

MOHAWK VALLEY WATER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

March 31, 2012 and 2011

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MOHAWK VALLEY WATER AUTHORITY

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INTRODUCTORY SECTION

June 29, 2012

CHAIRMAN'S MESSAGE:

Our commitment to excellence in customer service is formally adopted in our mission statement, pledging "to be a company of excellence, providing water of superior quality and outstanding customer service." We are proud to say that in 2011 the MVWA once again provided high-quality water that met and exceeded all federal water quality standards. And the vigilance of our technical and maintenance staff helped assure that our nearly 130,000 Mohawk Valley customers were served every minute of every day. We're also pleased to announce that the MVWA is offering several new enhancements to existing customer service programs in 2012, including service alerts and convenient bill-paying options.

New Service Alert System

"MVWA Alerts" is a new instant electronic-notification system designed to quickly notify customers regarding changes in the status of water availability and service conditions. With this new technology, MVWA can quickly deliver important notifications about situations that may affect your service, such as water main breaks; water shutoffs; boil water orders; or regularly scheduled repairs. Messages are conveyed electronically via e-mail, text message or voicemail sent to a home or mobile phone, or to a pager or other device.

While no one likes the inconvenience of water service interruptions, we're confident you will benefit by having up-to-the-minute details that will help you prepare, plan and know when service will resume. We do understand the impact that a water interruption can have on your routine and your quality of life, as well as your household or business operation, so you also have our commitment to resolve any service interruption as quickly as possible.

New Bill Paying Conveniences and Automatic Recurring Payments Available

We are also introducing enhancements to bill notification and payment systems. Customers may now choose earth-friendly receipt of bills by getting them online, instead of receiving printed ones in the mail. With nearly 130,000 customers, this advancement promises to save significant amounts of paper and postage, as well as staff and customer handling time, while adding ease and convenience.

Customers may also now pay water bills by e-check as another "green" step in the paperless direction. In addition to the current credit card payment option, water bills can be paid by authorizing a direct debit from customers' bank account.

MVWA is also offering the ability to make automated recurring payments. Customers can opt for a monthly payment plan that lets them allocate a certain amount each month towards the total quarterly water bill, or pay the full balance automatically each quarter. Automated payments can be deducted from an e-checking account or a debit or credit card.

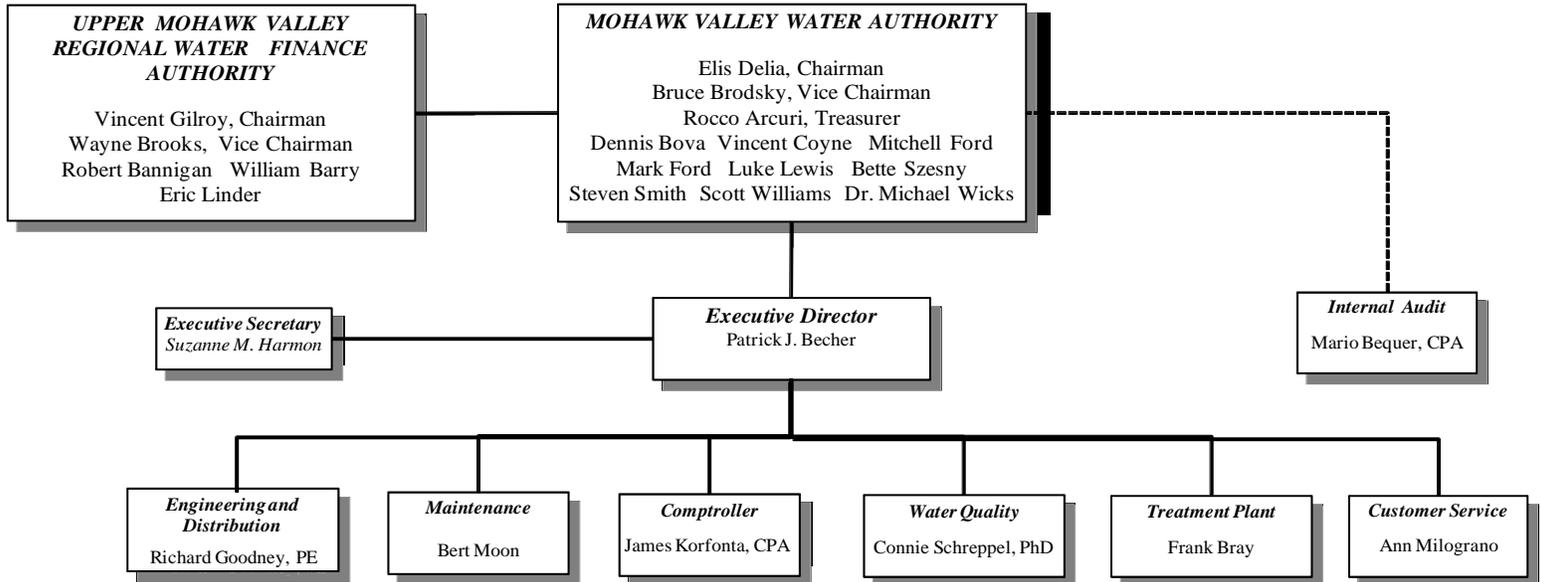
This year marks the beginning of MVWA's fifteenth year of operation as a public authority organization. Given our charge, we're always looking for ways to provide our customers with better service while making sure operations continue to run efficiently, effectively, predictably and with utmost attention to water quality and water service.

Elis DeLia
Chairman of the Board

MOHAWK VALLEY WATER AUTHORITY

ORGANIZATIONAL CHART

As of March 31, 2012



June 29, 2012

To Members and Stakeholders of the Water Authority:

The Comprehensive Annual Financial Report of the Mohawk Valley Water Authority (“Water Authority”) for the fiscal year ended March 31, 2012 is hereby submitted to the Water Authority Board and all other stakeholders interested in the financial condition of our regional water system. This report is published in accordance with the requirements of the New York State enabling legislation creating both the Water Authority and the Finance Authority, the debt-issuing component of the Water Authority. In addition, requirements of financial reporting are also stipulated in the various bond resolutions covering the issuance of indebtedness to the Water Authority. Pursuant to those requirements, this comprehensive annual financial report of the Water Authority is presented in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Overall, this report consists of four sections: Introductory, Financial, Statistical and Compliance.

