

TOWN OF WILTON
WATER AND SEWER AUTHORITY

FINANCIAL STATEMENTS
DECEMBER 31, 2006

TOWN OF WILTON WATER AND SEWER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Board
Town of Wilton Water and Sewer Authority

We have audited the accompanying statement of net assets of the Town of Wilton Water and Sewer Authority, as of December 31, 2006 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management's discussion and analysis on pages two through four is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Wilton Water and Sewer Authority as of December 31, 2006 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
July 6, 2007

TOWN OF WILTON WATER AND SEWER AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

Organization

The Town of Wilton Water and Sewer Authority (the Authority) provides water supply and distribution as well as sewer services to residents of the Town of Wilton within its service areas. The Authority was created by the State Legislature in 1991. Other than appointing members to the Authority's five member governing board, the Town of Wilton has no oversight responsibility or exerts any control over the Authority.

The Authority's customer base has tripled since the purchase of the water system in 1992.

The Authority currently has two water plants with a total of 18 wells to service its customers. The Authority is currently in the process of constructing a third water plant with an additional 5 wells. As new housing and commercial developments are approved, the developers are required to construct water distribution lines, sewage collection systems and pumping stations which are then dedicated to the Authority. The Authority also purchases water from the City of Saratoga Springs. This contract allows the Authority the right to purchase up to 250,000 gallons per day at 1 ½ times the City's rate to its users.

The funding to provide water services comes primarily from charges for water consumption and various developer fees.

The funding to provide sewer services comes primarily from sewer charges to users and Capital Improvement fees paid by developers. Sewage from the Town is treated by the Saratoga County Sewer District. The Authority provides the individual collection systems and pumping stations to transfer the sewage to the Saratoga County Sewer District.

The Authority provides the following basic financial statements:

Statement of Net Assets

Statement of Revenues, Expenses and Changes in Net Assets

Statement of Cash Flows

Analysis of Authority's Financial Position

Total Net Assets at December 31, 2006 was \$16,021,317; this was an increase of \$1,067,663 over 2005. Net Assets at December 31, 2006 includes Contributed Capital (net of Accumulated Depreciation on those assets) of \$7,170,899. Net Assets also includes Infrastructure Replacement and Capital Improvement Reserves totaling \$1,616,732 as well as Bond Reserve of \$626,877.

Total Assets at December 31, 2006 was \$18,749,455 this is an increase of \$3,135,709 over 2005. Total assets include capital assets as follows:

	<u>2006</u>	<u>2005</u>	<u>Increase</u>
Capital Assets at historical cost	\$ 16,854,019	\$ 14,492,871	\$ 2,361,148
Accumulated Depreciation	3,139,133	2,842,194	(296,939)
Net Capital Assets	<u>\$ 13,714,886</u>	<u>\$ 11,650,677</u>	<u>\$ 2,064,209</u>

TOWN OF WILTON WATER AND SEWER AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

The increase in Capital Assets for 2006 includes water and sewer lines contributed by developers valued at \$65,255.

Liabilities at December 31, 2006 totaled \$2,728,138 ; this is an increase of \$1,068,046 from 2005. Included in Total Liabilities is bonds payable of \$2,500,000; this is the debt issued for construction of the Jones Road Water Plant.

On the Statement of Revenues and Expenses, Operating Revenue totaled \$2,140,417 for the year ended December 31, 2006; a decrease of \$548,735 from the same period in 2005. Included in Operating Revenue:

	<u>2006</u>	<u>2005</u>
Water Revenues:		
Metered Water Rents	\$ 1,001,053	\$ 1,133,192
Unmetered Water Rents	5,308	5,587
Buy in Fees	387,200	728,200
Interest and Penalties	10,009	9,371
Use of Money	145,231	46,298
Use of Property	47,718	20,244
Developer Fee Revenue	45,326	29,437
Contributed Capital	32,675	156,975
Sale of Meters	13,550	6,850
Miscellaneous	<u>8,094</u>	<u>585</u>
Total Water Revenue	<u>1,696,164</u>	<u>2,136,739</u>
Sewer Revenues:		
Sewer Rent Revenue	207,499	198,156
Use of Money	21,510	11,782
Developer Fee Revenue	152,390	154,105
Contributed Capital	32,580	188,370
Miscellaneous	<u>30,274</u>	<u>-</u>
Total Sewer Revenue	<u>444,253</u>	<u>552,413</u>
Total Operating Revenue	<u>\$ 2,140,417</u>	<u>\$ 2,689,152</u>

