CLIFTON PARK WATER AUTHORITY
AND SUBSIDIARY
FINANCIAL REPORT
DECEMBER 31, 2018

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
FINANCIAL REPORT

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MARVIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clifton Park Water Authority

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, 2018 and 2017, 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, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 11 to the financial statements, the Authority changed its method of accounting for *Postemployment Benefits Other than Pensions* in 2018 as required by the provisions of GASB Statement Number 75. Our opinion is not modified with respect to that matter.

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, schedule of proportionate share of the net pension liability (asset), schedule of Authority contributions, and the schedule of changes in total OPEB liability on pages 38-41 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 13, 2019, 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 solely 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 effectiveness of Clifton Park Water Authority and Subsidiary's 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 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Clifton Park Water Authority (CPWA) and Subsidiary (collectively, Authority) is pleased to present to the reader of the Authority's consolidated financial statements, this narrative discussion, overview and analysis of the financial activities of the Authority for the year ended December 31, 2018. 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 43 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 13,650 service connections (approximately 33,000 people), through a system comprised of 10 wells on 8 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 $130,000, 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. In 2016, the Authority did an advanced refunding of the 2009 Bonds, again taking advantage of lower interest rates, resulting in an annual average savings of roughly $35,000. More detailed information about CPWA's long-term obligations is presented in the notes to the financial statements on pages 22 through 24.

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 2018, totaled 315,700,000 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 2018 the basic service charge was $17.25, and the water rate was as follows:

0-60,000 gallons	$3.95/1,000 gallons
60,000+ gallons	$7.74/1,000 gallons

This water rate has been in effect since January 2016.

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 consolidated 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 consolidated 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 through 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, 2018. This information should be read in conjunction with the consolidated 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 increase by 9.0% from 2017 to 2018 due to a relatively wet summer in 2017 and drier summer in 2018. With the increase in water sales, the CPWA was able to contribute approximately $927,000 to its capital reserves in 2018.

- 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 obligations 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 assets by the Authority that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of 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

	2018	2017	$ Change	% Change
Property and equipment, net	$ 21,353,801	$ 22,093,674	$ (739,873)	(3.3%)
Restricted assets	2,857,793	2,787,942	69,851	2.5%
Current assets	3,704,840	3,118,504	586,336	18.8%
Total assets	27,916,434	28,000,120	(83,686)	(0.3%)
Deferred outflows of resources	906,904	1,282,152	(375,248)	(29.3%)
Total Assets and Deferred Outflows of Resources	$ 28,823,338	$ 29,282,272	$ (458,934)	(1.6%)
Long-term obligations	13,280,000	14,640,000	(1,360,000)	(9.3%)
Current liabilities	2,146,158	2,007,742	138,416	6.9%
Other liabilities	4,933,629	2,530,214	2,403,415	95.0%
Total liabilities	20,359,787	19,177,956	1,181,831	6.1%
Deferred inflows of resources	1,223,417	1,280,551	(57,134)	(4.4%)
Net Position				
Invested in capital assets, net of related debt	6,048,427	5,419,528	628,899	11.6%
Restricted for debt service	2,857,793	2,787,942	69,851	2.5%
Unrestricted	(1,666,086)	616,295	(2,282,381)	(370.3%)
Total net position	7,240,134	8,823,765	(1,583,631)	(17.9%)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 28,823,338	$ 29,282,272	$ (458,934)	(1.6%)

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

	2018	2017	$ Change	% Change
Operating Revenue	$ 6,147,167	$ 5,757,845	$ 389,322	6.8%
Non-operating revenue	212,649	191,041	21,608	11.3%
Total Revenues	6,359,816	5,948,886	410,930	6.9%
Operating Expenses	3,510,530	3,352,941	157,589	4.7%
Interest expense	617,965	668,050	(50,085)	(7.5%)
Depreciation and amortization	1,063,554	1,071,693	(8,139)	(0.8%)
Other postemployment benefits expense	314,208	325,000	88,573	(3.3%)
Total Expenses	5,506,257	5,417,684	88,573	1.6%
Change in net position	853,559	531,202	322,357	60.7%
NET POSITION, beginning of year as previously stated	8,823,765	8,292,563	531,202	6.4%
Cumulative effect of change in accounting principle	(2,437,190)	-	(2,437,190)	N/A
NET POSITION, beginning of year as restated	6,386,575	8,292,563	(1,905,988)	(23.0%)
NET POSITION, end of year	$ 7,240,134	$ 8,823,765	$ (1,583,631)	(17.9%)

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 65% of the budget. Because these costs are contractual in nature, few adjustments can be made when establishing the budget.