This report consists of management’s representations concerning the financial position of the Water Authority. Consequently, management assumes full responsibility for the completeness and integrity of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Water Authority has established an internal control environment that is designed both to protect the Water Authority’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Water Authority’s financial statements in accordance with GAAP. Because the costs of internal controls should not outweigh their benefits, the Water Authority’s internal control environment has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the Water Authority for the year ended March 31, 2012 are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management and evaluating the overall financial statement presentation. The independent auditing firm concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that the Water Authority’s financial statements for the year ended March 31, 2012 are presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the Financial Section of this report.

LETTER OF TRANSMITTAL-CONTINUED

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A that can be found immediately following the independent auditors' report in the Financial Section of this document.

The information presented in the Financial Section of this report is perhaps best understood when it is considered from the broader perspective of the specific environment within which the water system operates. The Water Authority's economic condition is a composite of its financial health and its ability to meet its financial obligations and service commitments.

HISTORY OF THE WATER SYSTEM

The first formal organization to manage the water system in the Mohawk Valley region was the Utica Aqueduct Company, established in 1802 by the New York State Legislature. The company developed a series of springs in the western part of today's City of Utica (City). In 1848, the Utica Water Works Company (Water Works) developed a well supply on Graffenburg Hill and constructed a reservoir in what is now the eastern part of the city, known as the Cornhill area. This system was supplying 800,000 gallons per day (GPD) by 1854. The Water Works operated the system until 1898. In 1898, the West Canada Water Works Company was formed and purchased the exclusive rights to furnish water to the City. A year later the two companies were merged to become the Consolidated Water Company (Consolidated Water). Consolidated Water constructed the Deerfield Reservoirs in 1900, and in 1906 began supplying water from West Canada Creek through a 17-mile transmission main. Hinckley Reservoir was constructed by the State of New York to supply the Barge Canal System in 1911. The last major open water storage reservoir was constructed in 1913 in the Town of Marcy. Consolidated Water also obtained the rights to 48.5 million gallons per day (MGD) from Hinckley Watershed in 1917. Pursuant to a 1937 decision of the Water Power and Control Commission (WPCC), predecessor to Department of Environmental Conservation (DEC), which authorized the purchase, the City took direct control of the system in 1938 when it purchased Consolidated Water. In 1941, the City established the Utica Board of Water Supply (UBWS) as a separate entity under City jurisdiction to operate the water system. Major system construction projects under the UBWS included a second 17-mile, 36-inch diameter water transmission main, completed in the 1970s and the current 32 MGD water treatment plant completed in 1992.

The 1937 decision of the WPCC granted certain rights to towns and villages receiving water service from UBWS. The interpretation of these rights resulted in numerous administrative and legal actions between the City of Utica and adjoining towns and villages. Several disputes concerned the setting of water rates for customers inside and outside the City limits. The formation of the Water Authority was undertaken to provide regional participation in the ownership, operation, governance, and financing of the water system. The creation of the Water Authority, as a regional entity, ensured a continued supply of sufficient high quality water to the city and portions of 16 towns and villages, within the two-county service area. The Water Authority began operation December 19, 1996.

LETTER OF TRANSMITTAL-CONTINUED

THE WATER AUTHORITY

Pursuant to the Upper Mohawk Valley Regional Water Board Act (Water Authority) and the Upper Mohawk Valley Regional Water Finance Authority Act (Finance Authority), Title 10 and Title 10-A, respectively, of Article 5 of the Public Authorities Law of the State of New York, collectively referred to as the “Act” became effective August 2, 1994 following approval by the New York State legislature, the Water Authority acquired title of the city-owned water system through a sale agreement, dated October 30, 1996, by and between the Water Authority and the Finance Authority, and the City of Utica, for the purpose of acquiring title of the system’s assets for the collection, transmission, treatment, and distribution of water.

The Finance Authority, the financing entity of the Water Authority, entered into a financing agreement dated October 30, 1996, with the Water Authority and the City of Utica to provide financing for the acquisition of the water system through issuance of bonds and other financing. Under the financing agreement, the Finance Authority agrees to issue bonds, whenever practical, to finance the projects, including the acquisition of the system, undertaken by the Water Authority. In consideration of the agreement, the Water Authority has agreed to impose rates, fees and charges in an amount sufficient to pay debt service on any indebtedness issued by the Finance Authority and to operate the water system in a self-sustaining, sound and economical manner and to maintain the water system in good working order.

The Water Authority is a body corporate and politic constituting a corporate municipal instrumentality of the State of New York established and existing pursuant to the Act. The State of New York created the Water Authority in order to more equitably represent the service area it provides water service to and to promote the strengthening and improvement of the regional water system.

Annually, the Water Authority is required to conduct a public hearing prior to establishing, fixing or revising rates, fees or other charges. No governmental body, agency, corporation or officer of the State of New York has jurisdiction of or control over, or is required to approve any water rates or charges for services or facilities of the Water Authority. Section 1126-I (8) of the Act expressly declares that neither the Public Service Commission, the Department of Environmental Conservation nor any municipal or state agency shall have any jurisdiction over the Water Authority or any regulation of the rates, fees or other charges established, fixed or revised by the Water Authority except as provided by law with respect to the supply of water outside the service area.

The Water Authority is obligated to pay debt service, PILOT payments and other obligations of the Finance Authority. In order to fulfill these obligations, the Water Authority must fix appropriate fees and charges. Based upon the Finance Authority’s legal standing, fiscal dependency and financial accountability to the Water Authority, the Finance Authority is considered a component unit under the criteria set forth by the Government Accounting Standards Board (GASB). Further, the Finance Authority, as component unit, is “blended” with the Water Authority because it exists solely to provide services that predominately benefit the operations of that Water Authority.

MOHAWK VALLEY WATER AUTHORITY

LETTER OF TRANSMITTAL-CONTINUED

In fiscal 2003, the Water Authority received a “Certificate of Amendment of Assumed Name”, from the State of New York’s Department of State, Division of Corporations changing the name of the public benefit corporation from the Upper Mohawk Valley Regional Water Board to the Mohawk Valley Water Authority. Essentially, the Water Authority will be “doing business as”-dba **Mohawk Valley Water Authority**. The Water Authority will retain its legal name of Upper Mohawk Valley Regional Water Board whenever conducting business that requires legislative or legal action, (e.g. bonding or legislative amendments).

THE REPORTING ENTITY

The Water Authority is composed of twelve (12) members appointed as follows:

- i Two City of Utica residents appointed by the City Council;
- i Two City of Utica residents appointed by the Mayor;
- i Two City of Utica residents appointed by Oneida County Legislature;
- i Two members appointed by the Oneida County Executive-one of which shall be confirmed by the Herkimer County Legislature-both of which are residents outside the City of Utica;
- i One member appointed by the Town of New Hartford;
- i One member appointed by the Town of Whitestown;
- i One member appointed alternately by the Town boards of Marcy, Schuyler and Kirkland;
- i One member appointed alternately by the Town boards of Trenton, Deerfield and Frankfort.

