

**CAYUGA COUNTY WATER  
AND SEWER AUTHORITY**

**Auburn, New York**

**FINANCIAL REPORT**

**December 31, 2014 and 2013**

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
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FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cayuga County Water and Sewer Authority  
Auburn, New York

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, New York, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority'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.

#### ***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 entity'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 opinions.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cayuga County Water and Sewer Authority as of December 31, 2014 and 2013 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Prior Year Financial Statements**

The financial statements of the Authority as of December 31, 2013 were audited by other auditors, whose report dated March 21, 2014 expressed an unqualified opinion on those statements.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-4i 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 opinions on the financial statements that collectively comprise the Cayuga County Water and Sewer Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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 Schedule of Expenditures of Federal Awards 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 March 18, 2015, on our consideration of the Cayuga County Water and Sewer Authority'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 Cayuga County Water and Sewer Authority's internal control over financial reporting and compliance.

**Other Reporting Required by New York State Public Authorities Law**

In accordance with New York State Public Authorities Law, we have also issued our report dated March 18, 2015, on our consideration of the Authority's compliance with Section 2925(3)(f) of the New York State Public Authorities Law. The purpose of that report is to describe anything that came to our attention that caused us to believe the Authority failed to comply with the Authority's Investment Guidelines, the New York State Comptroller's Investment Guidelines, and Section 2925(3)(f) of the New York State Public Authorities Law.

*Cinchi, Dickelstein, Little, Mickelson & Co., LLP*

March 18, 2015  
Ithaca, New York

**CAYUGA COUNTY WATER AND SEWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Cayuga County Water and Sewer Authority's (the Authority) financial position as of December 31, 2014 and 2013, and its results of operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Authority, which directly follow the MD&A.

**Overview of the Basic Financial Statements**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Authority and the financial activity and results of its operations during the year. A description of those statements follows:

**Statements of Net Position** present information on all of the Authority's assets and liabilities on the accrual basis, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**Statements of Revenues, Expenses, and Changes in Net Position** present information showing the change in the Authority's net position during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in these statements include all items resulting in cash received or disbursed in future fiscal periods, for example, the receipt of amounts due from customers, or the payment accrued for accumulated vacation days.

**Statements of Cash Flows** provide information on the major sources and uses of cash during the year. Cash flow statements portray net cash provided or used from operating, non-capital financing, capital financing, and investing activities.

**Financial Highlights**

The Statement of Net Position presents the financial position of the Authority as of December 31,:

ASSETS	2014	2013, Restated	2012, Restated
Current Assets	\$ 1,702,647	\$ 1,993,036	\$ 3,233,999
Capital Assets	16,972,692	16,455,124	15,725,660
Restricted Cash	<u>524,664</u>	<u>1,844,175</u>	<u>2,351,463</u>
Total Assets	<u>\$ 19,200,003</u>	<u>\$ 20,292,335</u>	<u>\$ 21,311,122</u>
LIABILITIES	2014	2013, Restated	2012
Current Liabilities	\$ 963,261	\$ 3,184,598	\$ 1,899,762
Long-term Liabilities	<u>4,347,961</u>	<u>3,614,220</u>	<u>6,178,531</u>
Total Liabilities	<u>\$ 5,311,222</u>	<u>\$ 6,798,818</u>	<u>\$ 8,078,293</u>

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

NET POSITION	2014	2013, Restated	2012, Restated
Net Investment in Capital Assets	\$ 11,769,472	\$ 9,892,159	\$ 8,001,768
Restricted	692,406	926,768	1,159,820
Unrestricted	<u>1,426,903</u>	<u>2,674,590</u>	<u>4,071,241</u>
 Total Net Position	 \$ <u>13,888,781</u>	 \$ <u>13,493,517</u>	 \$ <u>13,232,829</u>

A summary of operating and nonoperating revenue and expenses follows:

	2014	2013, Restated	2012, Restated
Operating revenues	\$ 1,302,409	\$ 1,229,586	\$ 1,161,083
Nonoperating revenues	<u>586,058</u>	<u>523,118</u>	<u>4,477,412</u>
Total revenues	<u>1,888,467</u>	<u>1,752,704</u>	<u>5,638,495</u>
 Operating expenses	 1,375,173	 1,339,067	 1,131,661
Nonoperating expenses	<u>118,030</u>	<u>135,926</u>	<u>168,598</u>
Total expenses	<u>1,493,203</u>	<u>1,474,993</u>	<u>1,300,259</u>
 Increase in Net Position	 \$ <u>395,264</u>	 \$ <u>277,711</u>	 \$ <u>4,338,236</u>

**Financial Statement Overview**

**Statement of Net Position**

Current assets are comprised of cash, accounts and grants receivable, loans receivable, and prepaid expenses. Accounts receivable primarily includes amounts due from water and sewer customers. Loans receivable consists of amounts expended for the Sewer Construction Project for which the Authority is entitled to draw down grant funds which will be converted into long term financing for the project. Current liabilities primarily include accounts payable, accrued liabilities, and the current portion (due within one year) of long-term liabilities. Accounts payable are amounts due to vendors. Accrued liabilities include accrued payroll, payroll taxes, and other payroll related liabilities, such as accumulated vacation.

Noncurrent assets consist of restricted cash, which is restricted for a capital project and funds reserved for emergency use by the authority's Board. Noncurrent liabilities consist of the long-term portion of bonds and notes payable, incurred to fund capital projects.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Financial Position Summary 2014

Cash and cash equivalents decreased in 2014 primarily due to the use of cash on hand at the end of 2013 to complete the sewer capital project. Also contributing to the decrease in cash was the use of cash to pay off the liability for retainages payable during 2014 as well as the retirement of debt and the receipt of loan proceeds, offset by an increase in grants receivable, a reduction in the amount of restricted cash and overall water and sewer operations. These factors resulted in a net decrease in current assets in 2014 of \$290,389 and restricted cash and cash equivalents, a non-current asset, of \$1,319,511. Restricted cash and cash equivalents decreased primarily due to the use of funds earmarked for construction during the year, as well as the amount of reserves required under grant terms and conditions.

Capital assets increased \$517,568 due to the completion of the last remaining phases of the sewer construction project, offset by depreciation expense. This increase, along with the decrease in restricted cash and cash equivalents, resulted in a decrease in non-current assets of \$801,943. Due to all the factors stated above, the Authority's total assets decreased \$1,092,332.

