

**CLIFTON PARK WATER AUTHORITY
AND SUBSIDIARY
FINANCIAL REPORT
DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

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Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Clifton Park Water Authority and Subsidiary (the Authority) as of and for the years ended December 31, 2014 and 2013, and the related notes to the consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clifton Park Water Authority and Subsidiary as of December 31, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance 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 management's discussion and analysis on pages 3 through 9 and the Schedule of Funding Progress for the Retiree Health Plan on page 28 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of Clifton Park Water Authority and Subsidiary'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 the 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 Clifton Park Water Authority and Subsidiary's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
March 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Clifton Park Water Authority (CPWA) and Subsidiary (collectively, Authority) is pleased to present its 2014 Annual Financial Report developed in compliance with Statement of Governmental Accounting Standards Board No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* and related standards. The consolidated financial statements reflect the assets, liabilities, net position, results of operations, and cash flows of the Clifton Park Water Authority and its subsidiary, Country Knolls Water Works, Inc. All significant intercompany accounts and transactions are eliminated in consolidation. We encourage readers to consider the information on pages 3 to 9 in conjunction with the Authority's consolidated financial statements (presented on pages 10 to 31 to enhance their understanding of the Authority's financial performance).

CPWA PROFILE

CPWA was created during 1990 as a public benefit corporation under New York State Public Authorities Law, Title 6-B of Article 5. The enabling legislation provided the Authority with power to acquire, construct, operate, and maintain public water supply and distribution facilities for the benefit of the residents of Clifton Park and Malta. CPWA provides potable drinking water to 13,000 service connections (approximately 31,000 people), through a system comprised of 12 wells on 9 different sites, 5.5 million gallons of storage capacity, several pump stations, and 180 miles of water main.

CPWA is governed by a Board of five members who are residents of the Town of Clifton Park (Town) and are appointed by the Town Board for staggered five-year terms. The CPWA Chairman is appointed on an annual basis by the Town Supervisor.

CPWA began operations in February 1992 with the acquisition of the Crescent Estates Water Company. Since that initial purchase, CPWA acquired Saratoga Water Co., Calico/Woodland Hills Water System, and Country Knolls Water Works, Inc. later in 1992, Park Lane Estates Water Works Co., Inc. in August 1993, and finally, Peacock Water Co. in 2004.

In April of 2006, CPWA entered into an operations and maintenance contract with the Rexford Water District. The system consists of 520 customers.

In 2008, CPWA entered into an operations and maintenance contract with the Shenendehowa Central School District. This gave the CPWA full use of the school's supply well (230 gpm), and added 70,000 gallons per day to the system usage and metered water sales.

In 2010, the Clifton Park Water Authority began purchasing water from the Saratoga County Water Authority. The CPWA is obligated to purchase a minimum of 500,000 gallons per day.

Country Knolls Water Works owns a water system that CPWA uses in its operations. Country Knolls Water Works is a not-for-profit local development corporation organized under the New York Not-For-Profit Corporation Law. CPWA is the sole shareholder of Country Knolls Water Works, Inc.

In order to finance the original purchases of the private water systems and rehabilitate them, CPWA issued bonds in 1993 in the amount of \$25,605,000. In 1999, CPWA issued bonds in the amount of \$8,915,000 to finance additional system upgrades including new wells, treatment, and storage. In 2003, CPWA refinanced the 1993 bonds, taking advantage of the lower interest rates available to reduce their annual bond payments by approximately \$60,000. In 2009, CPWA refinanced the 1999 bonds, reducing their annual bond payments by approximately \$40,000. At that same time, the Authority was required to create a debt service reserve fund (DSRF) for the 2003 bonds, due to a credit rating decline of the insurance company providing the surety policy for the bond issue. The amount bonded to fund the

DSRF was \$813,000, and increased the CPWA's annual bond payments by approximately \$30,000. In 2013, the CPWA refinanced the 2003 bonds, saving the Authority over \$140,000 annually. More detailed information about CPWA's long-term obligations is presented in the notes to the financial statements on pages 19 through 21.

CPWA collects most of its revenues from fees and metered water sales. CPWA does not have the power to levy taxes. CPWA currently produces the majority of the water that is sold to its customers, with the exception of the water purchased from the Saratoga County Water Authority which, in 2014, totaled 140,182,000 gallons, and water purchased from the Town of Glenville in the amount of 172,121,000 gallons. Since the Town of Clifton Park is mostly residential, the annual metered water sales are very dependent on the weather during the summer months, as weather determines the need for lawn irrigation. As a result, excessive rainfall results in decreased revenues from water sales.

CPWA has a two-tiered water rate structure, with a quarterly basic service charge added to all bills. In 2014, the basic service charge was \$16.17, and the water rate was as follows:

0-60,000 gallons	\$3.76/1,000 gallons
60,000+ gallons	\$7.52/1,000 gallons

This water rate was in effect since January 2013 (The Authority increased water rates by 3% for 2015).

RESPONSIBILITY AND CONTROLS

CPWA has prepared and is responsible for the consolidated financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

CPWA's system of internal accounting controls is evaluated on an ongoing basis by CPWA's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

CPWA has a three-member Audit Committee. This committee meets with management and periodically with the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America.

AUDIT ASSURANCE

The unmodified opinion of our independent external auditors, Marvin and Company P.C., is included on pages 1 and 2 of this report.

This section presents management's discussion and analysis of the Authority's financial condition and operations for the year ended December 31, 2014. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

Management believes the Authority's consolidated financial position remains strong. The following highlights support management's assertions:

- The Authority saw metered water sales decrease by 2.2% from 2013 to 2014 due to a relatively rainy summer in 2014, however, the CPWA was still able to contribute approximately \$384,949 to its capital reserves in 2014.
- The Authority is required by its bond covenant to maintain a debt service coverage ratio of 1.15 in each fiscal year. Therefore, the annual budget of CPWA and the active water rates are established and amended such that this debt service ratio is maintained.