All Water Authority members are appointed for a term of three years. The Water Authority members are appointed for their full three year term or until a successor is appointed, except that any person appointed to fill a vacancy will be appointed to serve only the unexpired term.

The Finance Authority, the financing entity of the Water Authority, has a separate board consisting of five (5) members appointed a follows:

- i One City of Utica resident appointed by the City Council;
- i One City of Utica resident appointed by the Mayor;
- i One member by the Oneida County Executive-alternately appointed from a resident within the City of Utica and a resident outside the City of Utica;
- i One member appointed alternately by the town Boards of New Hartford and Whitestown;
- i One member appointed by a majority vote of representatives in attendance at a meeting for such purpose from the towns of Deerfield, Frankfort, Kirkland, Marcy, Trenton and Schuyler.

All Finance Authority members are appointed for a term of three years. The Finance Authority members are appointed for their full three year term or until a successor is appointed, except that any person appointed to fill a vacancy will be appointed to serve only the unexpired term.

LETTER OF TRANSMITTAL-CONTINUED

PROFILE OF THE REGIONAL WATER SYSTEM

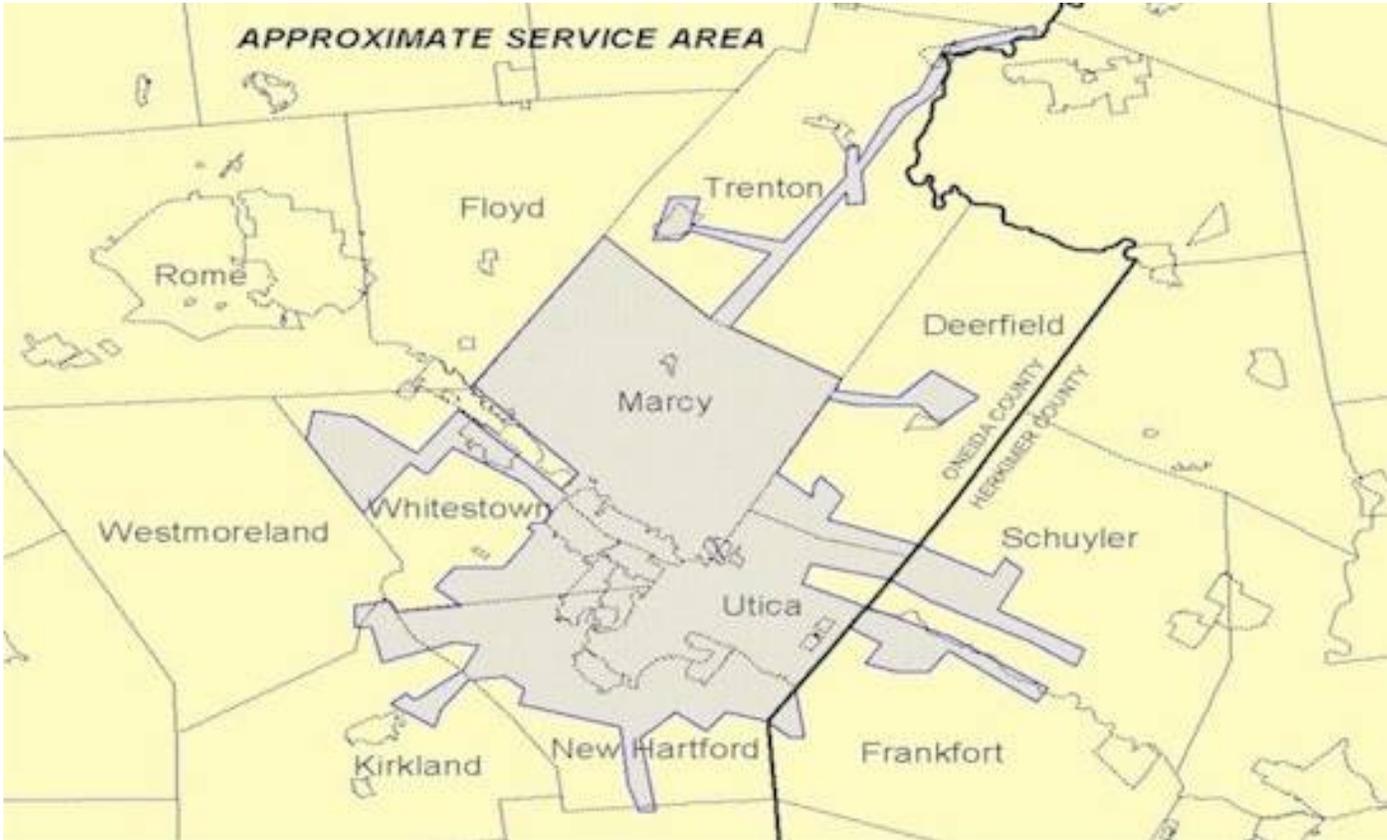
The regional water system serves a population of approximately 130,000 in the eastern portion of Oneida County, including the City of Utica, the Towns of Trenton, Marcy, Deerfield, New Hartford, Whitestown, Kirkland and Westmoreland; the Villages of Oriskany, Whitesboro, Yorkville, New Hartford, New York Mills and Holland Patent. The regional water system also serves the western parts of the Towns of Frankfort and Schuyler in Herkimer County.

The source of water for the regional system is the Hinckley Reservoir located 18 miles north of the City of Utica. The reservoir's watershed encompasses 373 square miles of largely undeveloped lands mostly within the Adirondack Park region. Hinckley Reservoir was created in 1911 and is owned by the State of New York. The reservoir has a capacity of 25 billion gallons and is used primarily by the New York Power Authority for power generation. The reservoir is also used to adjust the water levels on the Erie Canal system, as a recreation area, and the source of water for the Water Authority. Presently, the Water Authority has a water supply permit to draw 48.5 million gallons per day.

The distribution system consists of a network of mains, pump stations for higher areas, four reservoirs, twenty-four storage tanks, twenty-three master meter stations and eighty-nine pressure regulating altitude valve stations. Approximately 700 miles of mains for transmission and distribution of water are included within the regional service area (See the service map on the next page).