Accounts payable and accrued liabilities showed relatively minor changes, while retainage payable decreased due to the final payment to contractors on the sewer construction project. In addition, short-term notes payable decreased by \$225,000 in 2014. A larger portion of future maturities due on long-term debt was due in 2014 versus 2015, resulting in a decrease in the current portion of long-term debt. The total effect on current liabilities was a decrease on \$2,221,337. Noncurrent liabilities, the noncurrent portion of long-term debt increased by \$733,741, while total debt showed a decrease of \$1,404,245.

Total net position increased by the excess of revenues over expenses of \$395,264. The amount invested in capital assets net of related debt increased \$1,877,313. Contributing to the increase was the increase in net capital assets offset by a reduction in capital related debt. Restricted net position decreased as the amounts required to be set aside for capital projects and grant restrictions decreased, causing unrestricted net position to decrease by \$1,247,687.

Financial Position Summary 2013

Unrestricted cash and cash equivalents increased in 2013 due to a decrease in accounts receivable and an increase in revenue from water and sewer operations. Loans receivable and grants receivable decreased in 2013 due to the lack construction activity for Cayuga County Sewer District 2. Prepaid expenses increased slightly in 2013 due to the addition of certain communications expenses in conjunction with the timing of payment. These factors, but primarily the decrease in loans and grants receivable, contributed to a decrease in current assets in 2013 of \$1,240,963.

Restricted cash and cash equivalents decreased due to the inactivity of construction during the year. Capital assets increased due to the completion of a significant amount of construction on Phase 2 of Cayuga County Sewer District 2. These factors contributed to a net increase in noncurrent assets in 2013 of \$128,393.

Due to all the factors stated above, the Authority's total assets decreased \$1,112,570.

Accounts payable decreased in 2013 due to the timing of invoices and payments. Retainage payable decreased due to the inactivity of sewer construction. In addition, short-term notes payable decreased by \$500,000 in 2013 from the prior year. A larger portion of future maturities due on long-term debt are due in 2013 vs. 2012 thus a decrease in non-current liabilities. Total liabilities decreased \$1,296,498, primarily due to the reduction of obligations used to finance sewer construction and a reduction in the short-term notes payable from \$1,250,000 at December 31, 2012 to \$750,000 at December 31, 2013.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
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**Capital Assets, Net**

Depreciation expense on capital assets for the years ended August 31, 2014, 2013, and 2012 was \$562,801, \$521,168, and \$415,944, respectively.

A summary of changes in capital assets, by major classification, and accumulated depreciation is as follows:

2014				
Category	Balance January 1,	Additions	Deletions	Balance December 31,
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	3,824,484		(3,791,557)	32,927
Water and sewer lines	15,684,662	4,871,926		20,556,588
Machinery and equipment	76,003			76,003
<b>Total</b>	<b>\$ 19,590,149</b>	<b>\$ 4,871,926</b>	<b>\$ (3,791,557)</b>	<b>20,670,518</b>
Less accumulated depreciation at December 31, 2014				(3,697,826)
<b>Net Value of Capital Assets</b>				<b>\$ 16,972,692</b>

2013 Restated				
Category	Balance January 1,	Additions	Deletions	Balance December 31,
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	6,115,915	1,141,339	(3,432,770)	3,824,484
Water and sewer lines	12,158,109	3,526,553		15,684,662
Machinery and equipment	60,498	15,505		76,003
<b>Total</b>	<b>\$ 18,339,522</b>	<b>\$ 4,683,397</b>	<b>\$ (3,432,770)</b>	<b>19,590,149</b>
Less accumulated depreciation at December 31, 2013				(3,135,025)
<b>Net Value of Capital Assets</b>				<b>\$ 16,455,124</b>

2012 Restated				
Category	Balance January 1,	Additions	Deletions	Balance December 31,
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	2,554,171	5,463,465	(1,901,721)	6,115,915
Water and sewer lines	10,222,319	1,935,790		12,158,109
Machinery and equipment	60,498			60,498
<b>Total</b>	<b>\$ 12,841,988</b>	<b>\$ 7,399,255</b>	<b>\$ (1,901,721)</b>	<b>18,339,522</b>
Less accumulated depreciation at December 31, 2012				(2,613,862)
<b>Net Value of Capital Assets</b>				<b>\$ 15,725,660</b>

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

**Debt**

The authority issues debt, primarily to fund capital improvements. A summary of changes in capital debt follows:

CHANGES IN CAPITAL DEBT	01/01/14	Additions	Deletions	12/31/14
Short-term Notes Payable	\$ 775,000	\$ 550,000	\$ (775,000)	\$ 550,000
Bonds and Notes Payable	<u>5,841,965</u>	<u>1,084,000</u>	<u>(2,263,745)</u>	<u>4,662,220</u>
Total Capital Debt	<u>\$ 6,616,965</u>	<u>\$ 1,634,000</u>	<u>\$ (3,038,745)</u>	5,212,220
Less Current Portion				<u>(864,259)</u>
Long-term Portion				<u>\$ 4,347,961</u>

CHANGES IN CAPITAL DEBT	01/01/13	Additions	Deletions	12/31/13
Short term Notes payable	\$ 1,250,000	\$ 775,000	\$ (1,250,000)	\$ 775,000
Bonds and Notes Payable	<u>6,536,892</u>	<u>1,003,000</u>	<u>(1,697,927)</u>	<u>5,841,965</u>
Total Capital Debt	<u>\$ 7,786,892</u>	<u>\$ 1,778,000</u>	<u>\$ (2,947,927)</u>	6,616,965
Less Current Portion				<u>(3,002,745)</u>
Long-term Portion				<u>\$ 3,614,220</u>

CHANGES IN CAPITAL DEBT	01/01/12	Additions	Deletions	12/31/12
Short term Notes payable	\$ 3,640,000	\$ 2,500,000	\$ (4,890,000)	\$ 1,250,000
Bonds and Notes Payable	<u>5,839,242</u>	<u>987,000</u>	<u>(289,350)</u>	<u>6,536,892</u>
Total Capital Debt	<u>\$ 9,479,242</u>	<u>\$ 3,487,000</u>	<u>\$ (5,179,350)</u>	7,786,892
Less Current Portion				<u>(1,608,361)</u>
Long-term Portion				<u>\$ 6,178,531</u>