REQUIRED FINANCIAL STATEMENTS

The consolidated financial statements of the Authority report information about CPWA's use of accounting methods, which are similar to those used by private sector companies. These statements offer short and long-term information about CPWA's activities.

The consolidated statement of net position includes all of the Authority's assets, liabilities, deferred outflow of resources, deferred inflow of resources and net position. Assets are resources with present service capacity that the Authority presently controls and liabilities are present obligation to sacrifice resources that the Authority has little or no discretion to avoid. Assets and liabilities are classified as being current or long-term. A deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. Net position is the residual of all other elements presented in the statement of net position. This statement provides the basis for assessing the liquidity and financial flexibility.

The consolidated statement of revenues, expenses, and changes in net position measures the challenges of the Authority's operations over the past two years. The operating revenues represent the amounts received from metered water sales and various fees in exchange for services provided by the Authority. The operating expenses represent the cost incurred by the Authority to operate and maintain the water distribution systems to service the needs of its customers within the Towns of Clifton Park, Malta, and Halfmoon, New York. The net operating revenue indicates the degree to which the Authority was able to cover its costs of operations.

The final required consolidated statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments resulting from operations, investing and financing activities during the year.

The notes to the consolidated financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's significant accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provide key financial data and indicators to management for analysis and planning.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Property and equipment, net	\$24,413,785	\$ 24,777,540	\$ (363,755)	0%
Restricted assets	2,826,957	2,615,956	211,001	0.08%
Current assets	<u>2,533,717</u>	<u>2,803,094</u>	<u>(269,377)</u>	(0.10%)
Total assets	<u>29,774,459</u>	<u>30,196,590</u>	<u>(422,131)</u>	(0.01%)
Deferred outflows of resources	<u>807,825</u>	<u>865,750</u>	<u>(57,925)</u>	(0.07%)
Total Assets and Deferred Outflows of Resources	<u>\$30,582,284</u>	<u>\$31,062,340</u>	<u>(480,056)</u>	(0.02%)
Long-term obligations	18,620,000	19,785,000	\$ (1,165,000)	0.00%
Current liabilities	2,156,488	1,974,696	181,792	0.09%
Other liabilities	<u>1,210,000</u>	<u>960,000</u>	<u>250,000</u>	0.26%
Total liabilities	<u>21,986,488</u>	<u>22,719,696</u>	<u>(733,208)</u>	(0.03%)
Deferred inflows of resources	<u>896,411</u>	<u>964,106</u>	<u>(67,695)</u>	(0.07%)
Net Position				
Invested in capital assets, net of related debt	3,964,194	3,075,897	888,297	0.29%
Restricted for debt service	2,826,957	2,615,956	211,001	0.08%
Unrestricted	<u>908,234</u>	<u>1,686,685</u>	<u>(778,451)</u>	(0.46%)
Total net position	<u>7,699,385</u>	<u>7,378,538</u>	<u>320,847</u>	0.04%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$30,582,284</u>	<u>\$31,062,340</u>	<u>\$ (480,056)</u>	0.00%

**CONDENSED CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 5,487,558	\$5,476,746	\$ 10,812	0.00%
Non-operating revenue	<u>115,156</u>	<u>125,832</u>	<u>(10,676)</u>	(0.08%)
Total Revenues	<u>5,602,714</u>	<u>5,602,578</u>	<u>136</u>	0.00%
Operating Expenses	3,175,353	3,169,149	6,204	0.00%
Interest expense	836,842	1,128,911	(292,069)	(0.26%)
Depreciation and amortization	1,014,672	1,067,795	(53,123)	(0.05%)
Debt issuance costs	-	231,066	(231,066)	(1.00%)
Other postemployment benefits expense	<u>255,000</u>	<u>218,420</u>	<u>36,580</u>	0.17%
Total Expenses	<u>5,281,867</u>	<u>5,815,341</u>	<u>(533,474)</u>	(0.09%)
Change in net position	<u>320,847</u>	<u>(212,763)</u>	<u>533,610</u>	(2.51%)
NET POSITION, beginning of year	7,378,538	7,591,301	(212,763)	(0.03%)
NET POSITION, end of year	<u>\$ 7,699,385</u>	<u>\$7,378,538</u>	<u>\$ 320,847</u>	0.04%

BUDGETARY HIGHLIGHTS

By October 30th, the CPWA Board establishes the operating budget for the following calendar year. Management periodically reviews the budget and informs the Board of the need for amendments.

The budget was established based on estimated revenues and expenses. Since CPWA's metered water sales make up a significant portion of its revenues, and since these sales are very much dependent on the weather during the summer months, the budget uses conservatively estimated metered water sales revenues to avoid budgetary shortfalls. Personnel and debt service make up 72% of the budget. Because these costs are contractual in nature, few adjustments can be made when establishing the budget.

The expenditures in the adopted 2014 budget were \$5,178,467 with 2014 total actual expenditures of \$5,162,473. This resulted in CPWA being under budget by \$15,994, or 0.31% of the total adopted budget. The revenues in the adopted 2014 budget were \$5,764,610, with total actual cash revenues of \$5,547,422. This resulted in CPWA being under budget in revenues by \$217,188, or 3.77% of the adopted budget. From a cash perspective, CPWA received approximately \$384,949 more in cash for services rendered than what was paid for associated expenditures (including debt payments) in 2014.

CPWA's operating budget is developed on a cash basis. CPWA's consolidated financial statements, however, are prepared using the accrual basis of accounting. The differences between the budget cash surplus and the change in net position on the consolidated financial statements relates in part to non-cash expenses made part of the consolidated statement of revenues, expenses, and change in net position, but are not included in the budget. These items include depreciation, amortization, and other postemployment benefits expense.