From the intake structure at the Hinckley Reservoir, the water is conveyed through two parallel transmission mains to the Water Treatment Plant facility located downstream from Hinckley Reservoir in the Town of Trenton. The treated water is conveyed, by gravity, from the treatment plant through two parallel transmission mains to the Marcy and Toby Road tanks. From there, water is conveyed, by gravity, to the Deerfield, Marcy and Toby Road Tanks on the transmission mains. Water in the distribution system is pumped to higher elevations to provide sufficient pressure. All drinking water storage is within enclosed concrete or steel tanks in accordance with Department of Health Standards.

Reservoirs used in the past as part of the transmission and distribution systems are considered excess capacity and remain in a standby mode to be used, if needed, primarily for fire fighting.



LETTER OF TRANSMITTAL-CONTINUED

ECONOMIC OUTLOOK

The Water Authority's customer base has had a modest increase of 715 customers since fiscal year 2003. Following a population loss during the 1990's, growth occurred primarily among the suburban areas. Growth among the immigration population and other minorities primarily within the City of Utica has somewhat supplanted population loss from the prior decade. Water sales from residents and businesses within the City of Utica comprise 50% of total water sales and 51% of consumption throughout the system. This is relatively consistent compared to the previous ten years. The largest growth areas continue to be in the towns of New Hartford, Marcy, and Whitestown. Revenue from these towns has marginally increased due in part to this growth.

Since fiscal year 2003, annual consumption has dropped 80 million cubic feet. During fiscal year 2012, water consumption decreased 9.2 million cubic feet to 479.6 million cubic feet. Both monthly and quarterly billed customers experienced this decrease with monthly customers more significantly. The decrease is due in part to conservation measures, the change-out and use of water-saving appliances and more mild summer periods. Water production experienced a dramatic increase compared to the prior year primarily due to upgrades at the treatment plant and the first-time use of granulated activated carbon (GAC) in the filtering process. The testing of the new process required the use of many millions of gallons. Production should taper off as the use of GAC become a more standard of filtration.

During fiscal year 2012, water main extensions were completed in several towns and the City of Utica. More significant main extensions include: 188 linear feet of 8 inch main on Ridge Road in Utica; approximately 650 linear feet of 12 inch main extension on Ferguson Road in Frankfort; and 612 linear feet of 8 inch main on Andes Ave in Utica.

These main extensions and repairs of main extensions are paid through the rates by the ratepayers. In addition, water districts are often created within towns and villages paid through taxpayer funds. As new water districts are completed, the infrastructure assets are transferred to the Water Authority. The Water Authority has acquired millions of dollars of new infrastructure during the past years at no cost to the organization from the growth within our service area.

The forecast for overall customer population within the service area remains stable for the foreseeable future. No substantial growth is anticipated within the service area. Expansion into areas outside the Water Authority service area is contingent upon reasonable solutions among government agencies.

Rate increases are anticipated for the foreseeable future to offset normal operating costs and capital investment as part of the Water Authority's multi-year capital plan to maintain and upgrade the existing system infrastructure.

LETTER OF TRANSMITTAL - CONTINUED

OUR COMMITMENT TO THE COMMUNITY

The Water Authority has made a commitment to helping the community by providing assistance to other area water systems during times of need, expertise concerning water quality issues, and information to the general public through public-access informational announcements and print. The Water Authority believes that the “informed consumer is our best customer”. To that end, the Water Authority continues to provide a newsletter to its customers to inform them of current issues affecting the water system, customer service enhancements, legislative actions affecting water systems throughout the country, and future projects the Water Authority is contemplating towards its goal of providing exceptional water at an affordable price.

FISCAL YEAR 2012 IN REVIEW

Water Production, Consumption and Water Sales

For fiscal year 2012, 7.1 billion gallons of water were treated at the filtration plant to meet customer demands. This is an increase of 97 million gallons from the previous year. Customers used 3.59 billion gallons of treated water, a drop of 60 million gallons compared to the previous fiscal year and a decrease of 599 million gallons since fiscal 2003. The average production by the water treatment plant ranged from 17.9 million gallons per day to 20.4 million gallons per day. Customers used an average of 9.8 million gallons per day of water during fiscal year 2012, consistent with the prior year. During a two-day period in July 2011, the water production peaked at 22.0 million gallons per day.

Unaccounted-for-water of approximately 25%-35% is the result of an aging water system infrastructure; however, much effort has been put into identifying and correcting the sources. A second phase of leak detection has been completed and a third phase has begun by an outside engineering firm. The engineering firm’s objectives are to follow-up on previous leaks detected as well as identify any new leaks throughout the system.

Total operating revenue for fiscal year 2012 increased \$147,000 to \$20.4 million compared to the previous year. Specifically, water sales increased less than 1.0% to \$19 million dollars for fiscal year 2012. Other revenue sources remained relatively the same as the prior year at \$1.4 million. Operating expenses increased \$1.2 million to \$13.7 million. The most significant dollar change was at the treatment plant in the amount of \$794,000. The introduction of granulated activated carbon (GAC) into the filtration process cost approximately \$800,000. This material replaces the sand-based material used in the four filtration beds at the treatment plant. This change is the result of more stringent health standards attached to drinking water. The annual operating expense is projected to range between \$800,000 and \$1 million. Other significant fluctuations in operating expenses were in system repair and maintenance. Maintenance salaries, wages and benefits increased \$300,000 as the result of filling vacant positions from the previous year. In addition, \$74,000 was spent on the continuation of leak detection by outside engineers. In the past, leak detection has been capitalized because of its potential long-term use in detecting leaks in the system. However, because of the age of the water infrastructure, leak detection is becoming an annual review as upgrades and rehabilitation of the system becomes more prevalent. Also, repairs to vehicles and equipment and water meter purchases increased \$38,000 and \$64,000, respectively. These increased were more than offset by the reduction of paving (street restoration) costs by \$149,000.

LETTER OF TRANSMITTAL - CONTINUED

On-going Litigation

Mohawk Valley Water Authority vs. Erie Boulevard Hydropower, LP and New York State Canal Corporation—On April 25, 2005, the Water Authority commenced litigation in New York State Supreme Court for Oneida County seeking a determination of the Water Authority's rights to draw water from the West Canada Creek and Hinckley Reservoir under common law, statute and agreements.

On May 15, 2009, Oneida County Supreme Court Judge Samuel D. Hester rendered his decision concerning the Water Authority's summons and complaint consisting of 17 causes of action against the State of New York and/or Erie Boulevard Hydropower, L.P (Erie). In addition, the Judge ruled on the defendants' counterclaim for monetary damages and indemnification from liability from other parties for the Water Authority's past use of Hinckley Reservoir water.