Additional information related to the Authority's other long-term liabilities is included in the Notes to Financial Statements.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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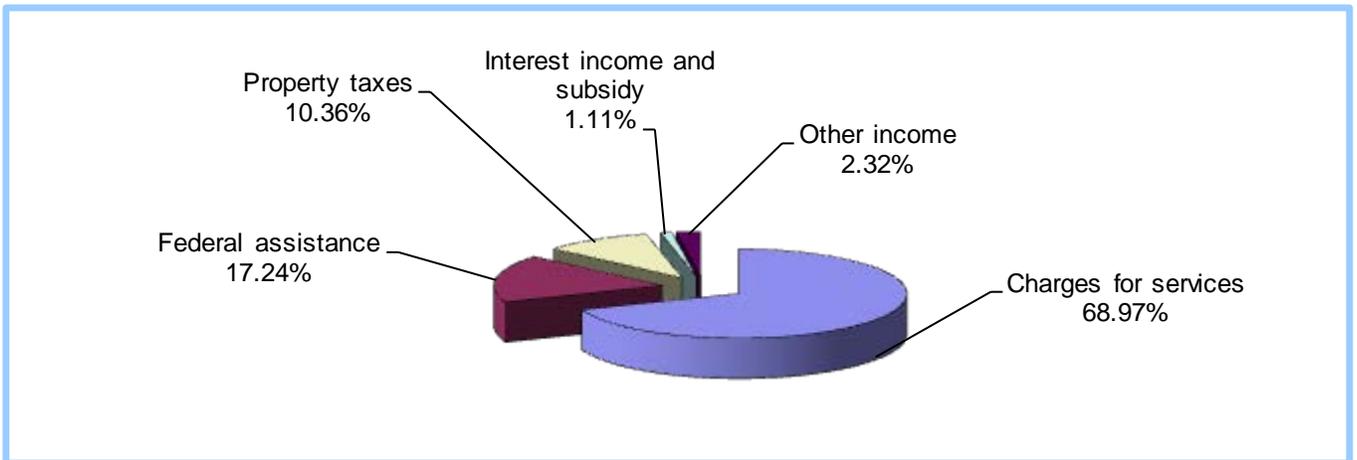
**Statement of Revenues, Expenses, and Changes in Net Position**

The net effect of current year revenues and expenses resulted in an increase of \$395,264 in total net position in 2014 compared to changes in total net position of \$277,711 in 2013 and \$4,338,236 in 2012.

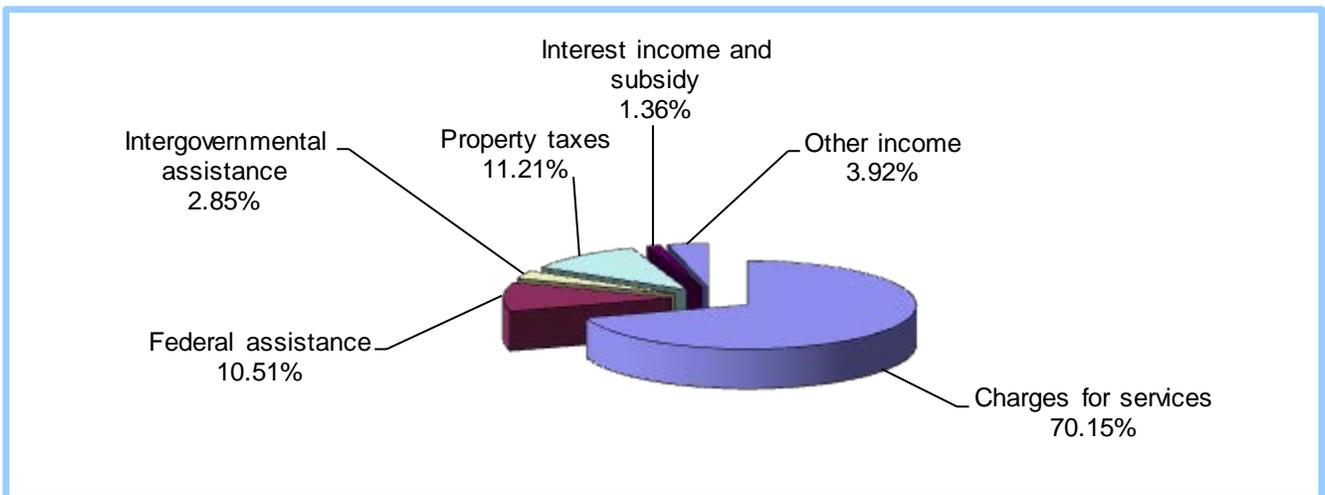
**Revenue Overview**

The following charts depict revenue proportions:

**2014 REVENUE**

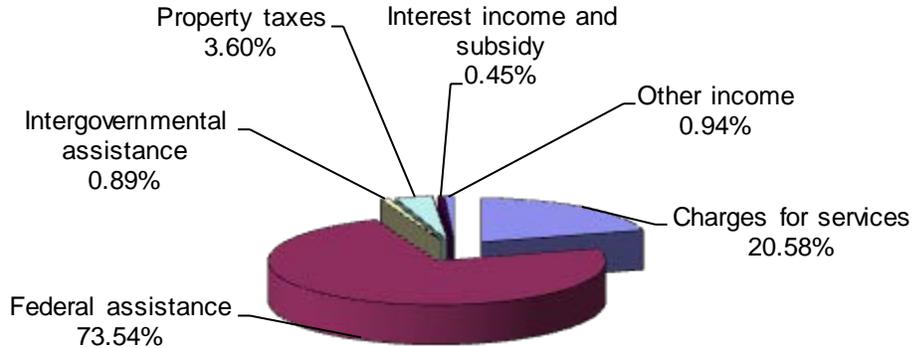


**2013 REVENUE**



CAYUGA COUNTY WATER AND SEWER AUTHORITY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**2012 REVENUE**

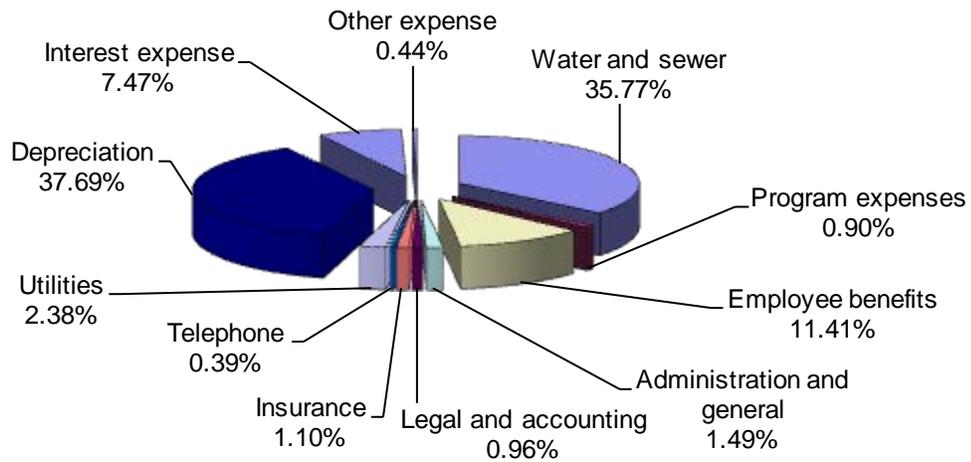


**Expense Overview**

Expenses are displayed in the Statement of Revenues, Expenses, and Changes in Net Position in two categories: operating expenses and non-operating expenses. Interest expense and other expenses are considered non-operating expenses.

