

***WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK***

BASIC FINANCIAL STATEMENTS

For Years Ended December 31, 2013 and 2012

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American Institute of
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INDEPENDENT AUDITORS' REPORT

To the Board Members
Wayne County Water and Sewer Authority
Wayne County, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Wayne County Water and Sewer Authority, New York, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 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 Authority'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wayne County Water and Sewer Authority, New York, as of December 31, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Wayne County Water and Sewer Authority, New York's financial statements. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplemental information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the 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 March 6, 2014 on our consideration of the Wayne County Water and Sewer Authority, New York'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 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 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 Wayne County Water and Sewer Authority, New York's internal control over financial reporting and compliance.

March 6, 2014

Raymond F. Wager, CPA A.C.

**Wayne County Water & Sewer Authority
Wayne County, New York**

Management's Discussion and Analysis (MD&A)

December 31, 2013

Introduction

Our discussion and analysis of the Wayne County Water and Sewer Authority, Wayne County, New York's (Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2013. It should be read in conjunction with the basic financial statements to enhance understanding of the Authority's financial performance, which immediately follows this section.

Activities and Accomplishments

As in past years the Authority continued with the construction of new watermain with its own forces. In 2013, the Authority completed the Sodus Water District #10 project with a project total of approximately 27,200 linear feet of new watermain. This district provided water service availability for approximately 72 customers for the Town of Sodus.

The Authority installed 66 new water services throughout its service area.

As part of the Huron Water District #5 project, the pump station on North Geneva Road in Sodus was completed.

The Authority signed an intermunicipal contract with the Town of Sodus covering the Briscoe Cove area and the new Thornton Point Extension.

The Town of Rose took water from the Authority system on an emergency basis on several occasions in the summer of 2013 when the town wells were not adequate. Subsequently, a meter was installed on Route 414 to meter water sold back to Rose under emergency conditions.

In the Town of Wolcott, Kreher's Egg Farm expanded operations and required higher water pressure than that of the Furnace Road metered area pressure zone. Kreher's contributed funds for a pressure regulating vault on Furnace Road to allow the farm to be in the Butler Tank pressure zone.

The Authority continued to work on the distribution system maintenance program. This included flushing of dead end water mains, maintenance and painting of fire hydrants, exercising of main line and gate valves throughout the system, and continuation of the residential water meter replacement program in the western service area. An auto flushing program was continued to enhance water quality in targeted areas of the system. Additional system monitoring included the continuation of the Authority's cross connection backflow prevention program. Leak detection efforts resulted in discovery of a number of unobtrusive leaks that were repaired and unaccounted for water has stabilized at an acceptable level.

The Authority completed the third full year of contractual operation of the Village of Palmyra water and wastewater distribution/collection and treatment systems. The Authority staff completed sewer flushing obligations, completed an entire flushing of the water distribution system, and nearly 100% of meter replacements for the residential customers

The Village of Fair Haven sanitary sewer collection project (Cayuga County Sewer District #2) was completed with the remaining phases of construction in 2013 making sanitary sewer available to 740 properties. Approximately 440 connections have been made to date. Flows to the Red Creek Area Regional Waste Water Treatment Plant continue to increase. The Fairhaven State Park was connected to the Village sewer system in April, before the summer season. The Authority is negotiating a contract with Cayuga County for operation and maintenance of the sewers in the Fairhaven system.

The Village of Wolcott sewer forcemain was constructed, upsized from 8" to 10" at the incremental expense of the Authority to accommodate future flows, and connected to an existing stub at the Regional Plant. The Village continued with design of the equalization facility and conversion of the wastewater plant to a pump station, with plans to go to bid and possibly commencing construction in 2014.

The Authority constructed a 4200 square foot unheated storage building at the Operations Center on Daansen Road in the Town of Walworth, to be used to store equipment, pipe and appurtenances.

The Authority obtained a New York State Environmental Facilities Corporation Engineering Planning Grant for assessment and capital planning for maintenance and replacement of the equipment and systems at the Regional Plant. In conjunction with this grant, an Asset Management software system was sought and chosen, for implementation in 2014.

Significant projects that are going forward or being considered for construction or implementation in 2014 include:

- Installation of a 37,000 foot water main project in the Town of Marion
- Capital project in the Town of Macedon: replacement of the water main under the Erie Canal on Canandaigua Road
- The Town of Huron is investigating two potential water districts, both west of the Village of Wolcott, north and south of Ridge Road
- A sewer district was formed around Blind Sodus Bay in the Town of Wolcott with anticipated construction starting in late 2014
- The possibility of sewers around Port Bay in the Towns of Huron and Wolcott were explored with the potential of 640 connections. Residents in both towns have shown interest enough to pursue districts.

Summary of Operations and Changes in Net Position

| | 2013 | | 2012 | | 2011 | |
|--|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
| | Water Activity | Sewer Activity | Water Activity | Sewer Activity | Water Activity | Sewer Activity |
| Operating Revenues | \$ 5,001,237 | \$ 359,928 | \$ 5,055,740 | \$ 330,183 | \$ 4,948,882 | \$ 324,995 |
| Operating Expenses | 4,923,587 | 601,552 | 4,781,474 | 563,713 | 4,608,764 | 547,464 |
| Operating Income (Loss) | \$ 77,650 | \$ (241,624) | \$ 274,266 | \$ (233,530) | \$ 340,118 | \$ (222,469) |
| Non-Operating Revenues | 121,100 | - | 48,215 | - | 30,206 | - |
| Non-Operating Expenses | (19,140) | (6,376) | (17,245) | (6,768) | (53,066) | (7,063) |
| Income Before Capital Contributions | \$ 179,610 | \$ (248,000) | \$ 305,236 | \$ (240,298) | \$ 317,258 | \$ (229,532) |
| Capital Contributions - NYS grant | 15,000 | - | - | - | 2,222 | - |
| Increase (Decrease) in Net Position | \$ 194,610 | \$ (248,000) | \$ 305,236 | \$ (240,298) | \$ 319,480 | \$ (229,532) |

The increase of Net Position is explained in the following Operating Revenue and Operating Expense summaries.