The Court granted relief requested by the Water Authority, confirming its right to draw water from the Hinckley Reservoir and West Canada Creek without major major encumbrances (i.e., compensating flows). The Court ruled favorably in the Water Authority's rights to draw water from Hinckley Reservoir against Erie and dismissed its counterclaims. The Court did not give full relief against New York State and the NYS Canal Corporation; instead, settle for a quantity less than preferred under the original claim.

On October 18, 2010, the Appellate Division issued a decision on the appeals affirming the court's decision to grant summary judgment in the Water Authority's favor against Erie Hydropower and dismissal of Erie Hydropower's counterclaims. The Appellate Division modified the Court's decision with respect to limiting the Water Authority's withdrawal to 35 cfs on the basis of incomplete evidence.

The Water Authority's final claim that it can withdraw water from Hinckley Reservoir free from compensation obligation to the State and the State's counterclaim that the Water Authority is obligated to comply with the 1917 agreement, will be tried before the Oneida County Supreme Court. The date for trial has not been determined.

On or about May 17, 2010, the Water Authority served notice in Albany, NY Court of Claims to intervene in the matter of Erie Boulevard Hydropower, LP, the New York State Canal Corporation and the New York State Thruway Authority to protect its rights in this litigation concerning the interpretation of the 1921 agreement. This 1921 agreement governs the operation of the Hinckley Reservoir and the protocol in maintaining the reservoir under drought and emergency conditions.

The motion to intervene by the Water Authority was denied by the New York State Court of Claims in Albany. The motion to intervene by the Water Authority was denied by the New York State Court of Claims in Albany.

Subsequently, the Court ruled in favor of New York State against Erie Boulevard Hydropower holding that the State would not be responsible for monetary compensation nor compensating water flows to Erie Boulevard Hydropower as the result of diversions necessary to maintain levels and function of the Hinckley Reservoir.

LETTER OF TRANSMITTAL-CONTINUED

WORK FORCE RETENTION AND DEVELOPMENT

Since regionalization of the Mohawk Valley water system in 1996, the number of employees at the Water Authority has increased from 76 employees to 97 employees at the end of fiscal year 2012. The most significant increase occurred with the staffing of the water treatment plant that went into service in 1992. Following a short period of operation and maintenance of the facility by an independent firm, the Water Authority took over full operation in 1998 and has a current staff of nine.

During the last four fiscal years, several long-term management employees retired. Most of these positions were filled by existing employees while other positions are being reorganized to fit the Water Authority's needs into the future. As a result, maintenance crew and engineering positions became vacant and were subsequently filled. For fiscal year 2012, a turnover rate of less than 5.0% was realized. This rate of turnover has been relatively consistent for the past several years.

Much effort has been made to provide employees with a rewarding and safe environment through incentive programs and developing and maintaining safety-training programs. This includes requiring staff to pass a driver's safety test prior to operating company vehicles and equipment. In addition, staff requiring industry-specific safety training was completed, consistent with prior years. Among other types of training, proper trenching and excavating techniques were examined. Also, employees are trained in the area of handling and removing hazardous waste.

Capital construction and remediation of the existing system continues to be a major focus in time and dollars. Existing staff has been used to monitor a multitude of projects throughout the water system, particularly water main extensions. Likewise, an additional maintenance crew added in fiscal year 2002 has helped to alleviate the added pressure on the four existing maintenance crews. Management continues to review the production of the crew while implementing mechanisms to optimize their time and efforts.

Incorporating new technology into the daily operations continues to be a management focus. Full utilization of a work order system is scheduled in the next several years. Additional upgrades and enhancements are on the horizon to make the work order system more useful including the tracking of costs by work order and inventory used for each job. Daily workflow is recorded, amended, updated and completed in the work order system providing greater awareness and function to all staff.

The requisition, bidding and processing of operating and capital purchases continues to evolve. The use of electronic bidding and purchasing software will strengthen controls will providing increased efficiency. The incorporation of electronic invoicing, receiving and payment process is also being explored.

LETTER OF TRANSMITTAL-CONTINUED

CAPITAL CONSTRUCTION

As in the past years, capital projects continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive Capital Improvement Program (CIP) with the goal of improving the water system's infrastructure through increased system capacity and dependability. Specifically, target areas include upgrading storage and delivery, enhance water quality, identify and comply with pending regulatory requirements, protect the water source and its watershed, and reduce unaccounted-for water. Security improvements, as recommended in the Vulnerability Assessment report, are underway and will continue through subsequent years. The capital project committee of the Water Authority has identified \$46 million in projects over the next 15 years. These projects have been categorized into "priority type" and "project level".

There are three project levels and seven priority types identified to prioritize funds and risk associated with the water system. In addition, the CIP plan has flexible components to allow for projects to be moved based upon changing conditions, both internally and externally.

The three project levels are as follows:

- 1) Maintenance of water system assets;
- 2) Remediate system deficiencies; and
- 3) Compliance with state and federal mandates.

The project levels help decision-makers, primarily the Board of the Water Authority, to understand the continual needs of the water system. Priority is given to maintenance, then remediation and finally to mandates.

The seven priority types are as follows:

- 1) Remediate imminent public health risks;
- 2) Remediate health and safety risks for Authority personnel;
- 3) Comply with current regulatory requirements;
- 4) Solve problems related to inadequate water pressure or flow, comply with Authority standards;
- 5) Improve reliability and/or redundancy of supply;
- 6) Routine replacement upgrades; and
- 7) Cost/effectiveness of system expansion or acquisitions.

In conjunction with these project levels, the priority types identified above provide board members with a tool to better understand the short-term and long-term implications of decisions.

LETTER OF TRANSMITTAL-CONTINUED

CAPITAL CONSTRUCTION-continued

When complete, the projects identified in the current capital plan will improve water quality and production efficiency, remediate system deficiencies, and ensure the Water Authority's ability to comply with federal, state and local regulations. Some of the significant capital projects completed during the past year are as follows:

Installation of New Water Mains and Main Replacements

Frankfort

Ferguson Road required 649 linear feet of new 12 inch water main installations to enhance fire protection and water flow at a cost of \$94,902;

Utica

Ridge Road required nearly 188 feet of new 8 inch water main along with valves and hydrants to eliminate undersized mains and provide hydrants in several locations enhancing fire protection and water flow. The installation was conducted by Water Authority crews at a cost of \$36,670.