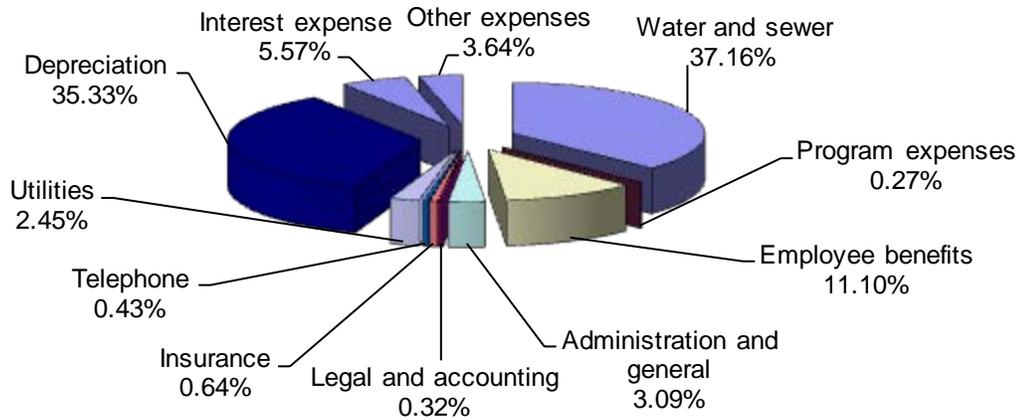
The following charts depict expenses by area:

**2014 OPERATING EXPENSES**

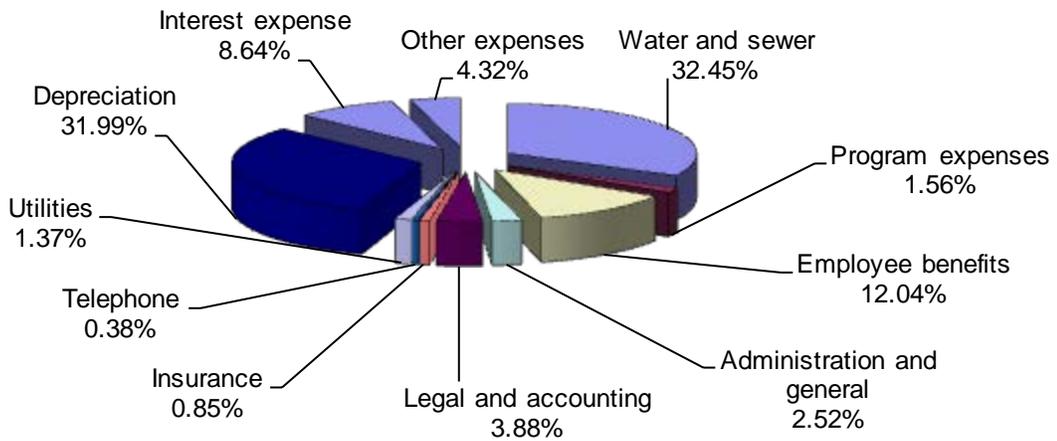


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**2013 OPERATING EXPENSES**



**2012 OPERATING EXPENSES**



CAYUGA COUNTY WATER AND SEWER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Summary of Operations and Change in Net Position 2014-2013

Charges for services in 2014 were greater than in 2013 by 5.9% due to an increase in sales to municipalities, offset by a reduction in rates to retail water customers. Federal assistance showed an increase of \$141,383 as the final grant funds were recognized under the sewer construction project. Intergovernmental assistance, which consisted of appropriations from Cayuga County of \$50,000 in 2013 was eliminated from the Cayuga County budget starting in 2014. The reduction in other income was primarily due to the way in which property tax relieves were accounted for in 2013, offset by the forgiveness of debt in the amount of \$36,000 in 2014.

Operating expenses increased \$36,106, or 2.7%. The majority of that increase was in depreciation expense, which increased \$41,633, leaving a decrease of other operating expenses of \$5,527. Depreciation expense increased in 2014 as more capital assets were added that are subject to depreciation. Non operating expenses consisting of interest expense and miscellaneous expenses showed a reduction of \$17,896, largely the result of the way tax relieves were recorded in 2013.

Summary of Operations and Change in Net Position 2013-2012

Charges for services in 2013 were higher than in 2012 due to an increase in the number of customers using the sewer system. Water and sewer operating expenses were higher in 2013, primarily due to the cost of sewage treatment and operations increasing as the number of customers using the sewer system increased. Program expenses increased in 2013 due to Cayuga County Sewer District 2 nearing completion. Employee benefits increased in 2013 due to an increase in employee compensation. Administrative expenses increased in 2013 due to an increase in Administrative Trustee Fees related to Cayuga County Sewer District 2 capital debt, engineering fees paid to Conestoga Rovers & Associates and a general increase in administrative costs. Legal & accounting fees were substantially lower in 2013 due to the inactivity and eventual dissolution of the Inter-Municipal Task Force. Insurance expense was lower in 2013, as the Authority changed insurance carriers. Utilities expense was higher in 2013 due to the increase in operational grinder pumps in the Cayuga County Sewer District 2. Depreciation expense increased in 2013 due to the capitalization of a portion of Phase 2 of Cayuga County Sewer District 2. Federal assistance was significantly lower in 2013 due to few construction contracts for Cayuga County Sewer District 2 remaining in progress throughout 2013.

Property tax income decreased in 2013 due to the Water District 1-2 capital debt being paid in full. Interest expense increased in 2013 due to the closing of the loan related to Phase 2 of Cayuga County Sewer District 2. All these factors, but with an emphasis on a significant decrease in federal assistance due to the inactivity of sewer construction, contributed to an increase in net position of \$ 183,928 between 2013 and 2012.