Capital assets purchased during the year do not appear on the consolidated statement of revenues, expenses, and change in net position. Although CPWA paid for both the principal and interest portions of the debt, only the interest portion is accounted for on the consolidated statement of revenues, expenses, and change in net position.

GENERAL TRENDS AND SIGNIFICANT EVENTS

CPWA's consolidated revenues are most significantly affected by customer growth, weather, and changes in the water rates. Since 1992, CPWA's customer base has grown from around 8,500 customers to 13,000. In 2014 CPWA added approximately 83 new customers to its system. This growth rate will likely continue to slow in the coming years, as there are fewer large tracts of land available for new construction.

In 2009, GASB Statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits and Other Than Pensions (OPEB)* was adopted by the Authority. This statement established standards for the measurement, recognition and display of OPEB expenses/expenditures and related liabilities, note disclosures and applicable supplemental information in the financial reports. The Authority obtained an actuarial valuation which calculated the total liability at December 31, 2014 for other postemployment benefits at \$1,210,000.

In January 2010, CPWA entered into an agreement with the Saratoga County Water Authority (SCWA) to purchase a minimum of 500,000 gallons of water per day. In 2014, the SCWA water rate was \$2.14 per thousand gallons. This agreement and connection to SCWA's system ensures a plentiful source of water to meet customer's future needs.

In January 2013, CPWA instituted a new water rate and rate structure, changing its three-tiered water rate structure to a two-tiered structure. The base water rate increased by 6.5%, and the quarterly basic service charge increased by 5%. The basic service charge in 2014 was \$16.17, and the water rate was as follows:

0-60,000 gallons	\$3.76/1,000 gallons
60,000+ gallons	\$7.52/1,000 gallons

The CPWA budgeted for the purchase of 300,000,000 gallons of water in 2014, but purchased 312,303,000 gallons, resulting in an additional expense of \$80,880. Design of additional treatment equipment for the Boyack Plant is underway that will help to ensure that purchased water expenses stay on budget in the future.

LONG-TERM OBLIGATIONS

As of December 31, 2014, CPWA had \$19,785,000 in outstanding debt relating to the 2009 and 2013 Serial Bonds. More detailed information about CPWA's long-term obligations is presented in the notes to the financial statements on pages 19 through 21.

FINAL COMMENTS

This financial report is intended to provide a general overview of CPWA's financial position and to illustrate the Authority's accountability for the revenue it receives. If you have any questions about this report or need additional financial information, contact Donald Austin, Administrator at (518) 383-1122.

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
PROPERTY AND EQUIPMENT, AT COST		
Structures	\$ 1,151,359	\$ 1,141,758
Pipes and appurtenances	27,285,709	27,273,846
Machinery and equipment	10,204,779	9,954,107
Office equipment and furniture	256,681	250,034
Vehicles	555,101	522,160
	<u>39,453,629</u>	<u>39,141,905</u>
Less accumulated depreciation	<u>(15,992,612)</u>	<u>(15,062,311)</u>
	23,461,017	24,079,594
Construction work-in-progress	380,615	91,674
Land	572,153	606,272
Net Property and Equipment	<u>24,413,785</u>	<u>24,777,540</u>
 RESTRICTED ASSETS		
Cash and cash equivalents	510,187	1,851,451
Investments	2,316,770	764,505
Total Restricted Assets	<u>2,826,957</u>	<u>2,615,956</u>
 CURRENT ASSETS		
Cash and cash equivalents	1,672,662	2,099,267
Accounts receivable, net	104,267	108,234
Unbilled water sales receivable	563,659	512,983
Prepaid water purchases	92,225	-
Prepaid expenses	22,712	24,928
Meter inventory	78,192	57,682
Total Current Assets	<u>2,533,717</u>	<u>2,803,094</u>
 TOTAL ASSETS	 <u>29,774,459</u>	 <u>30,196,590</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>807,825</u>	 <u>865,750</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 30,582,284</u>	 <u>\$ 31,062,340</u>

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013**

LIABILITIES AND NET POSITION

	<u>2014</u>	<u>2013</u>
LONG-TERM OBLIGATIONS, LESS CURRENT INSTALLMENTS	\$ 18,620,000	\$ 19,785,000
CURRENT LIABILITIES		
Accounts payable	404,958	170,589
Accrued interest payable	215,823	225,023
Accrued expenses	370,707	346,627
Accrued consumption payable	-	36,956
Current installments of long-term obligations	1,165,000	1,195,501
Total Current Liabilities	<u>2,156,488</u>	<u>1,974,696</u>
OTHER LIABILITIES		
Other post-employment benefits	<u>1,210,000</u>	<u>960,000</u>
TOTAL LIABILITIES	<u>21,986,488</u>	<u>22,719,696</u>
DEFERRED INFLOWS OF RESOURCES	<u>896,411</u>	<u>964,106</u>
NET POSITION		
Invested in capital assets, net of related debt	3,964,194	3,075,897
Restricted for debt service	2,826,957	2,615,956
Unrestricted	908,234	1,686,685
Total Net Position	<u>7,699,385</u>	<u>7,378,538</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 30,582,284</u>	<u>\$ 31,062,340</u>

