Bonds by the Series 2021 Bonds Supplemental Resolution and all other moneys and securities to be received, held or set aside pursuant to the General Resolution, subject only to provisions of the General Resolution, the Supplemental Resolutions, the Act and the Certificate of Determination relating to the use and application thereof.

The Series 2021 Bonds are being issued on a parity with other Additional Parity Indebtedness issued by the Authority under the General Resolution, and the Authority reserves the right to issue Additional Parity Indebtedness under the Resolutions on the terms and conditions, and for the purposes, stated in the Resolutions. Under the Resolutions, all such Additional Parity Indebtedness will rank equally as to security and payment with the Series 2021 Bonds.

We have examined (A) such portions of the Constitution and statutes of the State of New York, and (B) such applicable court decisions, regulations and published rulings as we have deemed necessary or relevant for the purposes of the opinions set forth below. We have also examined the Series 2021 Bonds as executed by the Authority and the transcript of proceedings of the Authority relating to the authorization and issuance of the Series 2021 Bonds and related matters (the “Transcript of Proceedings”), which Transcript of Proceedings includes, among other things, copies of the Resolutions and executed counterparts of the Certificate of Determination .

As to questions of fact material to our opinions, we have relied upon the Transcript of Proceedings of the Authority furnished to us without undertaking to verify the same by independent investigation. In our examination, we have assumed the genuineness of all signatures, the authenticity, and completeness of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies. As to any facts material to our opinion, without having any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

Based upon the foregoing, it is our opinion that:

(i) The Authority is a duly created and validly existing corporate governmental agency constituting a public benefit corporation under the laws of the State.

(ii) The Authority has the right and power under the Act (a) to issue, execute, sell, and deliver the Series 2021 Bonds, and (b) to assign its interest in the Revenues and the Trust Estate (as defined in the General Resolution) to the Trustee as provided in the Resolutions.

(iii) The Resolutions have been duly and lawfully adopted by the Authority and are in full force and effect and the Certificate of Determination has been duly executed by the Authority and are in full force and effect.

(iv) The Series 2021 Bonds have been duly authorized, executed, delivered and issued for value by the Authority in conformity with all applicable laws and the provisions of the Resolutions and the Certificate of Determination and constitute a valid and legally binding special obligation of the Authority enforceable against it in accordance with its terms. The Series 2021 Bonds are payable solely from the Trust Estate and the other monies and assets pledged therefor under the Resolutions. The Resolutions create a valid pledge of and a valid lien upon the Trust Estate, except as set forth therein, and subject only to the provisions of the Resolutions permitting the use and payment thereof for the purposes and on the terms and conditions set forth in the Resolutions.

(v) The Series 2021 Bonds do not constitute a debt of the State or of any political subdivision thereof, including, without limitation, the County of Saratoga, and neither the State nor any political subdivision thereof, including, without limitation, the County of Saratoga, will be liable thereon.

(vi) Interest on the Series 2021 Bonds is includable in gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2021 Bonds.

(vii) Interest on the Series 2021 Bonds is, under existing statutes, exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not invalid in its

entirety under applicable law because of a specific statutory prohibition or public policy, and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law if the person concerning whom such opinion is given is in material default under such document, but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or law) because of the discretion of a court or because of any equitable principle or requirement as to commercial reasonableness, conscionability or good faith.

We express no opinion with respect to (A) title to all or any portion of the property of the Authority, (B) the priority of any liens, charges, security interests or encumbrances affecting the property of the Authority or any part thereof (or the effectiveness of any remedy which is dependent upon the existence of title to such property or the priority of any such lien, charge, security interest or encumbrance), (C) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or with respect to the requirement of filing or recording of any documents, or (D) the laws of any jurisdiction other than the State and other than the securities and tax laws of the United States of America.

The scope of our engagement has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. We have not been requested to examine and have not examined any documents or information other than specifically hereinabove referred to, and no opinion is expressed as to any other documents or any other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the Series 2021 Bonds.

We have rendered this opinion solely for your benefit and this opinion may not be relied upon by, nor copies hereof delivered to, any other person without our prior written approval.

Very truly yours,

HODGSON RUSS LLP

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