Operating Expenses increased \$72,294 from 2005 to a total of \$1,072,754 for the year ended December 31, 2006. Included in this category are:

	<u>2006</u>	<u>2005</u>
Salaries	\$ 144,230	\$ 134,635
Employee Benefits	49,937	46,974
Contractual Services	460,498	472,714
Depreciation and Amortization	309,562	293,397
Interest	<u>108,527</u>	<u>52,740</u>
	<u>\$ 1,072,754</u>	<u>\$ 1,000,460</u>

Analysis of Capital Projects

At the end of 2006, there were three active Capital Projects in various stages of completion. These projects are to be funded by transfers from the Water or Sewer funds with the Jones Road Water Plant project to be partially funded with \$2,500,000 in debt issued in 2006. Expenditures of \$2,040,046 incurred in 2006 and construction in progress as of December 31, 2006 on these projects is as follows:

	<u>2006</u> <u>Expenditures</u>	<u>Construction</u> <u>in Progress</u>
1. Equipment	\$ 196,269	\$ 217,599
2. Sewer Improvements	34,588	-
3. Jones Road Water Plant	<u>1,809,189</u>	<u>2,380,592</u>
	<u>\$ 2,040,046</u>	<u>\$ 2,598,191</u>

Completion of all of these projects is expected in 2007.

Future Prospects for the Authority's Finances

Currently, there are more than 350 housing units approved by the Authority but not yet built. All of these are within the current or projected boundaries (after the Jones Road plant is completed) of the Authority's service area. The Authority has been averaging more than 50 new connections per year and we expect this to continue into the foreseeable future. When the Jones Road Water Plant is completed, the Authority will have a sufficient supply to provide water for all anticipated growth for the foreseeable future.

The location of the Jones Road Water Plant will also allow the Authority to provide water to the Exit 15 commercial area at a cost that is significantly less than is currently charged by the City of Saratoga Springs.

The Saratoga County Sewer District recently expanded its service area to include all of the Town of Wilton. The Authority is currently negotiating with the County Sewer District to transfer all of its lines and pumping stations to the County. When this occurs, all maintenance, revenues and expenses will be the responsibility of the County Sewer District and the Authority will be effectively "out of the sewer business."

In February 2007, the Authority entered into a contract with the Saratoga County Water Authority to purchase at least 300,000 gallons of potable water per day for a ten year period commencing from the date the Saratoga County Water Authority possess the operational capacity and ability to deliver the water.

TOWN OF WILTON WATER AND SEWER AUTHORITY

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Assets</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Projects</u>	<u>Eliminations</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,412,931	\$ 39,088	\$ 1,065	\$ -	\$ 2,453,084
Restricted Cash	1,509,286	721,423	-	-	2,230,709
Accounts Receivable	258,040	52,976	-	-	311,016
Inventory	8,086	548	5,661	-	14,295
Prepaid Expenses	12,565	-	-	-	12,565
Due from Other Funds	373	459,639	161,282	(621,294)	-
Restricted Assets	9,571	3,329	-	-	12,900
Utility Plant in Service, Net	<u>6,014,351</u>	<u>5,102,344</u>	<u>2,598,191</u>	<u>-</u>	<u>13,714,886</u>
Total Assets	<u>\$ 10,225,203</u>	<u>\$ 6,379,347</u>	<u>\$ 2,766,199</u>	<u>\$ (621,294)</u>	<u>\$ 18,749,455</u>
<u>Liabilities and Net Assets</u>					
Accounts Payable and Accrued Expenses	51,084	15,707	161,347	-	228,138
Bonds Payable	2,500,000	-	-	-	2,500,000
Due to Other Funds	<u>580,205</u>	<u>40,089</u>	<u>1,000</u>	<u>(621,294)</u>	<u>-</u>
Total Liabilities	<u>3,131,289</u>	<u>55,796</u>	<u>162,347</u>	<u>(621,294)</u>	<u>2,728,138</u>
Net Assets					
Contributed Capital	2,155,917	5,014,982	-	-	7,170,899
Replacement Reserve	891,980	260,597	-	-	1,152,577
Capital Reserve	-	464,155	-	-	464,155
Bond Reserve	626,877	-	-	-	626,877
Unrestricted	<u>3,419,140</u>	<u>583,817</u>	<u>2,603,852</u>	<u>-</u>	<u>6,606,809</u>
Total Net Assets	<u>7,093,914</u>	<u>6,323,551</u>	<u>2,603,852</u>	<u>-</u>	<u>16,021,317</u>
Total Liabilities and Net Assets	<u>\$ 10,225,203</u>	<u>\$ 6,379,347</u>	<u>\$ 2,766,199</u>	<u>\$ (621,294)</u>	<u>\$ 18,749,455</u>