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE		
Metered water sales	\$ 4,009,805	\$ 3,990,768
Basic service charge	940,977	931,805
Hydrant fees	448,555	428,404
Hook-up fees	73,005	109,660
Other fees	15,216	16,109
Total Operating Revenues	<u>5,487,558</u>	<u>5,476,746</u>
OPERATING EXPENSES		
Operations and maintenance	2,475,816	2,486,733
Administrative	699,537	675,836
Total Operating Expenses	<u>3,175,353</u>	<u>3,162,569</u>
Operating revenue before depreciation and amortization	2,312,205	2,314,177
Depreciation and amortization	<u>1,014,672</u>	<u>1,067,795</u>
Operating Revenue	<u>1,297,533</u>	<u>1,246,382</u>
OTHER REVENUE (EXPENSE)		
Investment earnings	23,496	7,890
Miscellaneous revenue	85,732	115,242
Gain on sale of property	5,928	2,700
Interest expense	(836,842)	(1,128,911)
Other post-employment benefit expense	(255,000)	(225,000)
Debt issuance cost	-	(231,066)
Total Other Revenue (Expense)	<u>(976,686)</u>	<u>(1,459,145)</u>
Change in Net Position	320,847	(212,763)
NET POSITION, beginning of year	<u>7,378,538</u>	<u>7,591,301</u>
NET POSITION, end of year	<u>\$ 7,699,385</u>	<u>\$ 7,378,538</u>

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Received from customers	\$ 5,526,581	\$ 5,747,072
Paid to suppliers and vendors for goods and services	(1,529,675)	(1,645,798)
Paid to employees including benefits	(1,534,704)	(1,493,108)
	<u>2,462,202</u>	<u>2,608,166</u>
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term obligations	(1,195,501)	(16,583,094)
Bond issuance cost	-	(231,066)
Interest paid	(902,593)	(1,161,989)
OPEB contributions	(5,000)	(6,580)
Proceeds from bond issuance	-	15,586,186
	<u>(2,103,094)</u>	<u>(2,396,543)</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Transfers to (from) restricted cash and investment accounts, net	(211,001)	226,020
Purchase and construction of capital assets	(621,621)	(1,090,643)
Proceeds from sale of capital assets	23,413	2,700
Investment earnings received	23,496	7,890
	<u>(785,713)</u>	<u>(854,033)</u>
Net decrease in cash and cash equivalents	(426,605)	(642,410)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,099,267</u>	<u>2,741,677</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,672,662</u>	<u>\$ 2,099,267</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating revenue	\$ 1,297,533	\$ 1,246,382
Adjustments to reconcile operating revenue to net cash provided (used) by operating activities		
Depreciation and amortization	1,014,672	1,067,795
Miscellaneous revenue	85,732	115,242
Decrease (increase) in		
Accounts receivable	3,967	102,419
Unbilled water sales receivable	(50,676)	52,665
Prepaid water purchases	(92,225)	-
Prepaid expenses	2,216	2,684
Meter inventory	(20,510)	(30,476)
Increase (decrease) in		
Accounts payable	234,369	(12,253)
Accrued expenses	24,080	26,752
Accrued consumption payable	(36,956)	36,956
	<u>\$ 2,462,202</u>	<u>\$ 2,608,166</u>

See accompanying notes to consolidated financial statements.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

These consolidated financial statements reflect the consolidated assets, liabilities, net position, results of operations, and cash flows of the Clifton Park Water Authority (CPWA) and its subsidiary, Country Knolls Water Works, Inc. (Country Knolls), (collectively the Authority). All significant intercompany accounts and transactions are eliminated in consolidation.

CPWA is a New York State public benefit corporation created by referendum on October 16, 1990, pursuant to Title 6-B of Article 5 of the Public Authorities Law of the State of New York. CPWA was created to acquire the water distribution systems needed to serve residential and commercial water customers within the Towns of Clifton Park, Malta, and Halfmoon, New York, and to operate and maintain the systems.

CPWA is governed by a Board of five members who are residents of the Town of Clifton Park (Town) and are appointed by the Town Board for staggered five-year terms.

Country Knolls owns a water system which CPWA uses in its operations. Country Knolls is a not-for-profit local development corporation organized under the New York State Not-For-Profit Corporation Law.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Accounting Method

The Authority's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America for public authorities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority will not apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as miscellaneous revenue and investment earnings, result from ancillary activities. Net position (i.e., total assets net of total liabilities) are segregated into restricted and unrestricted components, as follows:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF ACCOUNTING POLICIES

Accounting Method

- *Restricted*, have constraints placed on use, either externally or internally.
- *Unrestricted*, consist of assets and liabilities that do not meet the definition of "restricted " or "invested in capital assets, net of related debt."

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, (GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost, except for contributed property and equipment, which is recorded at fair value, or the contributor's net book value if fair value is not readily ascertainable, or at the value of fees waived in exchange for property and equipment. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to other revenue.

Depreciation is provided in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis. The estimated useful lives used in determining depreciation for vehicles, machinery, and equipment vary from five to twenty years. Pipes and appurtenances are depreciated over fifteen to fifty years. Structures are depreciated over forty years. Depreciation expense for December 31, 2014 and 2013 was \$967,891 and \$1,021,014, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments purchased with a maturity of three months or less. All bank balances were fully insured and collateralized at December 31, 2014.

Restricted cash and cash equivalents consist of commercial paper and uninvested cash held by the Bond trustee, BNY Mellon. Restricted cash and cash equivalents and investments are legally restricted in use and purposes by the Bond documents.

All cash and cash equivalents held by BNY Mellon are held in trust for CPWA and are legally separated from the assets of BNY Mellon.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF ACCOUNTING POLICIES

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. CPWA determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. At both December 31, 2014 and 2013, the allowance was \$4,496. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Bad debt expense for the years ended December 31, 2014 and 2013 was \$2,117 and \$2,308, respectively.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest of 1.5% per month is charged on accounts receivable that are outstanding for more than 30 days and is recognized as it is charged. After the receivable becomes 60 days past due, a shut off notice is sent to the customer. If payment is not received within 15 days of the notice, the customer's water service is terminated and a \$30 shut off fee is added to their account. When the customer pays the outstanding balance along with a \$30 reconnection fee, the service is restored. Final bills that are sent to customers who have sold their residence, are remitted to a collection agency if payment has not been received within 90 days of the bill. At this point, the bill is on non-accrual status and accrual of interest is suspended.