Deerfield Tank

A 10 million gallon tank was constructed to provide water storage for the system's low zone. This construction was prompted by new EPA water quality regulations requiring all water storage to be covered. As a result, the existing Deerfield Reservoir has now been placed in standby mode to be used in case of fire or emergency. The final cost of the project was \$6,393,801.

Canal Tunneling

Two parallel water mains at 600 linear feet each were installed under the Erie Canal in Marcy. The installation included two special 24 inch diameter polyethylene mains through the use of directional drilling methods. These mains will replace two 100 year old mains that are partially visible on the bank of the Canal and have failed several times in the recent past. The connection work to these mains will occur in the fall of 2012.

Roof Replacements at the Water Treatment Plant, Luke Road Pump Station and Kemble Street Storage Building

Aging and leaking roofs on these three facilities were completed at a cost of \$553,829. The Treatment Plant required special preparation to prevent material from mixing with the ongoing filtration process.

LETTER OF TRANSMITTAL-CONTINUED

FINANCIAL STABILITY

Water Authority residential customers are in the upper range of annual water costs when comparing similar systems in the northeast. Likewise, commercial customers are in the mid-range of annual costs. However, due to a severe lack of reinvestment into the water system during the 1980's and into the 1990's, with the exception of the water treatment plant construction completed in 1992, the Water Authority continues to advance an aggressive Capital Improvement Program. Rates are anticipated to increase, in marginal percentages, to help fund construction projects that will help maintain the current system and remediate existing deficiencies.

Prudent financial planning plays a vital role in assuring the viability and stability of the water utility. The following events highlighted the importance of financial planning in fiscal year 2012:

- i Water Rate Model – This comprehensive financial tool continues to drive the rate-setting process and is an integral part of the annual budget. The water rate model consists of a multitude of spreadsheets designed to reflect all current and future financial commitments the Water Authority will face over the next 20 to 30 years. In turn, it projects probable future rates. The water rate model also incorporates additional features that provide future impacts on current or proposed capital projects and water system investments.

The rate model was used extensively to project the impact of the Water Authority's current operating and capital plans. The model is essential in assessing the affect of potential consumption losses in future operating budgets. Absent this tool, there is a risk that rates would not be properly set to offset consumption elasticity. As in the past, the model is instrumental in projecting the effects of incorporating capital construction plans by "priority type" and "project level" noted in previous paragraphs.

- i Annual Rate Adjustments – Through the use of the Water Authority's comprehensive water rate model, water rates were raised 2.0% for fiscal year 2012. This trend of annual rate adjustments is consistent with the Water Authority's long-term financial plan that incorporates an aggressive, yet reasonable, capital improvement program.

As a result of the budget approved for fiscal year 2012, the Water Authority continued its multi-year capital project program. Anticipated bonding for new projects is projected for the summer of 2012. The fiscal year 2013 approved budget incorporated a portion of this projected new debt service into the water rate structure.

LETTER OF TRANSMITTAL-CONTINUED

- i Cash Reserve Funding – The Board of the Water Authority continues to make a commitment to the long-term stability and growth of the water system by funding its reserves. In fiscal year 2007, a reserve was created by the Board with the goal of eliminating the need to bond for maintenance of capital construction. Over a several year period, the Board has committed to setting-aside funds to meet the annual capital maintenance costs currently estimated at \$750,000 annually. During fiscal year 2012, the Board funded this reserve in the amount of \$750,000. The current accumulated balance is \$1.3 million. No other reserves were funded.

- i Operating Cash Surplus – The Water Authority experienced an increase in operating cash during fiscal year 2012 of \$908,000. The primary reason for this large increase is the timing for payout of operating costs including equipment. Over the past several years, operating cash has experienced healthy increases besides being able to fund capital reserves and the required bond covenant established in the original 1996 bond resolution. Operating surpluses will allow flexibility to fund unforeseen operating costs and emergency repairs.

- i Debt Service Coverage – Continued strong fiscal management resulted in debt service coverage of 1.53 (See the debt service coverage schedule in the Statistical Section). The coverage is less than the rate consultant’s fiscal year 2012 cash coverage projection of 2.25. However, the rate consultant’s calculation includes the use of cash carried forward from previous fiscal years. When this amount is added, the coverage increases to 2.62. Actual debt service coverage has exceeded the rate consultant’s projection since the Water Authority’s inception. This will strengthen the Water Authority’s prospects for raising its future bond rating.

- i Bond Rating – The Water Authority is currently the recipient of favorable credit ratings from Standard and Poor’s Ratings Services and Moody’s Investors Service.

In February 2012, Standard and Poor’s Rating Services upgraded the Water Authority from A to A+. The rating assigned to the Water Authority’s 2008A revenue bonds indicated a “strong financial risk profile, with consistently strong debt service coverage and liquidity position.” In addition, S&P noted the regional water system has a “very diverse customer base,” and an “ample water capacity to meet demand.”

Moody’s Investors Service revised their rating scale during 2010 resulting in a change to the Water Authority’s rating from an A₃ to an A₁. The A₁ rating is considered “upper-medium grade and the obligations are subject to low credit risk”. Moody’s Investors Service last reviewed the Water Authority’s bond rating in December of 2008.

The Water Authority has proven its commitment to providing quality water and unparalleled community service. All financial indicators have been met or exceeded expectation.

LETTER OF TRANSMITTAL-CONTINUED

CONTINUED OPERATIONAL EFFICIENCIES

From large meter replacement programs, customer information system upgrades, SCADA and Water Modeling software to the creation of a comprehensive work order system, the Water Authority has taken some major steps in creating operational efficiencies that will not only benefit current customers but future system stakeholders. In 2012, efforts included:

- i SCADA, Water Quality monitoring and security Enhancements – As part of a long-range program, the MVWA continues to install system monitoring sensors and surveillance instruments at facilities throughout the Regional System. Significant access and camera systems were installed at the Kemble Street Maintenance Facility. The system sensors are connected into the MVWA Supervisory Control and Data Acquisition SCADA system for monitoring at Headquarters and the WTP. This effort has vastly improved the system monitoring and operation as well as security. An added benefit is the ability to make adjustments to system pressures quickly in response to either emergencies or changing water demands.
- i Hydraulic Modeling – The hydraulic model of the Regional System was utilized by MVWA staff to evaluate system deficiencies, identify capital improvements and for emergency response planning. It was also used to analyze water age during a discolored water event in the summer of 2011 and for evaluating system changes at several locations.
- i Customer Service Enhancements – As a long standing commitment to provide greater service, information and payment options to water customers, enhancements were made to the Water Authority’s web site during the year including electronic check (E-Check) payments; reoccurring payment options for customers; and delinquent account look-up for landlords. These enhancements will allow customers to have more control over their accounts and enhance their timely payments.