Operating Revenues

The Authority's operating revenue decreased by \$24,758 in 2013 and increased by \$112,046 in 2012.

Operating Expenses

The Authority's operating expenses increased by \$179,952 in 2013 and increased by \$188,959 in 2012.

The total number of active customers serviced during the past three years is as follows:

| <u>Water</u> | | | <u>Sewer</u> | | |
|--------------|-------------|-------------|--------------|-------------|-------------|
| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| 9770 | 9689 | 9155 | 62 | 64 | 64 |

Net Position

Net position is an indication of financial strength. The WCWSA net position decreased by \$53,390 in 2013 and increased \$64,938 in 2012. The following is a summary of the Authority's net position as of December 31, 2013, 2012, and 2011:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| <u>ASSETS:</u> | | | |
| Current Assets | \$ 4,518,477 | \$ 4,336,220 | \$ 4,335,625 |
| Restricted Assets | - | - | 26,100 |
| Fixed Assets | 12,336,604 | 12,631,937 | 12,605,249 |
| Total Assets | \$ 16,855,081 | \$ 16,968,157 | \$ 16,966,974 |
| <u>LIABILITIES:</u> | | | |
| Current Liabilities | \$ 363,065 | \$ 332,393 | \$ 304,465 |
| Noncurrent Liabilities | 938,591 | 1,028,949 | 1,120,632 |
| Total Liabilities | \$ 1,301,656 | \$ 1,361,342 | \$ 1,425,097 |
| <u>NET POSITION:</u> | | | |
| Net Investment in Capital Assets | \$ 11,352,854 | \$ 11,544,272 | \$ 11,439,499 |
| Restricted - Capital Reserve | 2,107,766 | 1,804,647 | 1,800,577 |
| Unrestricted | 2,092,805 | 2,257,896 | 2,301,801 |
| Total Net Position | \$ 15,553,425 | \$ 15,606,815 | \$ 15,541,877 |

The net position includes the value of the Authority's investment in infrastructure, and funds for ongoing repairs/replacement and/or additions to infrastructure.

WCWSA Rates and Charges

The Authority sets its rates annually in concurrence with the adoption of its annual operating budget. For 2013, the basic service charge was increased from an annual charge of \$60 to \$68 for all of the Authority's customers. The water rate remained the same in 2013 for all of the western service area at a rate of \$4.15.

The projected budgeted construction revenue for 2013 was \$540,000. The Authority exceeded this number due to the aforementioned capital projects.

Financial Statements

The WCWSA is a public benefit corporation functioning under legislation passed by the State of New York; its volunteer Board members are appointed by the Wayne County Board of Supervisors. The WCWSA functions much like a municipality with competitive bidding laws and financial safeguards required.

The accompanying basic financial statements of the Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") for governments as prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. Effective December 31, 2004, the Authority adopted GASB Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments as amended by GASB Statements No. 37 and 38. The Authority is engaged only in business-type activities as defined in GASB Statement No. 34.

Revenues and expenses are recorded under the accrual method of accounting.

Capital Assets

By the end of the 2013 year, the WCWSA had invested \$12,336,604 in a broad range of capital assets, including land, work in progress, completed facilities, and machinery and equipment. The change in capital assets, including the accumulated depreciation, is reflected below:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Land | \$ 251,071 | \$ 251,071 | \$ 251,071 |
| Completed facilities | 16,864,165 | 16,706,351 | 16,220,310 |
| Equipment | 1,527,561 | 1,491,530 | 1,358,027 |
| <u>Less: Accumulated Depreciation</u> | <u>(6,306,193)</u> | <u>(5,817,015)</u> | <u>(5,224,159)</u> |
| Total | <u>\$ 12,336,604</u> | <u>\$ 12,631,937</u> | <u>\$ 12,605,249</u> |

Long -Term Obligations

The Authority's long-term obligations are as follows:

1. **Water & Sewer System Revenue Bonds Refunded** - This \$920,000 bond was secured in 2011 with a ten (10) year maturity. The bond matures in 2021 and has an unpaid principle balance of \$750,000 as of December 31, 2013.

2. **State Revolving Fund Loan** - The Authority entered into two loan agreements with New York State Environmental Facilities Corporation (EFC) to provide short-term financing for the Red Creek Area Regional Wastewater Treatment Facility. The significant terms of the loan agreements are as follows:
 - a. The Authority is allowed periodic draw downs with a maximum principal sum of \$1,750,000 on the loan dated September 30, 2004
 - b. During April 2006, the Authority entered into a loan in which the Authority is allowed periodic draw downs with a maximum principal sum of \$2,119,338.
 - c. The final maturity date of the loans was September 30, 2007; however, the loan balances were refinanced through a Revenue Bond during the 2006 year and rolled into a \$4,000,000 bond.