Investments

Investments consist of U.S. Treasury obligations and Certificates of Deposit; all investments are carried at fair value.

Meter Inventory

CPWA values its meter inventory (specific identification) at cost which approximates market.

Income Taxes

CPWA is exempt from federal income taxes under Section 115 of the Internal Revenue Code and is exempt from New York State income taxes. Country Knolls is subject to federal income taxes and is exempt from New York State income taxes. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position. GAAP requires Authority management to evaluate tax positions taken by the Authority and recognize a tax liability if the agency has taken an uncertain tax position that more than likely would not be sustained upon the examination by the IRS. Management has analyzed the tax positions taken by the Authority, and has concluded that as of December 31, 2014, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2011.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF ACCOUNTING POLICIES

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

2. INVESTMENTS

Investments are carried in the financial statements at fair value based on readily determinable market prices.

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 1,555,000	\$ 1,559,270	\$ -	\$ -
U.S. Treasury Notes*	<u>743,406</u>	<u>757,500</u>	<u>743,406</u>	<u>764,505</u>
	<u>\$ 2,298,406</u>	<u>\$ 2,316,770</u>	<u>\$ 743,406</u>	<u>\$ 764,505</u>

*Credit Rating of Aaa by Moody's Investors Service

The treasury notes mature in 2015 and the Certificates of Deposit have maturity dates that range between 2017 and 2019.

Investment earnings are reflected in the accompanying financial statements and consist of realized and unrealized gains and losses and interest income.

Disclosures relating to risk and type of investments as presented above are indicative of the activity and the positions held during the year.

3. PROPERTY AND EQUIPMENT, AT COST

A summary of CPWA's property and equipment is as follows:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance December 31, 2014</u>
Structures	\$ 1,141,758	\$ 9,601	\$ -	\$ 1,151,359
Pipe and Appurtenances	27,273,846	11,863	-	27,285,709
Machinery and Equipment	9,954,107	255,756	5,084	10,204,779
Office Equipment and Furniture	250,034	6,647	-	256,681
Vehicles	<u>522,160</u>	<u>48,813</u>	<u>15,872</u>	<u>555,101</u>
	39,141,905	332,680	20,956	39,453,629
Less accumulated depreciation	<u>15,062,311</u>	<u>967,891</u>	<u>37,590</u>	<u>15,992,612</u>
	24,079,594	(635,211)	(16,634)	23,461,017
Construction work-in-progress	91,674	420,917	131,976	380,615
Land	<u>606,272</u>	<u>-</u>	<u>34,119</u>	<u>572,153</u>
	<u>\$ 24,777,540</u>	<u>\$ (214,294)</u>	<u>\$ 149,461</u>	<u>\$ 24,413,785</u>

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

3. PROPERTY AND EQUIPMENT, AT COST

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance December 31, 2013</u>
Structures	\$ 1,141,758	\$ -	\$ -	\$ 1,141,758
Pipes and Appurtenances	26,065,552	1,208,294	-	27,273,846
Machinery and Equipment	9,305,269	648,838	-	9,954,107
Office Equipment and Furniture	250,034	-	-	250,034
Vehicles	<u>532,472</u>	<u>-</u>	<u>10,312</u>	<u>522,160</u>
	37,295,085	1,857,132	10,312	39,141,905
Less accumulated depreciation	<u>14,051,609</u>	<u>1,021,014</u>	<u>10,312</u>	<u>15,062,311</u>
	23,243,476	836,118	-	24,079,594
Construction work-in-progress	858,163	950,981	1,717,470	606,272
Land	<u>606,272</u>	<u>-</u>	<u>-</u>	<u>3,526,614</u>
	<u>\$ 24,707,911</u>	<u>\$ 1,787,099</u>	<u>\$1,717,470</u>	<u>\$ 28,212,480</u>

4. DEFERRED OUTFLOWS OF RESOURCES

A summary of deferred outflows of resources and accumulated amortization is as follows:

	<u>2014</u>	<u>2013</u>
Authority establishment costs	\$ 1,630,470	\$ 1,630,470
Amounts deferred on defeasance, net of refunds of: 1999 Series Bonds	<u>283,457</u>	<u>283,457</u>
	1,913,927	1,913,927
Less accumulated amortization	<u>1,106,102</u>	<u>1,048,177</u>
	<u>\$ 807,825</u>	<u>\$ 865,750</u>

Authority establishment costs include initial start-up costs incurred prior to CPWA becoming fully operational. These costs are amortized over 30 to 35 years on the straight-line method. Amortization expense for both years ended December 31, 2014 and 2013 was \$46,781.

The amount deferred on defeasance of the 1999 series bond is amortized over the life of the 2009 bonds using the effective interest method and is included as a component of interest expense. Amortization for the years ended December 31, 2014 and 2013 was \$11,145 and \$10,717, respectively.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

4. DEFERRED OUTFLOWS OF RESOURCES

A summary of future amortization is as follows:

2015		\$ 58,371
2016		58,834
2017		59,314
2018		59,815
2019		60,335
Thereafter		511,156
 Total		 \$ 807,825

5. PROVISION FOR COMPENSATED ABSENCES

All permanent employees meeting certain conditions are provided with vacation and sick pay, and certain other leave credits based on their length of employment. The accumulation of vacation hours is subject to 240 hours limit, and sick hours is subject to 1,600 hours limit. Accumulated unpaid vacation and sick leave was \$324,025 and \$310,072 at December 31, 2014 and 2013, respectively. The amounts are included in accrued expenses. Leave credits, which do not vest with employees are expensed when paid.