**Economic Factors and Next Year's Goals**

The Authority continues to develop the necessary infrastructure and operational practices to meet its short and long-term plans while ensuring quality customer service and competitive rates are being maintained. In addition to current activities, the Authority is preparing to carry out an asset management inventory development project. Because the water and wastewater infrastructure projects represent large capital investments, the Authority is building the foundation for an asset management plan to protect these critical assets. The critical asset focus will increase the water and wastewater facility's life and educate the Authority's future staff and Board members on the necessity of maintaining these systems' resources. As the infrastructure systems age, it is imperative that a systematic review and monitoring of the infrastructure be the focus of all necessary operations and maintenance.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
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Cayuga County Sewer District 2 Project

In 2005, the Cayuga County Sewer District 2 was formed by the Cayuga County Legislature to satisfy a Department of Environmental Conservation Consent Decree with the Village of Fair Haven to protect Little Sodus Bay. The Village of Fair Haven was mandated to make changes to the way the sewage was handled.

The Cayuga County Water and Sewer Authority is the administrative body of Cayuga County Sewer District 2, and is responsible for the operation and maintenance of the sewage facilities that were constructed in multiple phases between 2006 and 2014. These facilities include approximately:

- 35,000 linear feet of gravity sewers,
- 40,000 linear feet of low pressure sewers,
- 27,000 linear feet of sanitary force mains,
- (4) submersible pumping stations,
- (275) grinder pumps, and
- Related appurtenances.

To date, approximately 460 properties (combination of residential and commercial) are now connected to the sewer system, which represents approximately 2/3 of the Sewer District. The Authority continues to work with the Village of Fair Haven and the Town of Sterling to encourage remaining properties to connect, which is critical to protecting the water quality of Little Sodus Bay for current and future generations.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Operations, Cayuga County Water and Sewer Authority, 7413 County House Road, Auburn, New York, 13021 or e-mail [ccwsa@roadrunner.com](mailto:ccwsa@roadrunner.com).

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
STATEMENTS OF NET POSITION  
DECEMBER 31,

	<u>2014</u>	<u>2013</u> <u>Restated</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 470,180	\$ 637,801
Accounts receivable, net	<u>190,122</u>	<u>178,948</u>
Loans receivable		<u>1,164,000</u>
Grants receivable	<u>1,026,210</u>	
Prepaid expenses	<u>16,135</u>	<u>12,287</u>
Total Current Assets	<u>1,702,647</u>	<u>1,993,036</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	<u>524,664</u>	<u>1,844,175</u>
Land and other non-depreciable capital assets	<u>37,927</u>	<u>3,829,484</u>
Capital assets, net of accumulated depreciation	<u>16,934,765</u>	<u>12,625,640</u>
Total Noncurrent Assets	<u>17,497,356</u>	<u>18,299,299</u>
 Total Assets	 <u>19,200,003</u>	 <u>20,292,335</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable	<u>87,456</u>	<u>99,833</u>
Accrued liabilities	<u>1,606</u>	<u>1,920</u>
Retainage payable		<u>65,100</u>
Interest payable	<u>9,940</u>	<u>15,000</u>
Short-term notes payable	<u>550,000</u>	<u>775,000</u>
Current portion of long-term liabilities:		
Notes payable	<u>245,000</u>	<u>2,178,688</u>
Bonds payable	<u>69,259</u>	<u>49,057</u>
Total Current Liabilities	<u>963,261</u>	<u>3,184,598</u>
Noncurrent liabilities and obligations:		
Notes payable, net of current portion	<u>1,205,000</u>	<u>1,450,000</u>
Bonds payable, net of current portion	<u>3,142,961</u>	<u>2,164,220</u>
Total Noncurrent Liabilities	<u>4,347,961</u>	<u>3,614,220</u>
 Total Liabilities	 <u>5,311,222</u>	 <u>6,798,818</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	<u>11,769,472</u>	<u>9,892,159</u>
Restricted	<u>692,406</u>	<u>926,768</u>
Unrestricted	<u>1,426,903</u>	<u>2,674,590</u>
 Total Net Position	 <u>\$ 13,888,781</u>	 <u>\$ 13,493,517</u>

See Independent Auditor's Report and Notes to Financial Statements

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31,

	2014	2013 Restated
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 1,302,409	\$ 1,229,586
Total Operating Revenues	1,302,409	1,229,586
<b><u>OPERATING EXPENSES</u></b>		
Water and sewer	534,098	548,024
Program expenses	13,457	4,000
Salaries and employee benefits	170,365	163,680
Administration and general	22,275	45,545
Legal and accounting	14,327	4,653
Insurance	16,441	9,500
Telephone	5,896	6,296
Utilities	35,513	36,201
Depreciation	562,801	521,168
Total Operating Expenses	1,375,173	1,339,067
(Loss) Profit from Operations	(72,764)	(109,481)
<b><u>NONOPERATING INCOME (EXPENSE)</u></b>		
Federal assistance	325,537	184,154
Property taxes	195,691	196,422
Intergovernmental assistance		50,000
Interest income	214	1,627
Interest subsidy	20,831	22,134
Interest expense	(111,488)	(82,181)
Other income	43,785	68,781
Other expense	(6,542)	(53,745)
Total Nonoperating Income (Expense)	468,028	387,192
Change in Net Position	395,264	277,711
Total Net Position, Beginning of Year as Restated	13,493,517	13,215,806
Total Net Position, End of Year	\$ 13,888,781	\$ 13,493,517

See Independent Auditor's Report and Notes to Financial Statements

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31.