See accompanying notes and independent auditor's report.

TOWN OF WILTON WATER AND SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
DECEMBER 31, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Operating Revenue				
Water Rent Revenue	\$ 1,016,370	\$ -	\$ -	\$ 1,016,370
Sewer Rent Revenue	-	207,499	-	207,499
Use of Money	145,231	21,510	-	166,741
Use of Property	47,718	-	-	47,718
Developer Fee Revenue	432,526	152,390	-	584,916
Contributed Capital	32,675	32,580	-	65,255
Sale of Meters	13,550	-	-	13,550
Miscellaneous Revenue	<u>8,094</u>	<u>30,274</u>	<u>-</u>	<u>38,368</u>
Total Operating Revenue	<u>1,696,164</u>	<u>444,253</u>	<u>-</u>	<u>2,140,417</u>
Operating Expense				
Salaries	129,635	14,595	-	144,230
Employee Benefits	47,318	2,619	-	49,937
Contractual Services	354,693	71,218	34,587	460,498
Depreciation and Amortization	188,001	121,561	-	309,562
Interest Expense	<u>108,527</u>	<u>-</u>	<u>-</u>	<u>108,527</u>
Total Operating Expenses	<u>828,174</u>	<u>209,993</u>	<u>34,587</u>	<u>1,072,754</u>
Operating Transfers In/Out	<u>(2,380,591)</u>	<u>(230,837)</u>	<u>2,611,428</u>	<u>-</u>
Increase (Decrease) in Net Assets	(1,512,601)	3,423	2,576,841	1,067,663
Net Assets, Beginning of Year (as restated)	<u>8,606,515</u>	<u>6,320,128</u>	<u>27,011</u>	<u>14,953,654</u>
Net Assets, Ending of Year	<u>\$ 7,093,914</u>	<u>\$ 6,323,551</u>	<u>\$ 2,603,852</u>	<u>\$ 16,021,317</u>

TOWN OF WILTON WATER AND SEWER AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 1,067,663
Adjustments to Reconcile Change in Net Assets	
Used In Operating Activities:	
Depreciation and Amortization, Utility Plant in Service	307,265
Amortization Bond Fees and Deferred Refunding	13,541
Contributed Capital	(65,255)
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Assets	
Accounts Receivable	(1,349)
Inventory	1,021
Prepaid Expenses	(1,375)
Decrease in Liabilities:	
Accounts Payable and Accrued Expenses	<u>(24,029)</u>
Net Cash Provided By Operating Activities	<u>1,297,482</u>
Cash Flows Used In Investing Activities:	
Purchase of Property and Equipment	<u>(2,163,216)</u>
Net Cash Used In Investing Activities	<u>(2,163,216)</u>
Cash Flows from Financing Activities:	
Repayment of Bonds Payable	(529,172)
Issuance of Bonds Payable	2,500,000
Repayment to Farone Long Term Debt	<u>(33,000)</u>
Net Cash Flows Provided By Operating Activities	<u>1,937,828</u>
Net Increase in Cash	1,072,094
Cash at Beginning of Year	<u>3,611,699</u>
Cash at End of Year	<u>\$ 4,683,793</u>
Supplementary Disclosure of Cash Flow Information:	
Interest Expense Paid	<u>\$ 97,283</u>

TOWN OF WILTON WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Town of Wilton Water and Sewer Authority, (the "Authority") provides water supply and distribution and sewer services to customers in portions of the Town of Wilton (the "Town"). Additionally, the Authority is actively pursuing the acquisition of existing water systems to expand its existing distribution capabilities.