Sick days are forfeited upon termination, but may be used at retirement to pay health insurance premiums. The Authority recognizes a liability for vested sick leave for employees who, at the balance sheet date, currently are eligible to convert vested sick leave to the retiree's portion of health insurance premiums as well as other employees who are expected to become eligible in the future to convert such leave. The liability for vested sick leave was \$249,356 and \$241,400 at December 31, 2014 and 2013, respectively. These amounts are a part of the unpaid vacation and sick leave referenced in the previous paragraph.

6. LONG-TERM OBLIGATIONS

Serial Bonds Payable

Water System Revenue Refunding Bonds, Series 2013

During 2013, CPWA issued \$13,860,000 Series 2013 Bonds to be used by the Authority to (a) refund CPWA's outstanding Series 2003A Bonds, maturing on or after October 1, 2014; and (b) pay the costs of issuance of the Series 2013 Bonds.

Principal payments on the 2013 Bonds are due annually on October 1, with semiannual interest payable April 1 and October 1. Interest rates range from 3.0% to 5.0% per annum.

Optional Redemption

The 2013 Bonds maturing on and after October 1, 2024, are subject to redemption prior to maturity at the option of CPWA on or after October 1, 2023, in whole or in part at any time, from maturities selected by CPWA, at the respective redemption price of 100% of the principal amount of the Series 2013 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

6. LONG-TERM OBLIGATIONS

Serial Bonds Payable

2009 Bonds

CPWA issued \$8,130,000 Series 2009 Bonds to be used by the Authority to (a) refund CPWA's outstanding Series 1999 Bonds; (b) fund debt service reserve fund for Series 2009 Bonds to satisfy the Reserve Requirement, and; (c) pay the costs of issuance of the Series 2009 Bonds.

Principal payments on the 2009 Bonds are due annually on October 1, with semiannual interest payable April 1 and October 1. Interest rates range from 2.50% to 4.25% per annum.

Optional Redemption

The 2009 Bonds maturing on and after October 1, 2020, are subject to redemption prior to maturity at the option of CPWA on or after October 1, 2019, in whole or in part at any time, from maturities selected by CPWA, at the respective redemption price of 100% of the principal amount of the Series 2009 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The 2009 Bonds maturing on October 1, 2029, are subject to mandatory redemption prior to maturity through application of sinking fund installments on October 1 during each of the years. The redemption price is equal to 100% of their principal amount plus accrued interest to the date of redemption.

October 1, 2029 Redemption

<u>Amount</u>	<u>Year</u>
\$490,000	2028
510,000	2029

2003 Bonds

CPWA issued \$22,925,000 Series 2003A Bonds to be used by the Authority to (a) refund CPWA's outstanding Series 1993 Bonds; (b) purchase a municipal bond debt service reserve fund insurance policy to satisfy the Reserve Requirement, and; (c) pay the costs of issuance of the Series 2003A Bonds, including the bond insurance premium.

Principal payments on the 2003 Bonds are due annually on October 1, with semiannual interest payable April 1 and October 1. Interest rates range from 2.50% to 5.00% per annum.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

6. LONG-TERM OBLIGATIONS

Serial Bonds Payable

The outstanding 2003A Bonds of \$15,365,000 were refunded during 2013 at a redemption price of 100% plus accrued interest to the date of redemption.

Due to Peacock Glen Water Co.

During January 2004, CPWA purchased land, pipes, and appurtenances from Peacock Glen Water Co. The purchase agreement calls for 10 annual payments of \$68,000 with no interest, beginning January 2005. CPWA has recorded the purchase net of imputed interest of 3.75%. The debt to Peacock Glen Water Co. was satisfied upon the final payment in January 2014.

Interest expense on all debt obligations was \$836,842 and \$1,128,911 for the years ended December 31, 2014 and 2013, respectively.

A summary of CPWA's future minimum annual maturities for long-term obligations is as follows:

	<u>Serial Bonds</u>			
	<u>2013</u>	<u>2009</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31,				
2015	\$ 870,000	\$ 295,000	\$ 851,644	\$ 2,016,644
2016	900,000	310,000	804,594	2,014,594
2017	935,000	320,000	756,344	2,011,344
2018	970,000	330,000	706,669	2,006,669
2019	1,015,000	345,000	650,731	2,010,731
2020-2024	5,780,000	1,960,000	2,307,495	10,047,495
2025-2029	<u>2,550,000</u>	<u>3,205,000</u>	<u>527,175</u>	<u>6,282,175</u>
	<u>\$13,020,000</u>	<u>\$6,765,000</u>	<u>\$ 6,604,652</u>	<u>\$ 26,389,652</u>

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

7. DEFERRED INFLOWS OF RESOURCES

A summary of deferred inflows of resources and accumulated amortization is as follows:

	<u>2014</u>	<u>2013</u>
Amounts deferred on defeasance, Series 2013 Bonds	\$ 624,435	\$ 624,435
Series 2009A Bond issuance premium	150,189	150,189
Water System Revenue Refunding Bonds, Series 2013 reoffering premium	<u>221,186</u>	<u>221,186</u>
	995,810	995,810
Less accumulated amortization	<u>99,399</u>	<u>31,704</u>
	<u>\$ 896,411</u>	<u>\$ 964,106</u>

The issuance premiums are accreted over the life of the bonds using the effective interest method. The amounts deferred on defeasance of the Series 2013 Bonds are amortized using the effective interest method over the life of the Water System Revenue Refunding Bonds, Series 2013.

Accretion and amortization for the years ended December 31, 2014 and 2013 was \$67,695 and \$15,931, respectively and is included as a component of interest expense.