	<u>2014</u>	<u>2013</u> <u>Restated</u>
Cash Flows from Operating Activities:		
Cash received from providing services	\$ 1,291,235	\$ 1,265,456
Cash payments to suppliers of goods and services	<u>(723,646)</u>	<u>(782,860)</u>
Cash payments for employees and benefits	<u>(170,365)</u>	<u>(163,680)</u>
Net Cash Provided by Operating Activities	<u>397,224</u>	<u>318,916</u>
Cash Flows from Capital and Related Financing Activities:		
Receipts from federal loans and programs	<u>463,327</u>	<u>1,514,656</u>
Proceeds from short-term notes	<u>550,000</u>	<u>775,000</u>
Principal payments on short-term notes	<u>(775,000)</u>	<u>(1,250,000)</u>
Proceeds from long-term debt	<u>1,084,000</u>	<u>1,003,000</u>
Principal payments on long-term debt	<u>(2,263,745)</u>	<u>(1,697,927)</u>
Interest payments on debt	<u>(95,717)</u>	<u>(60,047)</u>
Proceeds from other income	<u>232,934</u>	<u>211,458</u>
Proceeds from intergovernmental assistance	<u>-0-</u>	<u>50,000</u>
Acquisition of capital assets	<u>(1,080,369)</u>	<u>(1,250,632)</u>
Net Cash (Used) by Financing Activities	<u>(1,884,570)</u>	<u>(704,492)</u>
Cash Flows from Investing Activities:		
Interest income received	<u>214</u>	<u>1,627</u>
Net Cash Provided by Investing Activities	<u>214</u>	<u>1,627</u>
Net (Decrease) in Cash and Cash Equivalents	<u>(1,487,132)</u>	<u>(383,949)</u>
Cash and Cash Equivalents, January 1	<u>2,481,976</u>	<u>2,865,925</u>
Cash and Cash Equivalents, December 31	<u>\$ 994,844</u>	<u>\$ 2,481,976</u>
Reconciliation of (Loss) from Operations to Net Cash Provided by Operating Activities:		
(Loss) from operations	\$ <u>(72,764)</u>	\$ <u>(109,481)</u>
Adjustment to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	<u>562,801</u>	<u>521,168</u>
(Increase) decrease in accounts receivable	<u>(11,174)</u>	<u>35,870</u>
(Increase) in prepaid expenses	<u>(3,848)</u>	<u>(2,070)</u>
(Decrease) in accounts payable	<u>(12,377)</u>	<u>(28,911)</u>
(Decrease) in accrued liabilities	<u>(314)</u>	<u>-0-</u>
(Decrease) in retainage payable	<u>(65,100)</u>	<u>(97,660)</u>
Net Cash Provided by Operating Activities	<u>\$ 397,224</u>	<u>\$ 318,916</u>

See Independent Auditor's Report and Notes to Financial Statements

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

Cayuga County Water and Sewer Authority (the Authority) is a public benefit corporation organized in July 195 pursuant to Title 8-G of New York State Public Authorities Law. The Authority was organized to construct, improve, maintain, develop, expand, or rehabilitate water or sewage facilities in the County of Cayuga, New York (the County).

The Authority is governed by a board consisting of nine members which is appointed by the County Legislature. Because the County appoints a voting majority of the Authority's governing body and a financial benefit/burden relationship exists between the Authority and the County, the Authority is presented as a discretely present component unit of the County.

B. Basis of Accounting/Measurement Focus

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body establishing governmental accounting and financial reporting principles, and are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar funding are recognized as revenue when all eligibility requirements imposed by the grantor have been met.

The Authority is a proprietary fund which distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal revenues of the Authority are charges to customers for water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating items.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and 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 these estimates.

D. Cash and Cash Equivalents

For the purposes of these financial statements, the Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Restricted cash and cash equivalents represent funds restricted for a capital project and funds reserved for emergency use by the Authority's Board.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

E. Accounts Receivable

Accounts receivable represents amounts due from customers for current and delinquent water and sewer sales, including penalties, unpaid bill charges, collection fees and shut-off charges. Water and sewer customers are billed either on a monthly or quarterly basis depending on the type of user (retail or wholesale). Customers may make payments without penalty on current charges up until 30 days after the billing date. Any current charges in arrears are subject to a penalty of 10% (water customers) or 20% (sewer customers), and those customers receive an unpaid bill notice. If balances remain unpaid for 60 days, shut-off procedures commence at 70 days. The Authority is able to relevel any uncollected balances. Accordingly, all receivables are considered fully collectible for the years ending December 31, 2014 and 2013.

F. Loans and Grants Receivable

The Authority utilized short-term notes payable to fund construction on a sewer project in anticipation of receiving federal grants and long-term financing. Expenses are incurred up to these loan thresholds prior to drawing down grant funds. Current loans receivables represent amounts for the sewer project expected to be collected within one year.

Grants receivable represent amounts due from third party grantors for use on the Authority's sewer construction project.

G. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at the estimated fair value at the date of donation. Depreciation is recorded using the straight line method over the estimated useful life (3 to 40 years) of the asset. Improvements are capitalized, while expenses for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. When applicable, the resulting gains and losses are reflected in the Statements of Revenue, Expenses and Change in Net Position. Costs related to the construction of infrastructure are categorized as construction in progress until the project is completed. At that time, these costs are then categorized to the appropriate category as depreciable assets.

Interest is capitalized when funds are borrowed to construct fixed assets. During the years ended December 31, 2014 and 2013, the Authority capitalized \$8,206 and \$2,691 in interest, respectively.

H. Equity Classifications

Equity is classified as net position and is displayed in three components:

- Net investment in capital assets - represents the net amount invested in capital assets; original cost, net of accumulated depreciation and capital-related debt
- Restricted - represents resources with constraints placed on use by either external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation
- Unrestricted - represents remaining resources which do not meet the definition of net investment in capital assets or restricted resources and are therefore available for general use by the Authority.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

I. Income Taxes

The Authority is a public benefit corporation of the State and as such is exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no income taxes have been provided for in these financial statements.

J. Subsequent Events

Subsequent events have been evaluated by management through March 18, 2015, the date which the financial statements were available to be issued.

Note 2 - Deposits with Financial Institutions and Investments

The Authority's investment policies are governed by the financial provisions set forth within Article 5, Title 8-G of the Public Authorities Law of the State of New York and the General Municipal Law Sections 10 and 11. Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance Corporation (FDIC) insurance. Obligations which may be pledged as collateral include obligations of the United States and obligations of the State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. While the Authority does not have a specific policy for custodial credit risk, New York State statutes govern the Authority's investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

At December 31, 2014 and 2013, the Authority's aggregate bank balances of \$1,072,302 and \$2,494,836, respectively, are either insured or collateralized with securities held by the pledging financial institution in the Authority's name.

At December 31, 2014, the carrying amount of the Authority's deposits with financial institutions was approximately \$994,844. Of this amount, approximately \$153,400 represents money market accounts and \$841,450 represents cash accounts. At December 31, 2013, the carrying amount of the Authority's deposits with financial institutions was \$2,481,976. Of this, approximately \$1,447,000 represents money market accounts and \$1,035,000 represents cash accounts.