The Authority, a public benefit Corporation, was established in 1991 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the water and sewer system in the Town of Wilton, New York. Among its powers, the Authority may borrow money, issue debt, and require that the Board charge and collect sufficient rates to pay the costs of operating and financing the water and sewer system. The Authority consists of five members, who are appointed by the Town Board of Wilton. The Town of Wilton's accountability for the Authority does not extend beyond making the appointments.

Basis of Accounting

The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting wherein revenue is recognized when earned and expense recognized when incurred. The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers certificates of deposit with maturities of less than six months to be cash equivalents.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Utility Plant in Service

Utility plant in service, acquired through either purchase or construction, is stated at cost. Donated water and sewer infrastructure is valued at its estimated fair value at the date donated. Depreciation is computed using the straight-line method based upon estimated depreciable lives as follows:

<u>Classification of Assets</u>	<u>Years</u>
Water supply systems	50
Water and sewer distribution systems	50
Equipment, furniture and fixtures	5-10
Soft costs	5

TOWN OF WILTON WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

Utility Plant in Service (Continued)

Maintenance and repairs are charged to current operations. Major replacements and improvements are capitalized as utility plant.

Income Taxes

The Authority is a municipal entity, which, under federal and state law, is not subject to any income taxes at the federal, state and local levels.

Contributed Capital

Contributed capital is recorded at the estimated fair value of the donated water and sewer infrastructure at the date donated. Depreciation on contributed fixed assets is allocated to contributed capital using the straight-line method over 50 years.

Budgetary Data

A budget is not legally required, although one has been adopted for operational needs. Therefore, presentation of budgetary comparison information has not been presented.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported could differ from the estimates.

2. CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Authority's written investment policy was adopted by the Authority's Board and is governed by State statutes. Authority monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Authorized investments include demand accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America, obligations of the State of New York, local municipalities, school districts or district corporations, public authorities and certificates of participation. Collateral is required for demand accounts and certificate of deposits at 100 percent of all deposits not covered by federal deposit insurance.

The carrying amount of checking and time deposits at December 31, 2006 totaled \$4,683,793, with corresponding bank balances of \$5,269,973 which were covered by Federal depository insurance or by collateral held by the Authorities agent in the Authorities name.

TOWN OF WILTON WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

3. RESTRICTED ASSETS AND RESTRICTED NET ASSETS

Restricted assets consist of cash, certificates of deposit and related accrued interest for the following purposes:

Replacement Reserve - Water Fund	\$	891,980
Replacement Reserve - Sewer Fund		260,597
Capital Reserve - Sewer Fund		464,155
Bond Reserve - Water Fund		<u>626,877</u>
	\$	<u>2,243,609</u>
Restricted Cash	\$	2,230,709
Restricted Assets (Accrued Interest)		<u>12,900</u>
	\$	<u>2,243,609</u>

4. UTILITY PLANT IN SERVICE

Utility plant in service is comprised of the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Water and sewer supply, distribution and collection systems	\$ 5,345,199	\$ 92,303	\$ -	\$ 5,437,502
Donated infrastructure	2,436,317	5,990,619	-	8,426,936
Equipment, furniture and fixtures	381,390	10,000	-	391,390
Construction in progress	<u>-</u>	<u>-</u>	<u>2,598,191</u>	<u>2,598,191</u>
	8,162,906	6,092,922	2,598,191	16,854,019
Less: accumulated depreciation	<u>(2,148,555)</u>	<u>(990,578)</u>	<u>-</u>	<u>(3,139,133)</u>
	<u>\$ 6,014,351</u>	<u>\$ 5,102,344</u>	<u>\$ 2,598,191</u>	<u>\$13,714,886</u>

The purchase price of the original system and all related equipment, furniture and fixtures have been accounted for in the water supply, distribution, and collection systems category. Utility plant additions incurred subsequent to the original purchase of the system are classified by asset category.