It should be noted that with the bond refunding in 2011, the Authority's bond rating was updated to a Moody's Underlying Rating of A1.

Future Factors

Water Operations

The Towns of Marion, Arcadia, Huron, Wolcott and Palmyra are continuing to explore future water districts and/or district extensions within their respective municipalities.

It is anticipated that funding programs, particularly those through USDA (Rural Development) will be available to allow continued expansion of the individual town water systems. This expansion will continue to provide new customers to the Wayne County Water and Sewer Authority network and should also provide the Authority with continuing opportunities to construct new water systems under contract with these municipalities.

The Wayne County Water and Sewer Authority continues to monitor water consumption trends which show a steady yet gradual decrease in per capita water consumption. In response to this, the Authority has raised its water rate for 2014 to residential customers from \$4.15 per thousand gallons \$4.25 per thousand gallons to bolster its revenue stream.

Sewer Operations

Anticipated increases in wastewater flows to the Red Creek Regional Wastewater Treatment Facility will become reality in the near future. The factors directly responsible for obtaining this goal are the decision of the Village of Wolcott to move forward with a plan to retrofit their existing wastewater treatment facility to a wastewater pump station and to send their waste water flows to the Red Creek Regional Wastewater Treatment Facility. The planning and engineering design drawings began in 2012, with bidding, associated contracts and construction planned for 2014.

Additionally, the Town of Wolcott has completed district formation for the Blind Sodus Bay Sewer District that will collect waste water from approximately 150 homes and will utilize the Red Creek Regional Wastewater Treatment Facility. Construction on this project is slated to begin in late 2014.

The district formation process for a Port Bay Sewer project has been initiated in 2013. This project would collect waste water from approximately 640 homes and would also utilize the Red Creek Regional Wastewater Treatment Facility. If approved, construction on this project could begin as early as 2015.

In light of the proposed closing of the Butler Correctional Facility, waste water revenue and flows may be impacted. The Authority will continue to monitor this situation closely.

Final stages of the Cayuga County Sewer District No. 2 in the Village of Fair Haven were completed in the 2013 construction season. Also completed in Cayuga County Sewer District No. 2 was the construction at Fair Haven State Park of a low pressure sewer collection system that now sends it water via the Cayuga county Water and Sewer Authority collection system to the Red Creek Regional Wastewater Treatment facility. 2014 represents the first full year in which flows from the park will be received.

Requests for Information

This financial report is designed to provide a general overview of the Wayne County Water & Sewer Authority, Wayne County, New York's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Martin Aman, Executive Director, Wayne County Water & Sewer Authority, 3377 Daansen Road, Walworth, N.Y. 14568.

WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK

Statement of Net Position

December 31, 2013 and 2012

| <u>ASSETS:</u> | <u>2013</u> | <u>2012</u> |
|--|------------------------------------|------------------------------------|
| <u>Current Assets -</u> | | |
| Cash and cash equivalents | \$ 3,441,583 | \$ 3,320,389 |
| Accounts receivable (net of allowance) | 805,766 | 749,141 |
| Materials and supplies inventory | 178,294 | 167,917 |
| Prepaid items | 92,834 | 98,773 |
| Total Current Assets | <u>\$ 4,518,477</u> | <u>\$ 4,336,220</u> |
| <u>Fixed Assets -</u> | | |
| Land and work in progress | \$ 251,071 | \$ 251,071 |
| Facilities and equipment, net of depreciation | 12,085,533 | 12,380,866 |
| Total Fixed Assets, Net | <u>\$ 12,336,604</u> | <u>\$ 12,631,937</u> |
| TOTAL ASSETS | <u><u>\$ 16,855,081</u></u> | <u><u>\$ 16,968,157</u></u> |
| <u>LIABILITIES AND NET POSITION:</u> | | |
| <u>Current Liabilities -</u> | | |
| Accounts payable | \$ 236,282 | \$ 201,452 |
| Accrued liabilities | 22,598 | 26,756 |
| Current portion of debt | 104,185 | 104,185 |
| Total Current Liabilities | <u>\$ 363,065</u> | <u>\$ 332,393</u> |
| <u>Noncurrent Liabilities -</u> | | |
| Revenue bonds payable (net of unamortized discounts) | \$ 659,295 | \$ 743,480 |
| EFC loan liability | 220,000 | 240,000 |
| OPEB liability | 59,296 | 45,469 |
| Total Noncurrent Liabilities | <u>\$ 938,591</u> | <u>\$ 1,028,949</u> |
| <u>Net Position -</u> | | |
| Net investment in capital assets | | |
| Water fund | \$ 4,098,073 | \$ 4,077,038 |
| Sewer fund | 7,254,781 | 7,467,234 |
| Restricted - capital reserve | 2,107,766 | 1,804,647 |
| Unrestricted net position | | |
| Water fund | 2,300,529 | 2,430,073 |
| Sewer fund | (207,724) | (172,177) |
| Total Net Position | <u>\$ 15,553,425</u> | <u>\$ 15,606,815</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 16,855,081</u></u> | <u><u>\$ 16,968,157</u></u> |

(The accompanying notes are an integral part of these financial statements)

WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position
For Years Ended December 31, 2013 and 2012

| <u>OPERATING REVENUES:</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------------|-----------------------------|
| Water sales | \$ 3,682,775 | \$ 3,679,902 |
| Sewer sales | 258,898 | 237,419 |
| Penalty on water and sewer sales | 51,287 | 53,457 |
| Service and connection fees | 331,320 | 501,815 |
| Construction revenue | 1,003,823 | 866,626 |
| Other operating income | 33,062 | 46,704 |
| TOTAL OPERATING REVENUES | <u>\$ 5,361,165</u> | <u>\$ 5,385,923</u> |
| <u>OPERATING EXPENSES:</u> | | |
| Water supply | \$ 1,860,900 | \$ 1,910,143 |
| Sewer disposal | 3,007 | 5,570 |
| Personnel services and benefits | 1,632,279 | 1,572,520 |
| Insurance | 65,136 | 61,035 |
| Professional services | 95,116 | 81,589 |
| Building/vehicle repair and maintenance | 78,689 | 62,201 |
| Electricity | 93,497 | 81,548 |
| Water and sewer tests and chemicals | 25,257 | 20,720 |
| Water line and sewer parts and supplies | 880,346 | 794,371 |
| Administration and office expense | 154,060 | 130,413 |
| Depreciation | 636,852 | 625,077 |
| TOTAL OPERATING EXPENSES | <u>\$ 5,525,139</u> | <u>\$ 5,345,187</u> |
| OPERATING INCOME (LOSS) | <u>\$ (163,974)</u> | <u>\$ 40,736</u> |
| <u>NONOPERATING REVENUES (EXPENSES):</u> | | |
| Interest earnings | \$ 5,508 | \$ 7,582 |
| Interest expense | (24,701) | (23,198) |
| Rental income | 18,287 | 17,754 |
| Bond discount | (815) | (815) |
| Gain on sale of equipment | 97,305 | 22,879 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>\$ 95,584</u> | <u>\$ 24,202</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | <u>\$ (68,390)</u> | <u>\$ 64,938</u> |
| <u>CAPITAL CONTRIBUTIONS:</u> | | |
| NYS grant | \$ 15,000 | \$ - |
| TOTAL CAPITAL CONTRIBUTIONS | <u>\$ 15,000</u> | <u>\$ -</u> |
| INCREASE (DECREASE) IN NET POSITION | <u>\$ (53,390)</u> | <u>\$ 64,938</u> |
| NET POSITION - BEGINNING OF YEAR (restated) | <u>15,606,815</u> | <u>15,541,877</u> |
| NET POSITION - END OF YEAR | <u>\$ 15,553,425</u> | <u>\$ 15,606,815</u> |

(The accompanying notes are an integral part of these financial statements)

WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK
Statement of Cash Flows

For Years Ended December 31, 2013 and 2012

| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | <u>2 0 1 3</u> | <u>2 0 1 2</u> |
|--|----------------------------|----------------------------|
| Received from providing services | \$ 5,304,540 | \$ 5,448,389 |
| Payments to suppliers | (3,225,616) | (3,124,378) |
| Payments to employees | (1,622,610) | (1,554,825) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 456,314</u> | <u>\$ 769,186</u> |
| | | |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | |
| Principal payments on debt | \$ (105,000) | \$ (105,000) |
| Interest expense | (24,701) | (23,198) |
| Acquisition and construction of capital assets | (359,469) | (664,337) |
| Proceeds from sale of assets (net) | 115,255 | 35,450 |
| Capital contribution | 15,000 | - |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>\$ (358,915)</u> | <u>\$ (757,085)</u> |
| | | |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Rental income | \$ 18,287 | \$ 17,754 |
| Interest income | 5,508 | 7,582 |
| Net Cash Provided By Investing Activities | <u>\$ 23,795</u> | <u>\$ 25,336</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 121,194 | \$ 37,437 |
| Cash and Cash Equivalents - Beginning of Year | 3,320,389 | 3,282,952 |
| Cash and Cash Equivalents - End of Year | <u>\$ 3,441,583</u> | <u>\$ 3,320,389</u> |
| | | |
| <u>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | |
| Operating income (loss) | \$ (163,974) | \$ 40,736 |
| Adjustments to reconcile changes in net position to cash Provided by Activities - | | |
| Depreciation | 636,852 | 625,077 |
| Changes in assets and liabilities - | | |
| Accounts receivable | (56,625) | 62,466 |
| Materials and supplies inventory | (10,377) | 25,482 |
| Prepayment and other current assets | 5,939 | (25,005) |
| Accounts payable, accrued payroll and benefits | 44,499 | 40,430 |
| Net Cash Provided by Operating Activities | <u>\$ 456,314</u> | <u>\$ 769,186</u> |

(The accompanying notes are an integral part of these financial statements)

**WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK**

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(Note 1) Summary of Significant Accounting Policies:

The financial statements of the Wayne County Water and Sewer Authority, Wayne County, New York, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. The Reporting Entity

The Wayne County Water and Sewer Authority, Wayne County, New York (the Authority) is a public benefit corporation, created by special state legislation, Chapter 685 of the Laws of 1987 (NYS Public Authorities Laws 199-aa et seq.) and became operational in the spring of 1988 upon the appointment of the nine initial members of the Authority by the Wayne County Board of Supervisors. The Authority has the powers necessary to plan, finance, operate and manage water systems in Wayne County. The Authority provides a structure for planning and implementing improvement in the availability, reliability, and quality of public water supplies in Wayne County.