The Authority is authorized to invest funds not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments: special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States where payment of principal and interest are guaranteed by the United States of America, and obligations of the State of New York.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Note 3 - Capital Assets

A summary of the Authority's capital asset activity for the years ended December 31, 2014 and 2013 is as follows:

	2014			
	Balance January 1, 2014 <u>Restated</u>	<u>Additions</u>	<u>Deletions/ Reclass- ifications</u>	<u>Balance December 31, 2014</u>
Depreciable Capital Assets:				
Water and sewer lines	\$ 15,684,662	\$ 1,080,369	\$ 3,791,557	\$ 20,556,588
Machinery and equipment	76,003			76,003
Total depreciable capital assets	<u>15,760,665</u>	<u>1,080,369</u>	<u>3,791,557</u>	<u>20,632,591</u>
Less accumulated depreciation:				
Water and sewer lines	(3,106,253)	(551,558)		(3,657,811)
Machinery and equipment	(28,772)	(11,243)		(40,015)
Total accumulated depreciation	<u>(3,135,025)</u>	<u>(562,801)</u>	<u>-0-</u>	<u>(3,697,826)</u>
Net depreciable capital assets	12,625,640	517,568	3,660,427	16,934,765
Nondepreciable Capital Assets:				
Land	5,000			5,000
Construction in progress	<u>3,824,484</u>		<u>(3,791,557)</u>	<u>32,927</u>
Capital Assets, Net	<u>\$ 16,455,124</u>	<u>\$ 517,568</u>	<u>\$ -0-</u>	<u>\$ 16,972,692</u>
	2013			
	Balance January 1, 2013 <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2013 Restated</u>
Depreciable Capital Assets:				
Water and sewer lines	\$ 12,158,109	\$ 3,526,533	\$	\$ 15,684,662
Machinery and equipment	60,498	15,505		76,003
Total depreciable capital assets	<u>12,218,607</u>	<u>3,542,058</u>	<u>-0-</u>	<u>15,760,665</u>
Less accumulated depreciation:				
Water and sewer lines	(2,597,071)	(509,182)		(3,106,253)
Machinery and equipment	(16,791)	(11,981)		(28,772)
Total accumulated depreciation	<u>(2,613,862)</u>	<u>(521,163)</u>	<u>-0-</u>	<u>(3,135,025)</u>
Net depreciable capital assets	9,604,745	3,020,895	-0-	12,625,640
Nondepreciable Capital Assets:				
Land	5,000			5,000
Construction in progress	<u>6,115,915</u>	<u>1,141,339</u>	<u>(3,432,770)</u>	<u>3,824,484</u>
Capital Assets, Net	<u>\$ 15,725,660</u>	<u>\$ 4,162,234</u>	<u>\$ (3,432,770)</u>	<u>\$ 16,455,124</u>

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Certain amounts reported at December 31, 2013 have been reclassified to reflect information existing at December 31, 2014. This includes increasing the balance of land and decreasing the balance of machinery and equipment in the amount of \$5,000. This reclassification had no effect on net position or change in net position as originally reported.

Note 4 - Indebtedness

A. Short-term Debt

The Authority utilizes short-term revenue refunding notes (RRN) to fund construction on sewer projects in anticipation of receiving federal grants and long-term financing. A summary of the Authority's revenue refunding note (RRN) activity follows:

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
2013 Revenue refunding note (RRN)	\$ 775,000		\$ (775,000)	\$ -0-
2014 Revenue refunding note (RRN)		550,000		550,000
Total	<u>\$ 775,000</u>	<u>\$ 550,000</u>	<u>\$ (775,000)</u>	<u>\$ 550,000</u>

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
2012 Revenue refunding note (RRN)	\$ 1,250,000		\$ (1,250,000)	\$ -0-
2013 Revenue refunding note (RRN)		775,000		775,000
Total	<u>\$ 1,250,000</u>	<u>\$ 775,000</u>	<u>\$ (1,250,000)</u>	<u>\$ 775,000</u>

The 2014 and 2013 revenue refunding notes carried interest rates of 1.47% and 2.375%, respectively. Total interest on short-term debt for the years ended December 31, 2014 and 2013 was \$6,301 and \$18,553, respectively, as follows:

	2014	2013
Interest paid	\$ 11,361	\$ 22,800
Plus: current year accrued interest	9,940	15,000
Less: prior year accrued interest	<u>(15,000)</u>	<u>(19,247)</u>
Total long-term interest	<u>\$ 6,301</u>	<u>\$ 18,553</u>

B. Long-term Debt

Long-term debt consists of notes payable to the New York State Environmental Facilities Corporation (NYSEFC) and bonds payable to the United States Department of Agriculture Rural Development Agency (RDA). Proceeds of the notes and bonds were used for water and sewer infrastructure construction and improvements. The notes and bonds are due in varying principal amounts through 2050 and carry interest rates varying from 0.51% to 5.5%.

The Authority's obligation for the RDA Bond – Village of Port Byron Tank stems from an agreement with the Village of Port Byron (the Village) relating to the use of the Village's water tower which was constructed with proceeds from the RDA bond. Under the agreement, the Authority did not assume the debt obligation from the Village, but makes debt service payments as part of the contractual agreement. The agreement was amended in June 2014. In addition to the \$9,000 principal payment made by the Authority during the year ended December 31, 2014, the amendment ends the Authority's debt service payments in 2016. The amendment resulted in a \$36,000 decrease of the outstanding balance at December 31, 2014.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Long-term debt activity is as follows:

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
NYS EFC Note 1999A	\$ 880,000	\$	\$ (215,000)	\$ 665,000
NYS EFC Note 2011A and 2011B	1,938,688		(1,938,688)	-0-
NYS EFC Note 2011	810,000		(25,000)	785,000
RDA Bond 2002	221,277		(4,057)	217,220
RDA Bond-Village of Port Byron Tank	54,000		(45,000)	9,000
RDA Bond 2012A	348,000		(6,000)	342,000
RDA Bond 2012B	102,000		(2,000)	100,000
RDA Bond 2012C	344,000		(6,000)	338,000
RDA Bond 2012D	159,000		(3,000)	156,000
RDA Bond 2013A	985,000		(19,000)	966,000
RDA Bond 2014A		1,084,000		1,084,000
<b>Total</b>	<b>\$ 5,841,965</b>	<b>\$ 1,084,000</b>	<b>\$ (2,263,745)</b>	<b>\$ 4,662,220</b>

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
NYS EFC Note 1999A	\$ 1,090,000	\$	\$ (210,000)	\$ 880,000
NYS EFC Note 2011A and 2011B	3,349,588		(1,410,900)	1,938,688
NYS EFC Note 2011	839,163		(29,163)	810,000
RDA Bond 2002	225,141		(3,864)	221,277
RDA Bond-Village of Port Byron Tank	63,000		(9,000)	54,000
RDA Bond 2012A	354,000		(6,000)	348,000
RDA Bond 2012B	104,000		(2,000)	102,000
RDA Bond 2012C	350,000		(6,000)	344,000
RDA Bond 2012D	162,000		(3,000)	159,000
RDA Bond 2013A		1,003,000	(18,000)	985,000
<b>Total</b>	<b>\$ 6,536,892</b>	<b>\$ 1,003,000</b>	<b>\$ (1,697,927)</b>	<b>\$ 5,841,965</b>