The expenditures in the adopted 2018 budget were $5,647,821, with 2018 total actual expenditures of $5,392,493. This resulted in CPWA being under budget by $255,328, or 4.5% of the total adopted budget. The revenues in the adopted 2018 budget were $6,107,786, with total actual cash revenues of $6,319,269. This resulted in CPWA being over budget in revenues by $211,483, or 3.5% of the adopted budget. From a cash perspective, CPWA received approximately $927,000 more in cash for services rendered than what was paid for associated expenditures (including debt payments) in 2018.

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.

BUDGETARY HIGHLIGHTS

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 13,650. In 2018 CPWA added 80 new customers to its system.

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 2018, the SCWA water rate was $2.276 per thousand gallons. This agreement and connection to SCWA's system ensures a plentiful source of water to meet customer's future needs.

The water rate charged by the CPWA remained stable in 2018. The basic service charge in 2018 was $17.25, and the water rate was as follows:

0-60,000 gallons	$3.95/1,000 gallons
60,000+ gallons	$7.74/1,000 gallons

The CPWA budgeted for the purchase of 351,500,000 gallons of water in 2018, but only purchased 315,700,000 gallons, resulting in a reduced expense of $81,710. The reduction in water purchased was the result of unusually low demand caused by significant wet weather in the early part of summer in 2018.

In 2015 the Authority adopted Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The implementation of the Statements requires the Authority to report as an asset and/or liability its portion of the collective net pension asset and liability in the New York State Employees' Retirement System.

The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as a deferred outflow is the Authority contributions to the pension system subsequent to the measurement date.

In 2018, the Authority adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No. 75 superseded GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits and Other Than Pensions (OPEB) which the Authority followed from 2009 through 2017.* The implementation of GASB No. 75 requires the Authority to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The implementation of the statement resulted in an increase in the liability for Other Post-Employment Benefits Payable in the Statement of Net Position. The Authority obtained an actuarial valuation which calculated the total liability at December 31, 2018 for other postemployment benefits at $4,780,565.

LONG-TERM OBLIGATIONS

As of December 31, 2018, CPWA had $14,640,000 in outstanding debt relating to the 2009, 2013 and 2016 Serial Bonds. More detailed information about CPWA's long-term obligations is presented in the notes to the financial statements on pages 22 through 24.

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, 2018 AND 2017

ASSETS

	2018	2017
PROPERTY AND EQUIPMENT, AT COST		
Structures	$ 1,108,539	$ 1,099,382
Pipes and appurtenances	27,477,398	27,469,111
Machinery and equipment	10,400,099	10,220,767
Office equipment and furniture	128,386	128,386
Vehicles	465,375	454,893
	39,579,797	39,372,539
Less accumulated depreciation	(18,743,868)	(17,743,941)
	20,835,929	21,628,598
Construction work-in-progress	59,817	7,021
Land	458,055	458,055
Net Property and Equipment	21,353,801	22,093,674
RESTRICTED ASSETS		
Cash and cash equivalents	501,419	991,532
Investments	2,356,374	1,796,410
Total Restricted Assets	2,857,793	2,787,942
CURRENT ASSETS		
Cash and cash equivalents	1,990,969	1,397,655
Investments	886,338	893,517
Accounts receivable, net	140,996	131,197
Unbilled water sales receivable	624,168	608,494
Prepaid expenses	35,600	30,349
Meter inventory	26,769	57,292
Total Current Assets	3,704,840	3,118,504
TOTAL ASSETS	27,916,434	28,000,120
DEFERRED OUTFLOWS OF RESOURCES	906,904	1,282,152
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 28,823,338	$ 29,282,272

See accompanying notes to consolidated financial statements.

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

LIABILITIES AND NET POSITION

	2018	2017
LONG-TERM OBLIGATIONS, LESS CURRENT INSTALLMENTS	$ 13,280,000	$ 14,640,000
CURRENT LIABILITIES		
Accounts payable	172,116	115,374
Accrued interest payable	161,316	175,141
Accrued expenses	452,726	417,227
Current installments of long-term obligations	1,360,000	1,300,000
Total Current Liabilities	2,146,158	2,007,742
OTHER LIABILITIES		
Net pension liability - proportionate share	153,064	430,214
Other post-employment benefits	4,780,565	2,100,000
Total Other Liabilities	4,933,629	2,530,214
TOTAL LIABILITIES	20,359,787	19,177,956
DEFERRED INFLOWS OF RESOURCES	1,223,417	1,280,551
NET POSITION		
Invested in capital assets, net of related debt	6,048,427	5,419,528
Restricted for debt service	2,857,793	2,787,942
Unrestricted	(1,666,086)	616,295
Total Net Position	7,240,134	8,823,765
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 28,823,338	$ 29,282,272

See accompanying notes to consolidated financial statements.