The Authority has approximately 9,600 water service accounts supplying water within the Towns of Macedon, Walworth, Palmyra, Marion, Arcadia, Lyons, Butler, Huron, Sodus and Wolcott. The Authority also supplies the Hamlet of Marion, Village of Macedon (wholesale only) and Village of Lyons (wholesale only). The average yearly consumption of water from all sections of the Authority's service area encompasses nearly 800 million gallons. The Authority is responsible for the operation and maintenance of over 380 miles of transmission and distribution mains, seven (7) water storage tanks (totaling 8.5 million gallons), and five (5) pumping stations within its overall service area.

During the early years of operation, the Authority was primarily a "Water Authority" with wastewater collection, treatment and disposal representing only about 1.5% of operating revenues. Now, the Authority operates a 500,000 GPD Regional Wastewater Treatment Facility and a related collection system that includes approximately 9,000 linear feet of gravity sewer, 20,000 feet of force main and three pump stations. This regional treatment facility replaced a 30,000 GPD treatment facility in September 2006. This system currently collects and treats approximately 90,000 GPD of wastewater, with the majority of the flows coming from the Butler Correctional Facility, Cayuga County Sewer District #2, Village of Red Creek, and Red Creek Central Schools. The New York State Department of Corrections contributed to the cost of building the regional facility, which replaced their aging and costly Correctional Facility treatment plant. The new regional facility is designed to accept future flows from the Village of Fairhaven, the Village of Red Creek, and other eastern Wayne County communities.

Effective January 1, 2013, the Authority signed a two year extension with the Village of Palmyra for the Authority to operate and maintain the Village's water and wastewater facilities.

(Note 1) (Continued)

The Authority also operates a series of small collection systems in western and eastern Wayne County which include three pump stations and approximately six miles of gravity sewer mains and related appurtenances. Collected wastewater from these systems is conveyed to existing wastewater treatment facilities owned by other municipalities and the Authority is billed on a total flow basis per thousand gallons treated. The Authority also operates and maintains portions of Cayuga County Sewer District #2 under contract with Cayuga County Water and Sewer Authority.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying basic financial statements of the Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") for governments as prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

Revenues and expenses are recorded under the accrual method of accounting.

C. Cash Management

The Authority has adopted investment guidelines which conform with Sections 2735 and 2925 of the New York State Public Authorities Law. These guidelines establish the permissible investments and procedures for obtaining pledged collateral for investments which exceed FDIC insurance coverage.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

E. Materials and Supplies Inventories

Materials and supplies are stated at cost, determined on the first-in, first-out method, which approximates market.

F. Accounts Receivable

Accounts receivable consist of fees for services for sewer and water charges due from individuals and other governments and project and grant receivables. Accounts receivable are carried on the balance sheet at net realizable value. Generally accepted accounting principles requires the allowance method be used to recognize bad debts, however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(Note 1) (Continued)

G. Capital Assets

Capital assets, including distribution and collection systems, are stated at cost. Depreciation is provided using the straight-line method over the following estimated useful life:

| | |
|----------------------------|-------------|
| Facilities | 20-40 Years |
| Transmission and Equipment | 5-40 Years |

Improvements, renewals and significant repairs that do not extend the life of the asset are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation are written off and any unrelated gains or losses are recorded.

H. Non-Current Liabilities

Long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using an amortization schedule consistent with the bond payment schedule. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. Revenue Recognition

Revenues from water and sewer sales are recognized at the time of service delivery based on actual or estimated water meter readings and actual sewer units. Construction revenues are recognized at the time an expenditures is incurred for the project.

J. Contributed Capital

Contributed capital represent amounts that developers, customers and governments have contributed for betterments or additions to capital assets. These contributions are received in cash or in the form of non-cash contributions of capital items and are recorded at fair value on the date of donation.

K. Net Position

GASB requires the classification of net position into three components as defined below:

1. **Net investment in capital assets** - consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

(Note 1) (Continued)

2. **Restricted net position** - consists of restricted assets (i.e. restrictions imposed by (1). external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enable legislation) reduced by liabilities and deferred inflows related to those assets.
3. **Unrestricted net position** - consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates. Actual results could differ from those estimates.

M. Taxes

As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales taxes.

(Note 2) **Stewardship, Compliance, Accountability:**

A. Deficit Unrestricted Net Position

The Sewer Activity as indicated on the financial statements resulted in a decrease in unrestricted net position of \$35,547 which increased the overall unrestricted net position deficit to \$207,724. However, the total sewer net position is a positive \$7,047,057.

(Note 3) **Detail Notes on All Funds and Account Groups:**

A. Assets

1. Cash and Investments

The Authority's investment policies are governed by state statutes. In addition, the Authority has its own written investment policy. The Authority'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, which are not subject to investment risk relating to changing interest rates. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

(Note 3) (Continued)

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The revenue bond covenant account reported under restricted assets has been included as cash and cash equivalents in accordance with this definition. The Statement of Cash Flows uses the indirect method of reporting cash flows.