The following is a summary of maturing debt service requirements for the year ending December 31,:

Year	Principal	Interest	Total
2015	\$ 314,259	\$ 102,677	\$ 416,936
2016	311,471	87,569	399,040
2017	307,694	79,918	387,612
2018	88,928	75,156	164,084
2019	95,174	73,499	168,673
2020-2024	496,004	339,615	835,619
2025-2029	524,267	289,961	814,228
2030-2034	598,806	234,050	832,856
2035-2039	674,307	170,442	844,749
2040-2044	579,310	102,620	681,930
2045-2049	550,000	43,941	593,941
2050	122,000	2,404	124,404
<b>Total</b>	<b>\$ 4,662,220</b>	<b>\$ 1,601,853</b>	<b>\$ 6,264,073</b>

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Interest presented above is stated interest on the debt. The interest actually charged has been reduced by an interest subsidy from the New York State Environmental Facilities Corporation. Interest subsidies at December 31, 2014 and 2013 were \$20,831 and \$22,134, respectively. Future interest subsidies are not guaranteed.

	2014	2103
Interest paid	\$ 92,562	\$ 94,410
Plus: interest subsidy	20,831	22,134
Less: capitalized interest	(8,206)	(52,916)
 Total long-term interest	 \$ 105,187	 \$ 63,628

Note 5 - Net Position

Pursuant to an agreement with the County dated March 3, 1999 and revised June 26, 2002, the Authority assumed an obligation (NYSEFC Note 1999A) from the County payable to NYSEFC requiring annual principal and semi-annual interest payments through April 2017. The Authority must use funds remaining after operational costs and capital reserve requirements have been met to reduce its outstanding debt with NYSEFC. Restricted net position, in the amount of \$692,406 and \$926,768 at December 31, 2014 and 2013, respectively, represents the restriction stated above for payment of debt and debt service, which will be lifted when the debt is retired.

Note 6 - Pension Plans

1. Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer defined benefit retirement system. The System provides retirement 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 (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue 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 Systems, 110 State Street, Albany, NY 12244.

2. Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the Pension Accumulation Fund.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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

<u>Year</u>	<u>ERS</u>
2014	\$ 17,206
2013	17,140
2012	12,855

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

Note 7 - Operating Lease

The Authority leases office space from the Cayuga County Soil and Water Conservation District. The current agreement, which commenced August 1, 2014, may be terminated by either party with 60 days notice and calls for an annual fee of \$13,175 to be paid in equal quarterly installments. Rental expense for the years ended December 31, 2014 and 2013 was \$12,927 and \$12,502, respectively. Future minimum lease payments due in 2015, assuming no changes in current terms are \$6,588.

Note 8 - Transactions with Primary Government

Pursuant to an agreement with the primary government, the County of Cayuga, dated March 3, 1999, and revised June 26, 2002, the County is the guarantor of the NYSEFC Note 1999A maturing in 2017 with amounts due at December 31, 2014 and 2013 of \$665,000 and \$880,000, respectively.

The Authority received income from the County included on the Statements of Revenue, Expenses and Changes in Net Position as intergovernmental assistance in the amount of \$-0- and \$50,000 for the years ending December 31, 2014 and 2013, respectively.

Note 9 - Restatement of Net Position

During the year, the Authority reconciled its calculation of capitalized assets associated with Sewer District II, Phase 2 and Phase 4 which resulted in a restatement of net position at January 1, 2013. The restatement increased net investment in capital assets by \$131,130 and decreased interest and operating expenses by \$93,782 in 2013 and \$37,347 in 2012. In addition, the Authority restated net position at January 1, 2013 for correction of an error in its calculation of prepaid expense. The restatement resulted in a decrease in beginning net position and an increase in accounts payable of \$(17,023).

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Frederick J. Ciaschi, C.P.A.

**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**

Board of Directors  
Cayuga County Water and Sewer Authority  
Auburn, 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 Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 18, 2015.

**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 opinions 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.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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**

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.

*Cinchi, Dittulyn, Little, Mickelson & Co., LLP*

March 18, 2015  
Ithaca, New York

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Frederick J. Ciaschi, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Cayuga County Water and Sewer Authority  
Auburn, New York

**Report on Compliance for Each Major Federal Program**

We have audited the Cayuga County Water and Sewer Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

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## **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet is important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Cinchi, Dickelmann, Little, Mickelson & Co., LLP*

March 18, 2015  
Ithaca, New York

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/Pass - Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor No.</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Water and Waste Program Cluster:			
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	N/A	\$ <u>1,080,369</u>
Total U.S. Department of Agriculture			<u>1,080,369</u>
Total Expenditures of Federal Awards			<u>\$ 1,080,369</u>

N/A - Indicates Direct Award

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Cayuga County Water and Sewer Authority (the Authority), an entity as defined in Note 1 to the Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, in any, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

Note 3 - Major Program Determination

The Authority has determined that all federal programs with expenditures of \$300,000 or more are type A programs. For the year ended December 31, 2014, the Authority has one type A program which is deemed a major program for the purpose of the Schedule of Expenditures of Federal Awards.

Note 4 - Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

Note 5 - Matching Costs

Matching costs, i.e., the Authority's share of certain program costs, are not included in the reported expenditures.

Note 6 - Other Disclosures

The Authority has no loan or loan guarantees outstanding at year end. There was no noncash assistance provided to the Authority.

CAYUGA COUNTY WATER AND SEWER AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_ yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_ yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.781	<u>Water and Waste Disposal Systems for Rural Communities - ARRA</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: \_\_\_ yes  no

**Section II - Financial Statement Findings: None**

**Section III - Federal Award Findings and Questioned Costs: None**

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Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

Board of Directors  
Cayuga County Water and Sewer Authority  
Auburn, 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 financial statements of the Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, as of and for the years ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our opinion thereon dated March 18, 2015.

In connection with our audit, nothing came to our attention that caused us to believe the Authority failed to comply with the Authority's Investment Guidelines, the New York State Comptroller's Investment Guidelines, or Section 2925 of the New York State Public Authorities Law (collectively, Investment Guidelines), which is the responsibility of the Authority's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines.

This communication is intended solely for the information and use of the Board of Directors and management of the Cayuga County Water and Sewer Authority, and the Office of the Comptroller of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

*Ciaschi, Dietershagen, Little, Mickelson & Co., LLP*

March 18, 2015  
Ithaca, New York

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