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUE		
Metered water sales	$ 4,503,406	$ 4,131,663
Basic service charge	1,032,680	1,021,894
Hydrant fees	510,561	492,701
Hook-up fees	81,990	93,750
Other fees	18,530	17,837
Total Operating Revenues	6,147,167	5,757,845
OPERATING EXPENSES		
Operations and maintenance	2,764,130	2,617,330
Administrative	746,400	735,611
Total Operating Expenses	3,510,530	3,352,941
Operating revenue before depreciation and amortization	2,636,637	2,404,904
Depreciation and amortization	1,063,554	1,071,693
Operating Revenue	1,573,083	1,333,211
OTHER REVENUE (EXPENSE)		
Investment earnings	72,240	27,731
Miscellaneous revenue	139,084	157,958
Gain on sale of property	1,325	5,352
Interest expense	(617,965)	(668,050)
Other post-employment benefit expense	(314,208)	(325,000)
Total Other Revenue (Expense)	(719,524)	(802,009)
Change in Net Position	853,559	531,202
NET POSITION, Beginning of year as previously stated	8,823,765	8,292,563
Cumulative effect of change in accounting principle	(2,437,190)	-
NET POSITION, Beginning of year as restated	6,386,575	8,292,563
NET POSITION, END OF YEAR	$ 7,240,134	$ 8,823,765

See accompanying notes to consolidated financial statements.

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Received from customers	$ 6,258,994	$ 5,970,331
Paid to suppliers and vendors for goods and services	(1,744,590)	(1,805,800)
Paid to employees including benefits	(1,654,520)	(1,637,975)
	2,859,884	2,526,556
CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES		
Principal payments on long-term obligations	(1,300,000)	(1,255,000)
Interest paid	(700,563)	(742,314)
Proceeds from investments	896,679	-
Purchase of investments	(889,500)	(893,517)
	(1,993,384)	(2,890,831)
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	(276,900)	(374,957)
Proceeds from sale of capital assets	1,325	5,352
	(275,575)	(369,605)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Transfers (to) from restricted cash and investment accounts, net	(69,851)	(11,912)
Investment earnings received	72,240	27,731
	2,389	15,819
Net Increase (Decrease) in cash and cash equivalents	593,314	(718,061)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,397,655	2,115,716
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,990,969	$ 1,397,655
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating revenue	$ 1,573,083	$ 1,333,211
Adjustments to reconcile operating revenue to net cash provided by operating activities		
Depreciation and amortization	1,063,554	1,071,693
Miscellaneous revenue	139,084	157,958
Bad debt expense	1,784	3,890
Decrease (increase) in		
Accounts receivable	(11,583)	34,876
Unbilled water sales receivable	(15,674)	19,652
Prepaid expenses	(5,251)	1,742
Meter inventory	30,523	7,643
Deferred outflows - pension	279,564	382,081
Increase (decrease) in		
Accounts payable	56,742	(162,039)
Accrued expenses	(241,651)	(319,151)
Other post-employment benefits	(10,291)	(5,000)
	$ 2,859,884	$ 2,526,556

See accompanying notes to consolidated financial statements.

1. SUMMARY OF 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 consolidated 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.

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, 2018 and 2017 was $1,016,773 and $1,024,912, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments purchased with an original maturity of three months or less. All bank balances were fully insured and collateralized at December 31, 2018.

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.

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, 2018 and 2017, 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, 2018 and 2017 was $1,784 and $3,890, 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 Certificates of Deposit, Money Markets, and U.S. Treasury Bills; all investments are carried at fair value. At times during the year ended December 31, 2018, the Certificates of Deposit held by the Authority were in excess of FDIC insured limits.

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, 2018, 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.

1. SUMMARY OF ACCOUNTING POLICIES

Implementation of New Accounting Standards

The Authority has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. For the year ended December 31, 2018, the Authority implemented:

GASB has issued Statement 75, *Other Postemployment Benefits (Employers)*, effective for the year ending December 31, 2018. See Note 11.

GASB issued Statement 81, *Irrevocable Split-Interest Agreements*, effective for the year ending December 31, 2018, of which there was no material impact on the Authority.

GASB issued Statement 85, *Omnibus*, effective for the year ending December 31, 2018, of which there was no material impact on the Authority.

GASB issued Statement 86, *Certain Debt Extinguishing Issues*, effective for the year ending December 31, 2018, of which there was no material impact on the Authority.

Future Changes in Accounting Standards

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending December 31, 2019.

GASB has issued Statement No. 84, *Fiduciary Activities,* effective for the year ending December 31, 2019.

GASB has issued Statement 87, *Leases* effective for the year ending December 31, 2020.

GASB Statement No. 88*, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements,* effective for the year ending December 31, 2019.

GASB Statement No. 89*, Accounting for Interest Cost Incurred Before the End of a Construction Period,* effective for the year ending December 31, 2020.

