

TOWN OF WILTON
WATER AND SEWER AUTHORITY

FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009 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 three through five and the statement of revenues and expenses - budget to actual on page 14 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, 2009 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2010 on our consideration of the Town of Wilton Water and Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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
May 17, 2010

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 three water plants with a total of 23 wells to service its customers. 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.

In March, 2007, the Authority entered into a contract with the Saratoga County Water Authority to buy 300,000 gallons of water per day at a cost of \$2.05 per 1,000 gallons. This contract commenced when the County Authority's water plant became operational on February 22, 2010.

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, 2009 was \$19,364,124; this was an increase of \$745,749 over 2008. Net Assets at December 31, 2009 includes Contributed Capital (net of Accumulated Depreciation on those assets) of \$7,734,593. Net Assets also includes Infrastructure Replacement and Capital Improvement Reserves totaling \$2,345,548.

TOWN OF WILTON WATER AND SEWER AUTHORITY**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

DECEMBER 31, 2009

Analysis of Authority's Financial Position (Continued)

Total Assets at December 31, 2009 was \$21,404,838 an increase of \$615,971 over 2008. Total assets include capital assets as follows:

| | <u>2009</u> | <u>2008</u> | <u>Increase (Decrease)</u> |
|--------------------------|----------------------|----------------------|--------------------------------|
| Capital Assets at cost | \$ 18,740,438 | \$ 18,448,614 | \$ 291,824 |
| Accumulated Depreciation | <u>(4,274,569)</u> | <u>(3,855,901)</u> | <u>418,668</u> |
| Net Capital Assets | <u>\$ 14,465,869</u> | <u>\$ 14,592,713</u> | <u>\$ (126,844)</u> |

There was no increase in Capital Assets for 2009 for water and sewer lines contributed by developers.

Liabilities at December 31, 2009 totaled \$2,040,714; this is a decrease of \$129,778 from 2008. Included in Total Liabilities is bonds payable of \$1,840,000; this is the debt issued for construction of the Jones Road Water Plant.

On the Statement of Revenues and Expenses, Operating Revenue totaled \$1,883,203 for the year ended December 31, 2009; a decrease of \$683,084 from the same period in 2008. Included in Operating Revenue:

| | <u>2009</u> | <u>2008</u> |
|-------------------------|---------------------|---------------------|
| Water Revenues: | | |
| Metered Water Rents | \$ 1,018,929 | \$ 1,096,346 |
| Unmetered Water Rents | 4,790 | 4,790 |
| Buy in Fees | 172,400 | 187,500 |
| Interest and Penalties | 7,790 | 9,421 |
| Use of Money | 131,409 | 141,082 |
| Use of Property | 44,914 | 45,427 |
| Developer Fee Revenue | 9,480 | 33,644 |
| Contributed Capital | - | 254,375 |
| Sale of Meters | 39,387 | 38,350 |
| Miscellaneous | <u>1,598</u> | <u>730</u> |
| Total Water Revenue | <u>1,430,697</u> | <u>1,811,665</u> |
| Sewer Revenues: | | |
| Sewer Rent Revenue | 233,941 | 230,095 |
| Use of Money | 29,150 | 31,204 |
| Developer Fee Revenue | 89,415 | 128,371 |
| Contributed Capital | - | <u>364,952</u> |
| Total Sewer Revenue | <u>352,506</u> | <u>754,622</u> |
| Capital Projects: | | |
| County Grant | <u>100,000</u> | <u>-</u> |
| Total Operating Revenue | <u>\$ 1,883,203</u> | <u>\$ 2,566,287</u> |

Analysis of Authority's Financial Position (Continued)

Operating Expenses decreased \$240,090 from 2008 to a total of \$1,137,454 for the year ended December 31, 2009.

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|---------------------|---------------------|
| Salaries | \$ 170,750 | \$ 166,240 |
| Employee Benefits | 50,272 | 54,827 |
| Contractual Services | 430,605 | 682,244 |
| Depreciation and Amortization | 418,667 | 398,678 |
| Interest | 67,160 | 75,555 |
| | <u>\$ 1,137,454</u> | <u>\$ 1,377,544</u> |

Analysis of Capital Projects

At the end of 2009, there was one active Capital Project. This project is to be funded by transfers from the Water Fund and a \$100,000 grant from Saratoga County. Expenditures of \$271,841 were incurred in 2009 and \$42,620 in 2008 on this project and have been included in construction in progress. Total project cost is estimated at \$382,380.