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Uncollateralized | \$ - | \$ - |
| Collateralized within Trust department or agent | 3,194,187 | 2,968,596 |
| Total | <u>\$ 3,194,187</u> | <u>\$ 2,968,596</u> |

2. **Accounts Receivable**

The balance of accounts receivable for 2013 and 2012 is as follows:

| | <u>2013</u> | <u>2012</u> |
|---------------------|-------------------|-------------------|
| Water Rents | \$ 693,161 | \$ 661,074 |
| Sewer Rents | 33,493 | 39,079 |
| Project Receivables | 8,249 | 11,244 |
| Miscellaneous | 70,863 | 37,744 |
| Total | <u>\$ 805,766</u> | <u>\$ 749,141</u> |

3. **Fixed Assets**

The following is a summary of fixed assets for the Authority at December 31:

| | <u>Balance at</u> <u>1/1/2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>12/31/2013</u> |
|---|--------------------------------------|---------------------|--------------------|--|
| Land | \$ 251,071 | \$ - | \$ - | \$ 251,071 |
| Completed facilities | 16,706,351 | 157,814 | - | 16,864,165 |
| Equipment | 1,491,530 | 201,655 | (165,624) | 1,527,561 |
| <u>Less: Accumulated</u> <u>depreciation</u> | (5,817,015) | (636,852) | 147,674 | (6,306,193) |
| Total | <u>\$ 12,631,937</u> | <u>\$ (277,383)</u> | <u>\$ (17,950)</u> | <u>\$ 12,336,604</u> |

| | <u>Balance at</u> <u>1/1/2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>12/31/2012</u> |
|---|--------------------------------------|------------------|--------------------|--|
| Land | \$ 251,071 | \$ - | \$ - | \$ 251,071 |
| Completed facilities | 16,221,307 | 485,044 | - | 16,706,351 |
| Equipment | 1,354,667 | 179,292 | (42,429) | 1,491,530 |
| <u>Less: Accumulated</u> <u>depreciation</u> | (5,221,796) | (625,077) * | 29,858 | (5,817,015) |
| Total | <u>\$ 12,605,249</u> | <u>\$ 39,259</u> | <u>\$ (12,571)</u> | <u>\$ 12,631,937</u> |

* As a result of a depreciation adjustment the accumulated depreciation was increased \$158,634, which resulted in a decrease to the 2012 ending net position.

| | |
|---|------------------------|
| Previously reported income before Capital Contribution | \$223,572 |
| Depreciation Adjustment | (\$158,634) |
| Restated Amount | <u>\$64,938</u> |

(Note 3) (Continued)

B. Long-Term Debt

1. State Revolving Fund Loan

The Authority entered into two loan agreements with the New York State Environmental Facilities Corporation (EFC) to provide short-term financing for the Red Creek Area Regional Wastewater Treatment Facility. The significant terms of the loan agreement are as follows:

- a. The Authority is allowed periodic draw downs with a maximum principal sum of \$1,750,000 on the loan dated September 30, 2004.
- b. During April 2006, the Authority entered into a second loan in which the Authority is allowed periodic draw downs with a maximum principal sum of \$2,199,388.
- c. The final maturity date of the loans was September 30, 2007, however, the loan balance was refinanced through a Revenue Bond during the 2006 year.

2. Bond Payable

In prior years, the Authority defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. \$865,000 of bonds outstanding are considered defeased.

3. EFC Revenue Bond Payable

In June 2006, \$4,000,000 of EFC revenue bonds were issued to finance the Red Creek Area Regional Wastewater Treatment Facility construction project and refinance the original loans of \$1,750,000 from 2005 and the \$2,199,388 issued April 2006. The bonds were issued with an interest rate of 3.60%-4.75%. Revenue bonds outstanding as of December 31, 2013 amounted to \$240,000 and have a final maturity date of October 1, 2025.

4. Change in Long-Term Debt

| | <u>1/1/2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>12/31/2013</u> | <u>Less Current Portion</u> | <u>Non-Current Portion</u> |
|----------------|---------------------|------------------|-------------------|---------------------|-----------------------------|----------------------------|
| Bonds | \$ 835,000 | \$ - | \$ 85,000 | \$ 750,000 | \$ 85,000 * | \$ 665,000 |
| EFC Revenue | 260,000 | - | 20,000 | 240,000 | 20,000 | 220,000 |
| OPEB Liability | 45,469 | 13,827 | - | 59,296 | - | 59,296 |
| Total | \$ 1,140,469 | \$ 13,827 | \$ 105,000 | \$ 1,049,296 | \$ 105,000 | \$ 944,296 |

* The financial statements net the \$6,520 discount against the \$750,000 bond.

(Note 3) (Continued)

| | <u>1/1/2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>12/31/2012</u> | <u>Less Current Portion</u> | <u>Non-Current Portion</u> |
|----------------|---------------------|------------------|-------------------|---------------------|-----------------------------|----------------------------|
| Bonds | \$ 920,000 | \$ - | \$ 85,000 | \$ 835,000 | \$ 85,000 * | \$ 750,000 |
| EFC Revenue | 280,000 | - | 20,000 | 260,000 | 20,000 | 240,000 |
| OPEB Liability | 32,967 | 12,502 | - | 45,469 | - | 45,469 |
| Total | \$ 1,232,967 | \$ 12,502 | \$ 105,000 | \$ 1,140,469 | \$ 105,000 | \$ 1,035,469 |

* The financial statements net the \$7,335 discount against the \$835,000 bond.