GASB Statement No. 90, *Majority Equity Interests*, effective for the year ending December 31, 2020.

The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

2. INVESTMENTS

Fair Value Measurement of Financial Instruments

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides for a fair value hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset's or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used at December 31, 2018 and 2017.

Investments in Certificates of Deposit and U.S. Treasury Bills are valued based on factors such as maturity dates and interest rates.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instrument could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	$ 2,356,374	$ -	$ 2,356,374	$ -
U.S. Treasury Bills	886,338	-	886,338	-
Total Assets at Fair Value	$ 3,242,712	$ -	$ 3,242,712	$ -

2. INVESTMENTS

2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	$ 1,796,410	$ -	$ 1,796,410	$ -
U.S. Treasury Bills	893,517	-	893,517	-
Total Assets at Fair Value	$ 2,689,927	$ -	$ 2,689,927	$ -

Fair Value Measurement of Financial Instruments

The Certificates of Deposit have maturity dates in 2019-2021.

The U.S. Treasury Bills have maturity dates in 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.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2018 and 2017, there were no transfers in or out of levels 1, 2 or 3.

3. PROPERTY AND EQUIPMENT, AT COST

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

	Balance January 1, 2018	Additions	Disposals/ Transfers	Balance December 31, 2018
Structures	$ 1,099,382	$ 9,157	$ -	$ 1,108,539
Pipes and Appurtenances	27,469,111	8,287	-	27,477,398
Machinery and Equipment	10,220,767	179,332	-	10,400,099
Office Equipment and Furniture	128,386	-	-	128,386
Vehicles	454,893	27,328	16,846	465,375
Sub-total	39,372,539	224,104	16,846	39,579,797
Less accumulated depreciation	17,743,941	1,016,773	16,846	18,743,868
Sub-total	21,628,598	(792,669)	-	20,835,929
Construction work-in-progress	7,021	52,796	-	59,817
Land	458,055	-	-	458,055
Total Property and Equipment, Net	$ 22,093,674	$ (739,873)	$ -	$ 21,353,801

	Balance January 1, 2017	Additions	Disposals/ Transfers	Balance December 31, 2017
Structures	$ 1,097,802	$ 1,580	$ -	$ 1,099,382
Pipes and Appurtenances	27,255,757	213,354	-	27,469,111
Machinery and Equipment	10,067,036	153,731	-	10,220,767
Office Equipment and Furniture	123,362	18,549	13,525	128,386
Vehicles	440,268	34,120	19,495	454,893
Sub-total	38,984,225	421,334	33,020	39,372,539
Less accumulated depreciation	16,752,049	1,024,912	33,020	17,743,941
Sub-total	22,232,176	(603,578)	-	21,628,598
Construction work-in-progress	53,398	7,507	53,884	7,021
Land	458,055	-	-	458,055
Total Property and Equipment, Net	$ 22,743,629	$ (596,071)	$ 53,884	$ 22,093,674

4. DEFERRED OUTFLOWS OF RESOURCES

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

	2018	2017
Authority establishment costs	$ 1,630,470	$ 1,630,470
GASB 68 - pension	20,521	300,085
Amounts deferred on defeasance, net of refunds of:		
1999 Series Bonds	114,395	114,395
2016 Prepaid Bond Insurance	11,057	11,057
2016 Series Bond deferred loss	549,014	549,014
	2,325,457	2,605,021
Less accumulated amortization	1,418,553	1,322,869
	$ 906,904	$ 1,282,152

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, 2018 and 2017 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, 2018 and 2017 was $13,032 and $12,533, respectively.

The amount deferred on loss of the 2016 series bond is amortized over the life of the 2016 bonds using the effective interest method and is included as a component of interest expense. Amortization for the years ended December 31, 2018 and 2017 was $35,164 and $33,920, respectively.

The amount of prepaid bond insurance on the 2016 series bond is amortized over the life of the 2016 bonds using the effective interest method and is included as a component of interest expense. Amortization for the years ended December 31, 2018 and 2017 was $708 and $683, respectively.

See Note 10 for more information on the GASB 68 – pension deferred outflow.

A summary of future amortization is as follows:

2019	$ 277,246
2020	98,287
2021	(31,974)
2022	34,777
2023	89,732
Thereafter	438,836
Total	$ 906,904

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 a 240 hours limit, and sick hours is subject to a 1,600 hours limit. Accumulated unpaid vacation and sick leave was $387,100 and $352,730 at December 31, 2018 and 2017, 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 statement of net position 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 $265,124 and $274,556 at December 31, 2018 and 2017, 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

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 Series 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.

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.