Future Prospects for the Authority's Finances

Based on a report from the engineers for the Authority, metered consumption figures for 2009 demonstrate that 2,776 equivalent single family homes served during 2009 averaged 300 gallons per day. Based upon these consumption figures, it appears that the existing source capacity of the WWSA can sustain a total of 5,810 equivalent single family connections. Currently there are 2,776 equivalent single family units connected and there are approximately 624 vacant lots (or equivalent residential connections) for which the WWSA is committed to provide service.

The Authority has been averaging more than 50 new connections per year (17 single family, 185 apartment and 8 commercial connections in 2009) and we expect this trend to continue into the foreseeable future. With the Jones Road Water Plant, the contract with the city of Saratoga Springs and the new contract with the Saratoga County Water Authority, the Authority will have sufficient supply to provide water for all anticipated growth for the foreseeable future.

Contact Information

For additional information, please contact the Authority's Comptroller at Wilton Water and Sewer Authority, 20 Traver Road, Wilton, New York 12831.

TOWN OF WILTON WATER AND SEWER AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

| <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 | \$ 4,166,500 | \$ - | \$ 1,065 | \$ - | \$ 4,167,565 |
| Restricted Cash | 1,005,340 | 1,340,208 | - | - | 2,345,548 |
| Accounts Receivable | 248,508 | 59,020 | - | - | 307,528 |
| Due from Other Governments | - | - | 100,000 | - | 100,000 |
| Inventory | 10,726 | 296 | - | - | 11,022 |
| Prepaid Expenses | 7,306 | - | - | - | 7,306 |
| Due from Other Funds | 65 | 675,146 | 15,601 | (690,812) | - |
| Utility Plant in Service, Net | 8,654,136 | 5,497,272 | 314,461 | - | 14,465,869 |
| Total Assets | <u>\$ 14,092,581</u> | <u>\$ 7,571,942</u> | <u>\$ 431,127</u> | <u>\$ (690,812)</u> | <u>\$ 21,404,838</u> |
| <u>Liabilities and Net Assets</u> | | | | | |
| Accounts Payable and Accrued Expenses | \$ 72,542 | \$ 12,571 | \$ 115,601 | \$ - | \$ 200,714 |
| Bonds Payable | 1,840,000 | - | - | - | 1,840,000 |
| Due to Other Funds | 689,747 | - | 1,065 | (690,812) | - |
| Total Liabilities | <u>2,602,289</u> | <u>12,571</u> | <u>116,666</u> | <u>(690,812)</u> | <u>2,040,714</u> |
| Net Assets | | | | | |
| Contributed Capital | 2,588,983 | 5,145,610 | - | - | 7,734,593 |
| Replacement Reserve | 1,005,340 | 450,449 | - | - | 1,455,789 |
| Capital Reserve | - | 889,759 | - | - | 889,759 |
| Unrestricted | 7,895,969 | 1,073,553 | 314,461 | - | 9,283,983 |
| Total Net Assets | <u>11,490,292</u> | <u>7,559,371</u> | <u>314,461</u> | <u>-</u> | <u>19,364,124</u> |
| Total Liabilities and Net Assets | <u>\$ 14,092,581</u> | <u>\$ 7,571,942</u> | <u>\$ 431,127</u> | <u>\$ (690,812)</u> | <u>\$ 21,404,838</u> |