A summary of the future accretion and amortization is as follows:

2015	\$ 68,400
2016	69,130
2017	69,887
2018	70,670
2019	71,482
Thereafter	<u>546,842</u>
Total	<u>\$ 896,411</u>

8. NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

Plan Description

CPWA participates in the New York State and Local Employees' Retirement System (NYSERS). This is a cost-sharing multiple-employer retirement system. NYSERS 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 (Comptroller) serves as sole trustee and administrative head of NYSERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of NYSERS and for the custody and control of its funds. NYSERS 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 Employees' Retirement Systems, 110 State Street, Albany, New York 12244.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

8. NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

Funding Policy

NYSERS is noncontributory except for employees who joined NYSERS after July 27, 1976. Those employees who joined after July 27, 1976 have varying contribution rates and terms based upon their date of membership as follows:

<u>Tiers</u>	<u>Plan Entry Dates</u>	<u>Contribution Rate</u>	<u>Term</u>
4	7/27/1976 - 12/31/2009	3% of salary	1 st ten years of membership
5	1/1/2010 - 3/31/2012	3% of salary	Entire career
6	4/1/2012 - present	Ranging from 3% - 6%	Entire career

Under the authority of the NYSRSSL, the Comptroller annually certifies the rates, expressed as proportions of members' payroll which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

CPWA is required to contribute at an actuarially determined rate. The current rates for Tier 4, 5, and 6 members are 20.3%, 16.6%, and 11.0%, respectively, of annual covered payroll.

The required contributions for the current year and two preceding years were:

2014	\$ 205,592
2013	195,630
2012	164,127

Contributions made to NYSERS were equal to 100% of the contributions required for each year.

9. RELATED PARTY TRANSACTIONS

During 2014 and 2013, CPWA reimbursed the Town of Clifton Park (Town) \$73,273 and \$64,044, respectively, for operating costs incurred. CPWA owed the Town \$11,792 and \$17,533 at December 31, 2014 and 2013, respectively.

For the years ended December 31, 2014 and 2013, the Town purchased water for \$11,013 and \$10,610, respectively, from CPWA.

10. COMMITMENTS AND CONTINGENCIES

Preserve Lease

CPWA leases certain lands that are located within the area known as the Vischer's Ferry Nature and Historic Preserve from the New York State Canal Corporation for the purpose of installing production wells, control facilities and associated improvements, and for pumping subterranean water for human consumption and other uses to the water system operated by CPWA.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

10. COMMITMENTS AND CONTINGENCIES

Preserve Lease

The lease expires in February 2018; however, the lease may be extended for two additional successive terms of ten years based upon certain terms and conditions.

The minimum rental for the lease of the property is calculated at the rate of \$.065 per thousand gallons of water pumped by CPWA for the first 730,000,000 gallons of raw water treated and sold, but in no event shall such minimum rental be less than \$47,450. The minimum rental is subject to an annual increase based on the same percentage increases fixed from time to time by CPWA for metered water sales to its residential customers. The rental payment for quantities of water drawn over and above the minimum shall be calculated in accordance with a graduated fee schedule based on gallons pumped annually. In addition, CPWA is required to pay a percentage of the gross revenues collected from bulk water sales to outside districts.

Lease payments are to be made on an annual basis, within thirty days following the close of each year. The rental payment for the year shall be equivalent to the minimum rental rate plus the value of the cumulative volume of water pumped during that year. No volume of water pumped during 2014 or 2013 exceeded the minimum rental rate. Total payments under the lease were \$54,183 and \$54,128 for 2014 and 2013, respectively.

A summary of CPWA's future minimum rental commitment under this lease is as follows:

2015	\$ 51,720
2016	51,720
2017	51,720
2018	8,620
2019	<u> -</u>
 Total	 <u>\$ 163,780</u>

Agreement with Saratoga County Water Authority

During 2010, CPWA entered into an agreement with the Saratoga County Water Authority (SCWA) to purchase at least 500,000 gallons of water per day for at least ten years from the date of first delivery of water. The maximum price is set at \$2.05 per 1,000 gallons, and increases at the rate of 1.5% each subsequent year. Total water purchases from Saratoga County Water Authority were \$391,280 and \$692,417 for the years ended December 31, 2014 and 2013 respectively. Of the amount of water purchased from SCWA in 2014, \$92,225 is recorded as prepaid water purchases. This amount represents the gallons paid for in 2014 but not used by CPWA. This amount will be applied towards future water usage.

Also in 2010, CPWA entered into a cost sharing agreement with the Town of Ballston. The agreement requires CPWA to reimburse the Town of Ballston annually for maintenance costs directly related to a pump station based on a pro-rated basis of water taken by CPWA through the pump station to the total water provided by SCWA.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

10. COMMITMENTS AND CONTINGENCIES

Agreement with Glenville Water District

CPWA entered into an agreement with the Glenville Water District (GWD) to purchase at least 650,000 gallons of water per day for the period commencing from November 18, 2013 through August 31, 2014. The maximum price is set at \$2.50 per 1,000 gallons. The total water purchases from the Glenville Water District were \$431,825 and \$39,806 for the years ended December 31, 2014 and 2013 respectively.

Rental Income

CPWA rents cell phone tower space to three companies. Annual rental income from these agreements range from \$17,940 to \$26,617. The lessees are responsible for utility costs. The leases expire between 2015 to 2019 with the conditional options to renew for five additional five-year terms. The amount of rental income recorded in miscellaneous revenue was \$64,849 and \$74,182 for the years ended December 31, 2014 and 2013, respectively.