6. LONG-TERM OBLIGATIONS

Serial Bonds Payable

2009 Bonds

In October 2016 the bonds maturing after October 1, 2019 were refunded with the Series 2016 Bonds. The remaining principal on the Series 2009 Bonds as of December 31, 2018 and 2017 is $345,000 and $675,000, respectively with the final payment occurring on October 1, 2019. See the Series 2016 Bonds note below for additional details on the refunding of the Series 2009 Bonds.

Advance Refunding Bonds, Series 2016

In October 2016, CPWA issued $4,950,000 Water System Revenue Refunding Bonds, Series 2016, with an average interest rate of 3.61%. The bonds consist of serial bonds bearing various fixed rates ranging from 2.0% to 4.0% with annual maturities from October 2020 through October 2029.

The net proceeds of $5,634,563 were used to advance refund various Series 2009 bonds with a total principal amount of $5,165,000 and an average interest rate of 3.98%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased, and the related liability for the bonds has been removed from the CPWA liabilities.

The reacquisition price exceeded the net carrying value of the old debt by $549,014. This amount is included in the deferred outflows of resources and is amortized over the remaining life of the new debt which was the remaining life of the refunded debt. This advanced refunding was undertaken to reduce total debt service payments for the 13 years following the issuance date by $465,936 and resulted in an economic gain of $312,753.

Optional Redemption

The 2016 Bonds maturing on and after October 1, 2029, are subject to redemption prior to maturity at the option of CPWA on or after October 1, 2028, 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 2016 Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Interest expense on all debt obligations was $582,093 and $633,447 for the years ended December 31, 2018 and 2017, respectively.

6. LONG-TERM OBLIGATIONS

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

	Serial Bonds				
	2016	2013	2009	Interest	Total
For the year ending December 31,					
2019	$ -	$ 1,015,000	$ 345,000	$ 630,800	$ 1,990,800
2020	345,000	1,055,000	-	573,413	1,973,413
2021	360,000	1,100,000	-	514,063	1,974,063
2022	375,000	1,150,000	-	443,888	1,968,888
2023	390,000	1,210,000	-	370,488	1,970,488
2024-2028	3,005,000	3,815,000	-	742,022	7,562,022
2029-2033	475,000	-	-	10,687	485,687
	$ 4,950,000	$ 9,345,000	$ 345,000	$ 3,285,361	$ 17,925,361

A covenant related to the debt requires the Authority to maintain net revenue that is at least equal to the greater of 115% of the aggregate debt service on all bonds outstanding in the year or the sum of the aggregate debt service on all bonds outstanding and the deposits required to be made into the bond reserve fund, the renewal and replacement fund, and the subordinate obligation fund in the year. At December 31, 2018 and 2017 the Authority met the covenant above.

7. DEFERRED INFLOWS OF RESOURCES

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

	2018	2017
Amounts deferred on defeasance, Series 2013 Bonds	$ 624,435	$ 624,435
Series 2009A Bond issuance premium	60,598	60,598
Water System Revenue Refunding Bonds, Series 2013 reoffering premium	221,186	221,186
Water System Revenue Refunding Bonds, Series 2016 premium	733,891	733,891
GASB 75 - OPEB	60,542	-
	1,700,652	1,640,110
Less accumulated amortization	477,235	359,559
	$ 1,223,417	$ 1,280,551

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.

7. DEFERRED INFLOWS OF RESOURCES

Accretion and amortization for the years ended December 31, 2018 and 2017 was $117,677 and $115,231, respectively and is included as a component of interest expense.

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

2019	$ 120,212
2020	115,374
2021	117,799
2022	120,312
2023	122,915
Thereafter	566,263
Total	$ 1,162,875

See Note 11 for the portion of deferred inflows of resources not included in the table above that is amortized to OPEB expense.

8. RELATED PARTY TRANSACTIONS

During 2018 and 2017, CPWA reimbursed the Town of Clifton Park (Town) $52,998 and $49,073, respectively, for operating costs incurred. CPWA owed the Town $18,040 and $7,575 at December 31, 2018 and 2017, respectively.

For the years ended December 31, 2018 and 2017, the Town purchased water for $10,910 and $10,927, respectively, from CPWA.

9. 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.

The lease was extended in 2018 and expires in February 2028; however, the lease may be extended for one additional successive term of ten years based upon certain terms and conditions.

The minimum rental for the lease of the property is calculated at the rate of $.079 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 $57,670. 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.

9. COMMITMENTS AND CONTINGENCIES

Preserve Lease

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 2018 or 2017 exceeded the minimum rental rate. Total payments under the lease were $60,382 and $54,518 for 2018 and 2017, respectively.

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

2019	$ 8,620

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 $718,290 and $605,225 for the years ended December 31, 2018 and 2017 respectively.

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.