TOWN OF WILTON WATER AND SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Capital Projects</u> | <u>Total</u> |
|-------------------------------|-----------------------|-----------------------|-----------------------------|----------------------|
| Operating Revenue | | | | |
| Water Rent Revenue | \$ 1,031,510 | \$ - | \$ - | \$ 1,031,510 |
| Sewer Rent Revenue | - | 233,941 | - | 233,941 |
| Use of Money | 131,408 | 29,150 | - | 160,558 |
| Use of Property | 44,914 | - | - | 44,914 |
| Developer Fee Revenue | 181,880 | 89,415 | - | 271,295 |
| Sale of Meters | 39,387 | - | - | 39,387 |
| County Grant | - | - | 100,000 | 100,000 |
| Miscellaneous Revenue | <u>1,598</u> | <u>-</u> | <u>-</u> | <u>1,598</u> |
| Total Operating Revenue | <u>1,430,697</u> | <u>352,506</u> | <u>100,000</u> | <u>1,883,203</u> |
| Operating Expense | | | | |
| Salaries | 153,795 | 16,955 | - | 170,750 |
| Employee Benefits | 44,484 | 5,788 | - | 50,272 |
| Contractual Services | 348,872 | 79,058 | 2,675 | 430,605 |
| Depreciation and Amortization | 270,769 | 147,898 | - | 418,667 |
| Interest Expense | <u>67,160</u> | <u>-</u> | <u>-</u> | <u>67,160</u> |
| Total Operating Expenses | <u>885,080</u> | <u>249,699</u> | <u>2,675</u> | <u>1,137,454</u> |
| Operating Transfers In/Out | <u>(174,516)</u> | <u>-</u> | <u>174,516</u> | <u>-</u> |
| Increase in Net Assets | 371,101 | 102,807 | 271,841 | 745,749 |
| Net Assets, Beginning of Year | <u>11,119,191</u> | <u>7,456,564</u> | <u>42,620</u> | <u>18,618,375</u> |
| Net Assets, Ending of Year | <u>\$ 11,490,292</u> | <u>\$ 7,559,371</u> | <u>\$ 314,461</u> | <u>\$ 19,364,124</u> |

TOWN OF WILTON WATER AND SEWER AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

| | |
|------------------------------------------------------------------------------------|---------------------|
| Cash Flows from Operating Activities: | |
| Increase in Net Assets | \$ 745,749 |
| Adjustments to Reconcile Change in Net Assets Provided By Operating Activities: | |
| Depreciation and Amortization, Utility Plant in Service | 418,667 |
| Changes in Operating Assets and Liabilities: | |
| (Increase) Decrease in Assets | |
| Accounts Receivable | (7,312) |
| Due from Other Governments | (100,000) |
| Inventory | 13,901 |
| Prepaid Expenses | 167 |
| Increase in Liabilities: | |
| Accounts Payable and Accrued Expenses | <u>100,222</u> |
| Net Cash Provided By Operating Activities | <u>1,171,394</u> |
| Cash Flows Used In Investing Activities: | |
| Purchase of Property and Equipment | <u>(291,823)</u> |
| Net Cash Used In Investing Activities | <u>(291,823)</u> |
| Cash Flows Used In Financing Activities: | |
| Repayment of Bonds Payable | <u>(230,000)</u> |
| Net Cash Flows Used In Financing Activities | <u>(230,000)</u> |
| Net Increase in Cash | 649,571 |
| Cash at Beginning of Year | <u>5,863,542</u> |
| Cash at End of Year | <u>\$ 6,513,113</u> |
| Supplementary Disclosure of Cash Flow Information: | |
| Interest Expense Paid | <u>\$ 71,358</u> |

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 six months or less 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 |

**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.

Other Postemployment Benefits

The Authority does not provide postemployment benefits.

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, 2009 totaled \$6,513,113, with corresponding bank balances of \$6,517,715 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, 2009

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 | \$ 1,005,340 |
| Replacement Reserve - Sewer Fund | 450,449 |
| Capital Reserve - Sewer Fund | <u>889,759</u> |
| | <u>\$ 2,345,548</u> |
| Restricted Cash | <u>\$ 2,345,548</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 | \$ 8,067,953 | \$ 373,928 | \$ - | \$ 8,441,881 |
| Donated infrastructure | 3,033,443 | 6,499,723 | - | 9,533,166 |
| Equipment, furniture and fixtures | 427,763 | 23,167 | - | 450,930 |
| Construction in progress | <u>-</u> | <u>-</u> | <u>314,461</u> | <u>314,461</u> |
| | 11,529,159 | 6,896,818 | 314,461 | 18,740,438 |
| Less: accumulated depreciation | <u>(2,875,023)</u> | <u>(1,399,546)</u> | <u>-</u> | <u>(4,274,569)</u> |
| | <u>\$ 8,654,136</u> | <u>\$ 5,497,272</u> | <u>\$ 314,461</u> | <u>\$ 14,465,869</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 \$418,667 for the year ended December 31, 2009.

5. BONDS PAYABLE

In 2006, the Authority issued \$2,500,000 in revenue bonds for the construction of the Jones Road Water Plant, with interest at 3.65%.

