



BUSINESS
ADVISORS
AND CPAS

March 20, 2023

To the Board of Directors
Clifton Park Water Authority and Subsidiary

Dear Board Members:

We have audited the consolidated financial statements of the Clifton Park Water Authority and Subsidiary (the Authority) for the year ended December 31, 2022 and have issued our report thereon dated March 20, 2023. Professional standards also require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 9, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and *Government Auditing Standards*. Our audit of the consolidated financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Clifton Park Water Authority and Subsidiary solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies noted during our audit in our 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 dated March 20, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Administrator who review draft financial statements prior to issuance and accept responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

Management override is considered a risk due to the potential impact on the Authority's consolidated financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Clifton Park Water Authority and Subsidiary is included in Note 1 to the consolidated financial statements. As described in Note 14 to the consolidated financial statements, during the year, the Authority changed its method of accounting for leases by adopting GASB 87, *Leases*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements.

The most sensitive estimates affecting the Authority's consolidated financial statements were:

- Management's estimate of the unbilled water sales receivable which is based on the prior year's actual usage adjusted for the increase or decrease in customer totals.
- Management's estimate of the liability for other post-employment benefits and the related deferred inflows/outflows relating to GASB 75 is based on calculations performed by the Authority's actuary consultant.
- Management's estimate of the net pension asset/liability and deferred outflows/inflows relating to GASB 68 is based on actuarial assumptions provided by the state plan.
- Management's estimate of the useful lives of capital assets is based on historic lives of similar assets.
- Management's estimate of the discount rate used in the calculation of leases in accordance with GASB 87.

We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's consolidated financial statements relate to significant estimates identified above.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No such transactions were identified as a result of our audit procedures and brought to the attention of management.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We are pleased to inform you no such misstatements were noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: Increase to construction in process of \$400,146, an increase to beginning of year net position for the same amount.

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, which could be significant to the Authority's consolidated financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 20, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Clifton Park Water Authority and Subsidiary, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of proportionate share of the net pension liability (asset), schedule of Authority contributions, and the schedule changes in total OPEB liability, which are required supplementary information (RSI) that supplements the basic consolidated financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barw & Co. LLP