Rental Income

CPWA rents cell phone tower space to four companies. Annual rental income from these agreements range from $20,640 to $31,320. The lessees are responsible for utility costs. The leases expire between 2019 to 2023 with the conditional options to renew for five additional five-year terms. The amount of rental income recorded in miscellaneous revenue was $125,382 and $122,331 for the years ended December 31, 2018 and 2017, respectively.

A summary of future rental income is as follows:

2019	$ 127,799
2020	57,075
2021	29,522
2022	30,407
2023	15,428

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.

10. PENSION

General Information

The Authority participates in the New York State and Local Employees' Retirement System (ERS). ERS is referred to herein as the "System". This is a cost-sharing multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Description

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

The System is noncontributory except for employees who joined the System 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:

Tiers	Plan Entry Dates	Contribution Rate	Term
4	7/27/1976 - 12/31/2009	3% of salary	First ten years of membership
5	1/1/2010 - 3/31/2012	3% - 3.5% of salary	Active membership
6	4/1/2012 - present	3% - 6% of salary	Active membership

Employee contributions rates under tier 6 vary based on a sliding salary scale. 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 fund.

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

2018	$ 164,794
2017	168,644
2016	157,536

The Authority contributions made to the System were equal to 100 percent of the contributions required for each year.

10. PENSION

Pension Liability

At December 31, 2018 and 2017, the Authority reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for the System. The net pension asset/(liability) was measured as of March 31, 2018 and March 31, 2017, respectively. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension asset/(liability) was based on a projection of the Authority's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the Authority.

Actuarial valuation date	April 1, 2017	April 1, 2016
Net pension asset/(liability)	$(153,064)	$(430,214)
Authority's portion of the Plan's total net pension asset/(liability)	.0047426%	.004586%

Pension Expense

For the years ended December 31, 2018 and 2017, the Authority recognized its proportionate share of pension expense of $185,050 and $246,364, respectively

Deferred Outflows and Inflows of Resources Related to Pension

At December 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 54,593	$ 45,113	$ 10,781	$ 65,330
Changes of assumptions	101,494	-	146,976	-
Net difference between projected and actual earnings on pension plan investments	222,312	438,822	85,931	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,216	45,953	-	46,917
Contributions subsequent to the measurement date	164,794	-	168,644	-
Total	$ 550,409	$ 529,888	$ 412,332	$ 112,247

10. PENSION

The Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2019	$ 14,929
2020	12,953
2021	(118,721)
2022	(53,434)

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2018	March 31, 2017
Actuarial valuation date	April 1, 2017	April 1, 2016
Inflation rate	2.5%	2.5%
Salary Scale	3.8%	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Projected cost of living adjustments	1.3% annually	1.3% annually
Mortality improvement	Scale MP-2014	Scale MP-2014

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to the expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset as well as historical investment data and plan performance.

The long-term expected rate of return on pension plan investments was determined using the building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are development for each major asset class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

10. PENSION

	Target Allocation		Long-term expected real rate of return*	
	2017	2018	2017	2018
Asset Class:				
Domestic equities	36%	36%	4.55%	4.55%
International equities	14	14	6.35	6.35
Private equity	10	10	7.75	7.50
Real estate	10	10	5.80	5.55
Absolute return strategies (1)	3	2	4.00	3.75
Opportunistic portfolio	3	3	5.89	5.68
Real assets	3	3	5.54	5.29
Bonds and mortgages	17	17	1.31	1.31
Cash	1	1	(0.25)	(0.25)
Inflation-indexed bonds	4	4	1.50	1.25
Total	100%	100%		

*Real rates of return are net of the long-term inflation assumption of 2.5% for 2018 and 2017.
(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic and international equity, respectively.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 7.0% for the measurement dates March 31, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for 2018 and 2017, as well as what the Authority's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

December 31, 2018	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset/(liability)	$(1,158,118)	$ (153,064)	$ 697,173

10. PENSION

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

December 31, 2017	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset/(liability)	$(1,374,016)	$ (430,214)	$ 367,770

Changes in Assumptions

Changes in assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to five years.

Collective Pension Expense

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended December 31, 2018 and 2017 was $167,208 and $230,445, respectively.

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Payment for the System's year ending March 31, 2019 and March 31, 2018 were made by the Authority in December 2018 and 2017, respectively. As such, no amounts have been accrued at December 31, 2018 and 2017.

11. OTHER POST-EMPLOYMENT BENEFITS

Change in Accounting Principle and Restatement of Net Position

For the fiscal year ended December 31, 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The implementation of the statement requires Authority to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The implementation of the statement resulted in an increase in the liability for Other Post-Employment Benefits Payable in the Consolidated Statement of Net Position. The Authority's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 8,823,765
GASB Statement No. 75 implementation	(2,437,190)
Net Position Beginning of Year, as Restated	$ 6,386,575

11. OTHER POST-EMPLOYMENT BENEFITS

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 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.