Depreciation and amortization was \$309,562 for the year ended December 31, 2006.

5. BONDS PAYABLE

April 1, 2001, the Authority issued \$2,160,000 in Bonds which were fully repaid in 2006.

In 2006, the Authority issued \$2,500,000 in revenue bonds for the construction of the Jones Road Water Plant.

TOWN OF WILTON WATER AND SEWER AUTHORITY**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****DECEMBER 31, 2006**

5. BOND PAYABLE (CONTINUED)

The bonds are due as follows:

<u>Year</u>	<u>Principal Payable</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 210,000	\$ 41,793	\$ 251,793
2008	220,000	79,570	299,570
2009	230,000	71,358	301,358
2010	235,000	62,871	297,871
2011	245,000	54,111	299,111
Thereafter	<u>1,360,000</u>	<u>127,202</u>	<u>1,487,202</u>
	<u>\$ 2,500,000</u>	<u>\$ 436,905</u>	<u>\$ 2,936,905</u>

Interest expense was \$108,527 for the year ended December 31, 2006.

6. PENSION PLAN**Pension Description**

The Authority participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide 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 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 System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. 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.

The Authority is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were: 2006 - \$13,057; 2005 - \$11,987 and 2004 - \$14,053. The Authority's contribution made to the System was equal to 100% of the contribution required for the year.

TOWN OF WILTON WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

7. INTERFUND TRANSACTIONS

During the course of normal operations, the Authority has transactions between funds including expenditures and transfers. These transactions are recorded as interfund revenues, interfund transfers and expenditures in the respective funds.

Individual interfund receivable and payable balances at December 31, 2006 arising from these transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Water Fund	\$ 373	\$ 580,205
Sewer Fund	459,639	40,089
Capital Projects	<u>161,282</u>	<u>1,000</u>
	<u>\$ 621,294</u>	<u>\$ 621,294</u>

8. VACATION, PERSONAL AND SICK LEAVE

Permanent employees are granted vacation, personal sick leave in varying amounts. A maximum of five days of unused vacation may be carried over to a subsequent year. Sick leave may be accumulated to 1000 hours; however, sick leave is not a vested benefit and is not payable to the employee at termination. No provision has been made in the financial statements for any accumulated leave as of December 31, 2006 that was carried over to 2007 because it is considered by management to be immaterial.

9. LEASE PAYMENTS

The Authority has also entered into a lease agreement with the Town of Wilton for five years whereby the Authority has agreed to pay \$500 per month from January 2003 forward. Rent expense of \$6,000 has been recognized in the year ended December 31, 2006.

10. RESTATEMENT

Net assets at December 31, 2005 were increased by \$592,733 to reflect construction in progress in the Capital Projects Fund not previously capitalized.

11. SUBSEQUENT EVENT

In February 2007, the Authority entered into a contract with the Saratoga County Water Authority to purchase at least 300,000 gallons of potable water per day for a ten year period commencing from the date the Saratoga County Water Authority possesses the operational capacity and ability to deliver the water.

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To the Members of the Town Board
Town of Wilton Water and Sewer Authority

We have audited the financial statements of the Town of Wilton Water and Sewer Authority for the year ended December 31, 2006, and have issued our report thereon dated July 6, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated February 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Town of Wilton Water and Sewer Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town of Wilton Water and Sewer Authority are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted during 2006. The application of existing policies did change in regard to recording construction in progress for capital projects spanning more than one fiscal year, requiring a restatement of December 31, 2005 net assets of \$592,733. Additionally, the policy of recording contributed capital directed to net assets was changed. These contributions are now recorded as revenue. We noted no transactions entered into by the Town of Wilton Water and Sewer Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Town of Wilton Water and Sewer Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments (other than those discussed relating to the change in accounting policies) that could, in our judgment, either individually or in the aggregate, have a significant effect on the Town of Wilton Water and Sewer Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's general purpose financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the members of the Board and management of the Town of Wilton Water and Sewer Authority and should not be used for any other purpose..

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

CUSACK & COMPANY, CPA'S LLC

Latham, New York
July 6, 2007