Also, the customer information system (CIS) received enhanced capabilities to track discolored water calls and map those call to provide maintenance personnel with a tool to locate water system problems and potential main breaks

- i On-line Electronic Purchase Request System – Procurement has been greatly enhanced with an automated purchase request system (Erequester). Staff and managers can request the purchase of goods and services through a purchase request software that links to the purchase order and accounts payable modules of the existing financial software. Based upon pre-established procurement rules, the completed request automatically forwards to the next reviewer for their approval. Upon final approval, a purchase order or payment request is generated. In addition, all approvals and changes or revisions are date and time-stamped on the request providing a complete audit trail. Requesters can inquire and view their request-status at any time.

LETTER OF TRANSMITTAL-CONTINUED

FINANCIAL INFORMATION

Internal Control Environment – Management of the Water Authority is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the water utility are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the financial presentation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not outweigh their benefit.

Budget Formulation and Control – Public Authorities Law of the State of New York requires the Water Authority complete and deliver an annual budget to New York State government officials 60 days prior to the Water Authority’s fiscal year end. In addition, an independent rate consultant is required to ensure the Water Authority establishes and collects rates, fees, and charges sufficient to pay all operating costs, debt service, PILOT payments, and any other amounts necessary to operate the utility system. This is known as the “Rate Covenant.” To that end, a formalized process has been established culminating in a report by the independent rate consultant to ensure that all necessary rates, fees and other charges have been established to pay all costs associated with operating the water utility. Components of the budget process are as follows:

Through the water rate model, formulating, updating and maintaining a long-range plan, presently twenty (20) years—

- i For operating and maintenance costs;
- i For addition and replacement of fleet inventory and water system facilities based upon current and projected usage;
- i For identifying capital construction needs by “priority level” and “project type” for the planned issuance of debt or use of capital reserves;
- i For adjustment of water rates to meet the revenue requirements identified above.

Other budgetary controls include:

- i Developing multi-year budgets by department function based upon long-range activities and capital project planning.
- i Establishing and monitoring cost control center budgets for labor, materials and services for each of the operational plans (departments) and capital projects cost centers.
- i Providing explanation of significant variances between budgeted and actual expenses to the Board on a monthly basis.

LETTER OF TRANSMITTAL-CONTINUED

ADDITIONS TO UTILITY PLANT

Capital construction completed for fiscal year 2012 amounted to \$7.2 million compared to \$5.7 in the previous fiscal year. Construction projects currently underway in the amount of \$14.4 million will be completed over the next several years. These projects consist primarily of water tanks under construction, when complete will improve water capacity and efficiency, eliminate some lingering system deficiencies, and comply with regulatory mandates.

As part of normal operations, the Water Authority acquires newly constructed and existing water districts from cities, towns, villages and private contractors for operation and maintenance. These contributed capital assets are recorded at fair market value at the date acquired. No utility assets were acquired from municipalities or private contractors during fiscal years 2012 or 2011. Please see Note 5 – Utility Plant and Depreciation for further discussion on this issue.

DEBT ADMINISTRATION

No new bonds were issued during fiscal year 2012.

During fiscal 2009, the Water Authority issued \$12.2 million in revenue bonds for the continued advancement of the Water Authority’s multi-year capital plan. At the time of the sale, the Water Authority received an A₃ rating from Moody’s Investors Service. Moody’s Investors Service revised their rating scale during 2010 resulting in a change to the Water Authority’s rating from the 2008 rating of A₃ to an A₁. However, the rating remains in the upper-medium grade scale and its revenue bonds are considered low credit risk. In addition, Standard and Poor’s rated the Water Authority at an equivalent rating of “A”. In February 2012, this rating was upgraded to “A+”. See “bond rating” under the Financial Stability section above.

At March 31, 2012, bonds totaling \$58.7 million were outstanding. In addition, a promissory note of \$6.1 million is due over the next 25 years to the City of Utica as part of the water system purchase agreement. See Note 8 in the Financial Section for more details.

PAYMENT IN LIEU OF TAXES (PILOT) PAYMENTS

Pursuant to the Act initiating the water system purchase from the City of Utica, the Water Authority was established as an “exempt organization” whereby no fees, taxes, levies or assessments would be charged against the Water Authority. In return for this exemption, municipalities and school districts within the service area affected by the exemption would be paid in lieu of taxes or assessments an amount established under the Act. See the Statistical Section, non-operating revenues and expenses, for a detail of the PILOT payments required. All payments are subordinate to debt service payment on bonds as defined by the Act. However, the Board is empowered to make such payments subordinate to other payments under the Act or any subsequent bonding by the Finance Authority.

The Board of the Water Authority may reduce the amounts paid to the municipalities and school districts under this arrangement following a resolution approved by at least 75% of the Board. Such decreases must be uniformly applied to each municipality and school district.

LETTER OF TRANSMITTAL-CONTINUED

DISCLOSURE REQUIREMENTS

Certain information is being provided by the Water Authority to various Continuing Disclosure Undertakings that have been executed by the Board of the Finance Authority in order that participating underwriters may comply with Rule 12c2-12 promulgated by the Securities and Exchange Commission (SEC). These disclosures made by the Water Authority can be found on the following pages:

Audited Financial Statements	Financial Section
Outstanding Indebtedness	Financial Section; Statistical Section
Number of Service Connections (Meters)	Statistical Section
Water System Facilities	Statistical Section
Revenues and Expenses	Financial Section (RSI)
Capital Expenses	Statistical Section
Detail of Revenues and Expenses	Financial Section (RSI)
Largest Customers	Statistical Section
Current Water Rates	Statistical Section

CASH MANAGEMENT

The Water Authority participates in several investment programs designed to optimize financial returns while minimizing risk. New York State investment statutes govern the Water Authority's cash investment policies. The Water Authority's investment policy closely resembles New York State statutes. The Water Authority is authorized to use demand accounts, certificates of deposit and investment pools. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities. All investments are required to be AAA rated.

Where practical, cash proceeds in normal business operations are invested in money market funds currently earning .30%. Other short-term investment options are also being explored.

An on-going slow recovery in the market during fiscal year 2012 resulted in overall low investment earnings. Trust fund money from capital borrowing was deposited into various investment vehicles, primarily certificates of deposit and repurchase agreements, earning in the range of .01% to 5.13%.