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 $5,000.

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

Employees Covered by Benefit Terms – At December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	3
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	17
Total Plan Members	20

Net OPEB Liability

The Authority's total OPEB liability was measured as of December 31, 2018; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

11. OTHER POST-EMPLOYMENT BENEFITS

Actuarial Assumptions and Other Inputs under GASB 75 for December 31, 2018

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.0% (including inflation)
Discount Rate	3.64% (S&P Municipal Bond 20-year High Grade Rate Index)
Healthcare cost trend rates	
Pre-Medicare	8.0% for 2018 decreasing 0.5% per year to an ultimate rate of 5.00% by 2023.
Medicare	N/A

Mortality rates were based on RP-2014 mortality table with mortality projected to the current year using Scale MP-2016 to account for mortality improvement.

Retirement participation rate assumed that 100% of all newly-retiring employees with health insurance elect to keep their health insurance when they retire and when they turn 65.

Termination rates are based on the Sarasson T-5 Table.

Change in the Net OPEB Liability

Changes in the Authority's net OPEB liability were as follows:

	Total OPEB Liability [a]	Plan Fiduciary Net Position [b]	Net OPEB Liability [a] - [b]
Balances at December 31, 2017	$ 4,537,190	$ -	$ 4,537,190
Changes for the year:			
Service cost	154,746	-	154,746
Interest	164,966	-	164,966
Difference between expected and actual experience	(66,046)	-	(66,046)
Contributions - employer	-	-	-
Net investment income	-	-	-
Changes of assumptions and difference between Actual and Expected Experience	-	-	-
Benefit payments	(10,291)	-	(10,291)
Net changes	243,375	-	243,375
Balances, December 31, 2018	$ 4,780,565	$ -	$ 4,780,565

11. OTHER POST-EMPLOYMENT BENEFITS

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's total OPEB liability, as well as what the Authority's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB Liability	$ 5,907.816	$ 4,780,565	$ 3,653,314

The following presents the Authority's total OPEB liability, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current healthcare cost trend rate:

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability	$ 3,768,775	$ 4,780,565	$ 6,037,728

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Authority recognized OPEB expense of $314,208. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Amounts recognized in OPEB expense	-	(5,504)
Changes of assumptions	-	66,046
Contributions subsequent to the measurement period	-	-
Total	$ -	$ 60,542

11. OTHER POST-EMPLOYMENT BENEFITS

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,		
2019	$	(5,504)
2020		(5,504)
2021		(5,504)
2022		(5,504)
2023		(5,504)
Thereafter		(33,022)

Actuarial Methods and Assumptions under GASB 45 for December 31, 2017

See page 32 for the Plan Description and Funding Policy for the Plan.

The Authority obtained an actuarial valuation dated January 1, 2017 which indicated that the total liability for other postemployment benefits totaled $2,100,000 at December 31, 2017. 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.

11. OTHER POST-EMPLOYMENT BENEFITS

Actuarial Methods and Assumptions under GASB 45 for December 31, 2017

The following assumptions were used in the 2017 calculation: a) discount rate of 4.5%, b) mortality rate from the RP-2014 Morality Table with MP-2014 projection, 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) 2018 medical cost trend rate of 8.0% that will gradually decrease in future years but remains at 5.0% for periods beyond 2024, 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 participate.

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:

	2017
Normal Cost	$ 180,000
Amortization of Unfunded Actuarial Liability	140,000
Interest	10,000
ARC	330,000
Interest on OPEB Obligation	80,000
Adjustment to ARC	(85,000)
OPEB Expense	$ 325,000
Net OPEB Obligation at the beginning of the year	$ 1,780,000
OPEB Expense	325,000
Net OPEB Contributions made during the fiscal year	(5,000)
Net OPEB Obligation at the end of the year	$ 2,100,000
Percentage of Expense Contributed	1.5%

Funded Status

Accrued Liability at end of year	$ 3,000,000
Plan Assets at end of year	-
Unfunded Accrued Liability	$ 3,000,000
Percentage of Funded Accrued Liability	0%

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2019 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, 2018

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)
01/01/2016	$ -	$ 2,610,000	$ 2,610,000	0%	$ 995,000	$ 262%
01/01/2017	$ -	$ 3,000,000	$ 3,000,000	0%	$ 1,065,000	$ 282%
01/01/2018	$ -	$ 4,540,000	$ 4,540,000	0%	$ 1,053,000	$ 431%

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED DECEMBER 31, 2018

ERS Pension Plan
Last 10 Fiscal Years

	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.0047426%	0.0045786%	0.0046758%	0.0048419%
Proportionate share of the net pension liability (asset)	$ 153,064	$ 430,214	$ 750,484	$ 163,573
Covered-employee payroll	$ 1,053,121	$ 1,065,010	$ 995,379	$ 978,695
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	14.53%	40.40%	75.40%	16.71%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