5. **Estimated Debt Service Requirements**

Revenue bond estimated debt service requirements to maturity are as follows:

| <u>Year</u> | <u>2001 Revenue Bond</u> | | <u>2006 EFC Revenue Bond</u> | | <u>Total Debt</u> | |
|--------------|--------------------------|------------------|------------------------------|------------------|-------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 85,000 | \$ 16,625 | \$ 20,000 | \$ 10,796 | \$ 105,000 | \$ 27,421 |
| 2015 | 90,000 | 14,875 | 20,000 | 9,974 | 110,000 | 24,849 |
| 2016 | 90,000 | 13,075 | 20,000 | 9,140 | 110,000 | 22,215 |
| 2017 | 95,000 | 11,225 | 20,000 | 8,295 | 115,000 | 19,520 |
| 2018 | 95,000 | 9,206 | 20,000 | 7,416 | 115,000 | 16,622 |
| 2019-23 | 295,000 | 12,981 | 100,000 | 23,428 | 395,000 | 36,409 |
| 2024-27 | - | - | 40,000 | 2,844 | 40,000 | 2,844 |
| Total | \$ 750,000 | \$ 77,987 | \$ 240,000 | \$ 71,893 | \$ 990,000 | \$ 149,880 |

(Note 4) **Other Notes:**

A. **Employee Pension and Other Benefit Plans**

1. **Pension Plan**

Plan Description

The Authority 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. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. 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, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

(Note 4) (Continued)

Funding Policy

The System is noncontributory for the employee, except for those who joined the system after July 27, 1976 and before January 1, 2010 with less than ten years membership, who contribute 3% of their salary. Those joining on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire career. For NYSERS the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

| | <u>ERS</u> |
|------|------------|
| 2013 | \$ 211,873 |
| 2012 | \$ 188,827 |
| 2011 | \$ 131,450 |

The Authority's contributions made to the System were equal to 100 percent of the contributions required for each year.

2. Other Postemployment Benefits

Plan Description

In addition to providing the pension benefits described in Note 4, the Authority provides post-employment medical and prescription drug benefits (OPEB) for retirees, spouses, and their covered dependents through the Authority's Postemployment Health Care Benefits Program (Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan.

Funding Policy

The Authority currently pays for health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to invest assets necessary to pay for the accumulated liability, the Authority will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation by governmental activities:

(Note 4) (Continued)

| | |
|--|-------------------------|
| Annual required contribution | \$ 13,827 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | <u>\$ 13,827</u> |
| Contributions made | - |
| Increase in net OPEB obligation | <u>\$ 13,827</u> |
| Net OPEB obligation - beginning of year | <u>45,469</u> |
| Net OPEB obligation - end of year | <u><u>\$ 59,296</u></u> |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year end 2013 was as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| 12/31/2009 | \$ 10,160 | 0.00% | \$ 10,160 |
| 12/31/2010 | \$ 10,160 | 0.00% | \$ 20,320 |
| 12/31/2011 | \$ 12,647 | 0.00% | \$ 32,967 |
| 12/31/2012 | \$ 12,502 | 0.00% | \$ 45,469 |
| 12/31/2013 | \$ 13,827 | 0.00% | \$ 59,296 |

Funded Status and Funding Progress.

As of December 31, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$354,696, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$354,696. The covered payroll (annual payroll of active employees covered by the plan) was \$1,090,738, and the ratio of the UAAL to the covered payroll was 32.52%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(Note 4) (Continued)

| Actuarial Valuation Date December 31, | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1) / (2) | (4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1) | (5) Active Members Covered Payroll | (6) UAAL As a Percentage of Covered Payroll (4) / (5) |
|--|--|---|-------------------------------------|---|--|---|
| 2009 | \$ - | \$ 304,796 | 0.00% | \$ 304,796 | \$ 872,119 | 34.95% |
| 2010 | \$ - | \$ 304,796 | 0.00% | \$ 304,796 | \$ 905,650 | 33.65% |
| 2011 | \$ - | \$ 329,667 | 0.00% | \$ 329,667 | \$ 1,049,627 | 31.41% |
| 2012 | \$ - | \$ 341,019 | 0.00% | \$ 341,019 | \$ 1,078,463 | 31.62% |
| 2013 | \$ - | \$ 354,696 | 0.00% | \$ 354,696 | \$ 1,090,738 | 32.52% |

In the December 31, 2013 actuarial valuation, the Authority has elected to use the alternative measurement method as permitted by GASB #45. The discount rate used was 4%. Because the plan is unfunded, reference to the general assets was considered in the selection of the four percent rate. The remaining amortization period at December 31, 2013 was twenty-five years.

(Note 5) **Related Party Transactions:**

The Authority enters into contracts and other agreements with towns and villages whose supervisor or mayor may sit on the Authority's Board.

(Note 6) **Commitments and Contingencies:**

- A. Management is not aware of any pending litigation as of the date of this report.

(Note 7) **Capital Assets:**

- A. Net investment in capital assets - is summarized as follows:

| <u>INVESTMENT IN CAPITAL ASSETS:</u> | <u>2013</u> | <u>2012</u> |
|---|-----------------------------|-----------------------------|
| Water | \$ 4,841,823 | \$ 4,904,703 |
| Sewer | 7,494,781 | 7,727,234 |
| TOTAL INVESTMENT IN CAPITAL ASSETS | <u>\$ 12,336,604</u> | <u>\$ 12,631,937</u> |

(Note 7) (Continued)

| <u>WATER:</u> | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Capital Assets, Net | \$ 4,841,823 | \$ 4,904,703 |
| <u>Add:</u> | | |
| Discount on bonds payable | \$ 6,250 | \$ 7,335 |
| Restricted cash | - | - |
| Total Additions | \$ 6,250 | \$ 7,335 |
| <u>Deduct:</u> | | |
| Short-term portion of bonds payable | \$ 85,000 | \$ 85,000 |
| Long-term portion of bonds payable | 665,000 | 750,000 |
| Total Deducts | \$ 750,000 | \$ 835,000 |
| Net Investment in Capital Assets | \$ 4,098,073 | \$ 4,077,038 |
| | | |
| <u>SEWER:</u> | <u>2013</u> | <u>2012</u> |
| Capital Assets, Net | \$ 7,494,781 | \$ 7,727,234 |
| <u>Deduct:</u> | | |
| Short-term portion of bonds payable | \$ 20,000 | \$ 20,000 |
| EFC loan | 220,000 | 240,000 |
| Total Deducts | \$ 240,000 | \$ 260,000 |
| Net investment in Capital Assets | \$ 7,254,781 | \$ 7,467,234 |

- B. **Capital Reserve** – In 2004, the Authority authorized the establishment of a capital reserve for repair and/or replacement of facilities. During the year \$300,000 was transferred in from the operating fund and \$3,119 in interest was earned. The balance in the reserve at December 31, 2013 and 2012 is \$2,107,766 and \$1,804,647, respectively.