A summary of future rental income is as follows:

2015	\$ 47,939
2016	73,766
2017	75,979
2018	64,550
2019	52,779

Workers' Compensation

CPWA participates in the County of Saratoga's Self Insurance Pool (Plan) to cover losses under the Workers' Compensation Law. Other cities, towns, villages, fire districts, youth commissions, and public benefit corporations within the County of Saratoga can participate. Each participant is billed by the Plan for its share of the estimated costs for the ensuing year. Any deficiencies in the amounts billed are added to the next year's bill.

11. OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Plan Description

The Authority administers the postretirement benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and/or dental/vision benefits for certain retirees and their survivors and can be amended by action of the Authority subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

11. OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Funding Policy

The obligations of the Plan members and employer are established by action of the Authority pursuant to applicable employment agreements. Employees are required to continue payment of their health benefit contribution amount in retirement; however, employees can apply any unused, unpaid sick leave credits to pay their portion of their health insurance premium. Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) maintained full-time employment with the Authority for a minimum of ten years; 2) has reached the eligible age of retirement as stated by the New York State Employees' Retirement System. The Authority currently funds the plan to satisfy current obligations on a pay-as-you-go basis. The annual cost of providing this benefit for a retiree and spouse was approximately \$4,200.

The contribution requirements of Plan members and the Authority are established by the Authority.

Actuarial Methods and Assumptions

The Authority obtained an actuarial valuation dated December 31, 2014 which indicated that the total liability for other postemployment benefits totaled \$1,210,000. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates about the future.

Projection of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the Authority and the Plan members) and include the types of benefits provided at the time of the 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.

The actuarial funding method used to calculate the costs of the Plan is known as the Projected Unit Credit (PUC) Cost Method. The accrued liability for active employees is the portion of benefit liability attributed to service years to date. Normal cost is the amount of benefit liability attributed to the current employment year. Normal cost for retired employees is zero. The initial accrued liability is amortized over a 30-year period using the level percent of pay. Actuarial gains and losses will be determined annually and amortized over a fixed 30-year period.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

11. OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Actuarial Methods and Assumptions

The following assumptions were used in the 2014 calculation: a) interest rate of 4.5%, b) mortality rate from the RP-2000 Combined Table (projected 27 and 19 years), c) termination rates consistent with GASB 45 abbreviated methodology, Sarasson T-5 table, d) all employees are assumed to retire at age 58 and ten years of service, e) 2013 medical cost trend rate of 9.5% that will gradually decrease in future years but remains at 5.0% for periods beyond 2023, f) active employee and spousal coverage - it is assumed the female spouse is the same age as the husband, g) 70% of males and 50% of females are assumed married, h) all employees are assumed to maintain current coverage and elect CDPHP Medicare coverage.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postretirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table summarizes the Annual OPEB Cost:

	<u>2014</u>	<u>2013</u>
Normal Cost	\$ 150,000	\$ 140,000
Amortization of Unfunded Actuarial Liability	90,000	80,000
Interest	<u>10,000</u>	<u>5,000</u>
ARC	250,000	225,000
Interest on OPEB Obligation	45,000	30,000
Adjustment to ARC	<u>(40,000)</u>	<u>(30,000)</u>
OPEB Expense	<u><u>\$ 255,000</u></u>	<u><u>\$ 225,000</u></u>
Net OPEB Obligation at the beginning of the year	\$ 960,000	\$ 741,580
OPEB Expense	255,000	225,000
Net OPEB Contributions made during the fiscal year	<u>(5,000)</u>	<u>(6,580)</u>
Net OPEB Obligation at the end of the year	<u><u>\$ 1,210,000</u></u>	<u><u>\$ 960,000</u></u>
Percentage of Expense Contributed	2.0 %	2.9%

Funded Status

Accrued Liability at end of year	\$ 1,210,000	\$ 960,000
Plan Assets at end of year	<u>-</u>	<u>-</u>
Unfunded Accrued Liability	<u><u>\$ 1,210,000</u></u>	<u><u>\$ 960,000</u></u>
Percentage of Funded Accrued Liability	0%	0%

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2015 which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2012	\$ -	\$ 2,050,704	\$ 2,050,704	0%	\$ 826,474	\$ 261.02%
01/01/2013	\$ -	\$ 1,900,000	\$ 1,900,000	0%	\$ 940,000	\$ 202.10%
01/01/2014	\$ -	\$ 2,170,000	\$ 2,170,000	0%	\$ 960,000	\$ 226.04%

**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**

Kevin J. McCoy, CPA

Thomas W. Donovan, CPA

Frank S. Venezia, CPA

James E. Amell, CPA

Carol A. Hausamann, CPA

Daniel J. Litz, CPA

Karl F. Newton, CPA

Kevin P. O'Leary, CPA

Timothy A. Reynolds, CPA

Martin D. Hull, CPA

Heather D. Patten, CPA

**Board of Directors
Clifton Park Water Authority**

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 consolidated financial statements of the Clifton Park Water Authority and Subsidiary (Authority) as of and for the year ended December 31, 2014, and the related notes to the consolidated financial statements, which collectively comprise the Authority's basic consolidated financial statements, and have issued our report thereon dated March 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's consolidated 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*.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Latham, NY
March 20, 2015

**CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Findings - Financial Statement Audit

2014-001 Finding

Our procedures disclosed that the Authority's review of cutoff at year end was deficient.

Cause

Invoices received are entered into Accounts Payable based upon the date of the invoice.

Effect

An invoice received after year end should have been recorded in Accounts Payable and Construction work-in-progress at December 31, 2014.

Recommendations

We recommend that at the end of each reporting period, a procedure be put in place where each invoice is reviewed for when the good or service was provided to the Authority and indicate the proper year to record the transaction on the invoice.

Management's Response

The Authority will institute more stringent procedures to review invoices received to ensure that they are entered into Accounts Payable for the fiscal year in which the goods or services were provided to the Authority.