ERS Pension Plan
Last 10 Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	$ 168,644	$ 157,536	$ 186,777	$ 205,593
Contributions in relation to the contractually required contribution	(168,644)	(157,536)	(186,777)	(205,593)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,053,121	$ 1,065,010	$ 995,379	$ 978,695
Contributions as a percentage of covered-employee payroll	16.01%	14.79%	18.76%	21.01%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

CLIFTON PARK WATER AUTHORITY AND SUBSIDIARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018

		Fiscal Year Ending * 2018
Total OPEB Liability		
Measurement date		12/31/2018
Service cost end of year	$	154,746
Interest		164,966
Changes in benefit terms		-
Difference between expected and actual experience in the measurement of the total OPEB liability		(66,046)
Change in assumptions and other inputs		-
Benefit payments		(10,291)
Net Change in Total OPEB Liability		243,375
Total OPEB Liability - beginning		4,537,190
Total OPEB Liability - ending	$	4,780,565
Covered-employee payroll	$	1,059,086
Total OPEB Liability as a percentage of covered-employee payroll		451.39%

* Note: This schedule is presented to illustrate the requirement to show information for 10 years. is compiled this presentation will only include information for those years for which information is a amounts presented for each fiscal year were determined as of the measurement date.

MARVIN
AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
A History of Shaping Futures

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

Board of Directors
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, 2018, 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 13, 2019.

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 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. 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.

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 consolidated 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 matter that are required to be reported under *Government Auditing Standard.*

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Latham, NY
March 13, 2019

March 13, 2019

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, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 7, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the consolidated financial statements. As described in Note 11 to the financial statements, in 2018 the Authority changed accounting policies related to accounting and reporting specific to postemployment benefits by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the consolidated statements of revenue, expenses and changes in net position. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated 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 consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. 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.

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.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit.

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated March 13, 2019.

Management 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 Authority's consolidated financial statements or a determination of the type of auditor's 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 the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of funding progress for the retiree health plan, 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.

Restriction on Use

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,

Marvin and Company, P.C.

MARVIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
A History of Shaping Futures

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Clifton Park Water Authority

We have examined the Clifton Park Water Authority's (Authority) compliance with its investment guidelines and with the requirements of Section 2925 of the New York State Public Authorities Law for the year ended December 31, 2018. Authority management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance with those requirements for the year ended December 31, 2018 based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority's investments are in accordance with the aforementioned requirements, in all material respects. An examination involves performing procedures to obtain evidence about the Authority's compliance with those requirements for the year ended December 31, 2018. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination disclosed noncompliance with the Authority's investment guidelines and with the requirements of Section 2925 of the New York State Public Authorities Law for the year ended December 31, 2018.

In our opinion, except for the noncompliance described in the schedule of findings, the Clifton Park Water Authority complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2018.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Authority's compliance with its investment guidelines and with the requirements of Section 2925 of the New York State Public Authorities Law; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over the Authority's compliance with those requirements or other matters; accordingly, we express no such opinions. Our examination disclosed a finding that is required to be reported under *Government Auditing* Standards and the finding, along with the views of the responsible official, are described in the attached Schedule of Findings.

Our examination is not intended to provide any assurance as to the income from investments, fees paid, or investments at the end of the year. This report is for the examination of the Authority's compliance with its investment guidelines and with the requirements of Section 2925 of the New York State Public Authorities Law for the year ended December 31, 2018 and is not suitable for any other purpose.

Marvin and Company, P.C.

Latham, NY
March 13, 2019

CLIFTON PARK WATER AUTHORITY
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2018

Finding No. 1

Criteria

The Investment Policy of the Clifton Park Water Authority states that certificates of deposit and time deposit accounts shall be fully secured by insurance of the Federal Deposit Insurance Corporation (FDIC), obligations of New York State, obligations of the United States, obligations of federal agencies with principal and interest which are guaranteed by the United States or obligations of New York State local governments.

Condition

At December 31, 2018, the Authority had three certificates of deposit with the same financial institution which, in aggregate, exceeded the coverage amount from the FDIC. In addition, there was no separate collateral agreement that covered these certificates of deposit.

Cause

Total deposits at each financial institution were not taken into consideration when new investments were made.

Effect

There was approximately $400,000 that were not protected by FDIC insurance or an additional collateral agreement at December 31, 2018.

Management's Response

One of the certificates of deposit matured at the end of February 2019. Another of the certificates of deposit will be sold/liquidated in the first quarter of 2019 so that the Authority will return to being in compliance with its investment policy.