The bonds are due as follows:

| <u>Year</u> | <u>Principal Payable</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------------------|-------------------|---------------------|
| 2010 | \$ 235,000 | \$ 62,871 | \$ 297,871 |
| 2011 | 245,000 | 54,111 | 299,111 |
| 2012 | 255,000 | 44,986 | 299,986 |
| 2013 | 265,000 | 35,496 | 300,496 |
| 2014 | 270,000 | 25,733 | 295,733 |
| Thereafter | <u>570,000</u> | <u>20,988</u> | <u>590,988</u> |
| | <u>\$ 1,840,000</u> | <u>\$ 244,185</u> | <u>\$ 2,084,185</u> |

Interest expense was \$67,160 for the year ended December 31, 2009.

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: 2009 - \$10,374, 2008 - \$14,046, 2007 - \$12,763. The Authority's contribution made to the System was equal to 100% of the contribution required for the year.

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, 2009 arising from these transactions were as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------|----------------------------------------|-------------------------------------|
| Water Fund | \$ 65 | \$ 689,747 |
| Sewer Fund | 675,146 | - |
| Capital Projects | 15,601 | 1,065 |
| | <u>\$ 690,812</u> | <u>\$ 690,812</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, 2009 that was carried over to 2010 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. The agreement is automatically renewable. Rent expense of \$6,000 has been recognized in the year ended December 31, 2009.

10. COMMITMENTS

In February 2007, the Authority entered into a contract with the Saratoga County Water Authority ("SCWA") to purchase at least 300,000 gallons of potable water per day for a ten year period commencing from the date the SCWA possesses the operational capacity and ability to deliver the water. The contract commenced February 22, 2010. During 2008, the Authority approved a capital project to construct the needed connections to the SCWA's water line at an estimated cost of approximately \$425,000. In April 2010, the Authority received a grant of \$100,000 from Saratoga County to offset the cost of connection.

11. SUBSEQUENT EVENT

The Authority is in negotiations with a private water system owner to take over this private system's assets and water plant along with approximately 125 customers. In consideration for this purchase, the Authority has agreed to waive buy-in fees for all existing customers of this system. It is expected that the property transfer will occur in 2010.

TOWN OF WILTON WATER AND SEWER AUTHORITY
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
DECEMBER 31, 2009

| | <u>Actual</u> | <u>Modified Budget</u> | <u>Variance</u> |
|-----------------------------------------|-------------------|----------------------------|-------------------|
| Operating Revenue | | | |
| Water Rent Revenue | \$ 1,031,510 | \$ 1,009,986 | \$ 21,524 |
| Sewer Rent Revenue | 233,941 | 229,470 | 4,471 |
| Use of Money | 160,558 | 174,321 | (13,763) |
| Use of Property | 44,914 | 45,695 | (781) |
| Developer Fee Revenue | 271,295 | 211,300 | 59,995 |
| Sale of Meters | 39,387 | 37,000 | 2,387 |
| Miscellaneous Revenue | <u>1,598</u> | <u>-</u> | <u>1,598</u> |
| Total Operating Revenue | <u>1,783,203</u> | <u>1,707,772</u> | <u>75,431</u> |
| Operating Expense | | | |
| Salaries | 170,750 | 173,893 | 3,143 |
| Employee Benefits | 50,272 | 55,099 | 4,827 |
| Contractual Services | 427,930 | 537,592 | 109,662 |
| Depreciation and Amortization | 418,667 | - | (418,667) |
| Interest Expense | 67,160 | 71,357 | 4,197 |
| Contingency | - | 388,078 | 388,078 |
| Operating Transfer to Capital Projects | <u>174,516</u> | <u>396,710</u> | <u>222,194</u> |
| Total Operating Expenses | <u>1,309,295</u> | <u>1,622,729</u> | <u>313,434</u> |
| Increase in Net Assets | <u>\$ 473,908</u> | 85,043 | <u>\$ 388,865</u> |
| Capital and Replacement Reserve Funding | | (223,488) | |
| Bond Principal Payment | | (230,000) | |
| Capital Asset Acquisition | | <u>(28,265)</u> | |
| Change in Net Assets | | <u>\$ (396,710)</u> | |

**ADDITIONAL REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT ON FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Town of Wilton Water and Sewer Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated May 17, 2010. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Wilton Water and Sewer Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

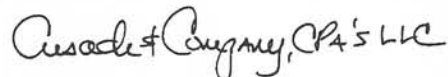
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Town of Wilton Water and Sewer Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management and the Authority Board. However, this report is a matter of public record and its distribution is not limited.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
May 17, 2010