(Note 8) Lease Revenues:

The Authority entered into an agreement with Bell Atlantic Mobile of Rochester d/b/a Verizon Wireless to lease space on the existing water tower and certain ground space at 6296 Shaker Tract Road, North Rose, New York 14516. The initial agreement requires a base rent of \$14,400 and the annual rental for each lease year during the initial term or any extension shall be equal to 103% of the annual rental payable with respect to the immediately preceding lease year. The initial term of the lease ended December 31, 2009 which has been extended based on the term of the lease which provides four automatic extensions of five year terms. Total rental income received for the years ended December 31, 2013 and 2012 was \$18,287 and \$17,754, respectively.

WAYNE COUNTY WATER AND SEWER AUTHORITY
WAYNE COUNTY, NEW YORK
Combining Schedule of Revenues, Expenses and Changes in Net Position
For Year Ended December 31, 2013

| <u>OPERATING REVENUES:</u> | <u>Water</u> | <u>Sewer</u> | <u>2 0 1 3</u> |
|--|----------------------------|----------------------------|-----------------------------|
| | <u>Activity</u> | <u>Activity</u> | <u>T o t a l</u> |
| Water sales | \$ 3,682,775 | \$ - | \$ 3,682,775 |
| Sewer sales | - | 258,898 | 258,898 |
| Penalty on water and sewer sales | 51,104 | 183 | 51,287 |
| Service and connection fees | 230,473 | 100,847 | 331,320 |
| Construction revenue | 1,003,823 | - | 1,003,823 |
| Other operating income | 33,062 | - | 33,062 |
| TOTAL OPERATING REVENUES | <u>\$ 5,001,237</u> | <u>\$ 359,928</u> | <u>\$ 5,361,165</u> |
| <u>OPERATING EXPENSES:</u> | | | |
| Water supply | \$ 1,860,900 | \$ - | \$ 1,860,900 |
| Sewer disposal | - | 3,007 | 3,007 |
| Personnel services and benefits | 1,418,825 | 213,454 | 1,632,279 |
| Insurance | 49,936 | 15,200 | 65,136 |
| Professional services | 93,728 | 1,388 | 95,116 |
| Building/vehicle repair and maintenance | 49,657 | 29,032 | 78,689 |
| Electricity | 40,351 | 53,146 | 93,497 |
| Water and sewer tests and chemicals | 14,990 | 10,267 | 25,257 |
| Water line and sewer parts and supplies | 854,358 | 25,988 | 880,346 |
| Administration and office expense | 138,071 | 15,989 | 154,060 |
| Depreciation | 402,771 | 234,081 | 636,852 |
| TOTAL OPERATING EXPENSES | <u>\$ 4,923,587</u> | <u>\$ 601,552</u> | <u>\$ 5,525,139</u> |
| OPERATING INCOME (LOSS) | <u>\$ 77,650</u> | <u>\$ (241,624)</u> | <u>\$ (163,974)</u> |
| <u>NONOPERATING REVENUES (EXPENSES):</u> | | | |
| Interest earnings | \$ 5,508 | \$ - | \$ 5,508 |
| Interest expense | (18,325) | (6,376) | (24,701) |
| Rental income | 18,287 | - | 18,287 |
| Bond discount | (815) | - | (815) |
| Gain on sale of equipment | 97,305 | - | 97,305 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>\$ 101,960</u> | <u>\$ (6,376)</u> | <u>\$ 95,584</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | <u>\$ 179,610</u> | <u>\$ (248,000)</u> | <u>\$ (68,390)</u> |
| <u>CAPITAL CONTRIBUTIONS:</u> | | | |
| NYS grant | \$ 15,000 | \$ - | \$ 15,000 |
| INCREASE (DECREASE) IN NET POSITION | <u>\$ 194,610</u> | <u>\$ (248,000)</u> | <u>\$ (53,390)</u> |
| NET POSITION - BEGINNING OF YEAR (restated) | <u>8,311,758</u> | <u>7,295,057</u> | <u>15,606,815</u> |
| NET POSITION - END OF YEAR | <u>\$ 8,506,368</u> | <u>\$ 7,047,057</u> | <u>\$ 15,553,425</u> |

(See Independent Auditors' Report)

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

**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***

Independent Auditors' Report

To the Board Members
Wayne County Water and Sewer Authority
Wayne County, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wayne County Water and Sewer Authority, New York, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Wayne County Water and Sewer Authority, New York's basic financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wayne County Water and Sewer Authority, New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County Water and Sewer Authority, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wayne County Water and Sewer Authority, New York'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 Authority'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 Wayne County Water and Sewer Authority, New York'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.

Raymond F. Wager, CPA P.C.

March 6, 2014