LETTER OF TRANSMITTAL-CONTINUED

Under requirements stipulated in various bond resolutions, a trustee has been assigned to hold proceeds from the related bond issues. In addition, the trustee is required to hold funds deposited from time to time to pay Registered Owners (bondholders). The trustee is required to invest and reinvest funds as instructed by an authorized representative of the Finance Authority.

Over the last several fiscal years, the Water Authority has been participating in an investment program consisting of certificates of deposit for the larger trust fund balances including debt service reserve funds, construction funds and the repair and improvement fund. Investment returns are estimated between .40% and 3.50% annually depending on the term of the certificate. All certificates are appropriately covered by FDIC limits.

Other trust funds are invested in either a Master Repurchase Agreement or State and Local Government Securities (SLGS). The Master Repurchase agreements have a return of 5.13% and the SLGS have a return ranging from 2.37% to 4.67%.

Please see Note 3 for a more detailed reporting of Restricted Asset investments.

RISK MANAGEMENT AND LIABILITY INSURANCE

The Water Authority carries general liability and property coverage for catastrophic losses on existing property, newly acquired property, floods, fire, and limited coverage on other miscellaneous property. Currently, there is a \$51 million limit on buildings and personal property. Coverage is also afforded under a municipal boiler and machinery policy primarily to cover equipment breakdown. This carries a \$25 million limit. There is also an inland marine policy to specifically cover schedule property.

Casualty coverage includes a vehicle coverage policy with an aggregate \$1 million liability for bodily injury and property damage. Also, the Water Authority has an umbrella policy or excess catastrophic liability in the aggregate amount of \$10 million.

The Water Authority also has obtained appropriate worker's compensation insurance, crime insurance and a public official policy for its board members.

Please see the Statistical Section for a more detailed representation of the types of insurance coverage by the Water Authority.

LETTER OF TRANSMITTAL-CONTINUED

OTHER INFORMATION

INDEPENDENT AUDIT

The “Act” requires an annual audit of the books and records of the Water Authority by an independent accounting firm. The independent accounting firm of Marvin & Company, P.C. was jointly selected by the Water Authority and Finance Authority. The Firm was hired for a three-year term and the fiscal year 2012 audit is the final year of their three-year term. Marvin & Company’s report is included in the Financial Section of this report.

AWARDS/PUBLICATIONS

Financial Reporting. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended March 31, 2011. This is the ninth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe this 2012 CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

This Report was prepared by the staff of the Water Authority with leadership and support of the Executive Director and the Board of Directors.

Sincerely,

MOHAWK VALLEY WATER AUTHORITY

by _____
Patrick J. Becher, Executive Director

by _____
James C. Korfonta, Comptroller

MOHAWK VALLEY WATER AUTHORITY

WATER AUTHORITY BOARD MEMBERS

Member	Committees	Board Term Ending
ELIS DELIA, CHAIRMAN OF THE BOARD	Capital Projects Committee Chair; Budget and Finance; Governance	December 31, 2013
BRUCE BRODSKY, VICE CHAIRMAN	Audit Committee Chair; Capital Projects; Budget and Finance	December 31, 2014
ROCCO ARCURI, TREASURER	Budget & Finance Committee Chair; Audit and Personnel Committees	December 31, 2013
DENNIS BOVA	Operations and Capital Projects	December 31, 2014
VINCENT COYNE	Governance Committee Chair; Capital Projects; Budget and Finance; Audit and Personnel Committees	December 31, 2014
MARK FORD	Operations Committee	December 31, 2013
MITCHELL FORD	Operations Committee Chair; Capital Projects	December 31, 2012
LUKE LEWIS	Capital Projects Committee	December 31, 2012
STEVEN SMITH	Personnel Committee	December 31, 2013
BETTE SZESNY	Personnel, Operations and Governance	December 31, 2000*
DR. MICHAEL WICKS	Personnel Committee Chair	December 31, 2012
SCOTT WILLIAMS	Operations Committee	December 31, 2013

*--Board member continues to serve until reappointed or replaced.

**FINANCE AUTHORITY BOARD MEMBERS
AND PRINCIPAL OFFICERS**



Vincent Gilroy
Chairman, Finance Authority



William Barry



Robert Bannigan



Eric Linder



Thomas Nelson



Patrick Becher
Executive Director



James Korfonta
Comptroller



Richard Goodney
Principal Engineer and
Capital Projects



Connie Schreppel
Director of Water Quality



Suzanne Harmon
Executive Secretary

CERTIFICATE OF ACHIEVEMENT

For the ninth consecutive year, the Government Finance Officers Association of the United States of America and Canada (GFOA) has awarded the Mohawk Valley Water Authority with its prestigious Certificate of Achievement for Excellence in Financial Reporting.

This reflects the Water Authority's commitment to timely, accurate, and comprehensive financial reporting for its customers, business leaders, government officials and other stakeholders with a close interest in the Mohawk Valley's premiere water system.

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Mohawk Valley Water
Authority, New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
March 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandson

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



Marvin and
company, p.c.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Kevin J. McCoy

Board of Directors
Mohawk Valley Water Authority

Thomas W. Donovan

Frank S. Venezia

We have audited the accompanying combined statements of net assets of Mohawk Valley Water Authority (the Authority) as of March 31, 2012 and 2011, and the related combined statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

James E. Amell

Carol A. Hausamann

Benjamin R. Lasher

Daniel J. Litz

Karl F. Newton

Kevin P. O'Leary

Timothy A. Reynolds

We conducted our audits in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

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Latham, NY 12110

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In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Valley Water Authority as of March 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Email:

webmaster@marvincpa.com

Web:

<http://www.marvincpa.com>

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the Mohawk Valley Water Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 33 through 52 and the Schedule of Funding Progress for Retiree Health Plan on page 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements of Mohawk Valley Water Authority as a whole. The introductory section on pages 5 through 29 and statistical section on pages 115 through 147 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying supplementary schedules on pages 103 through 112 are presented for purposes of additional analysis and are also not a required part of the combined financial statements. These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The information on these schedules has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Marvin and Company, P.C.

June 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of Mohawk Valley Water Authority (MVWA) provides an introduction to the major activities affecting the operations of the regional water system and an overview to the financial performance and statements of the MVWA for the fiscal year ended March 31, 2012 (FY 2012). The information contained in the MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historic summaries of activities and financial performance included in the Supplementary Information and Statistical Sections of this report.

Following this MD&A are the financial statements of MVWA together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. In addition to the financial statements and accompanying notes, the financial section also presents certain required supplementary information regarding budgetary comparisons to actual results, major infrastructure asset values, debt service requirements to maturity, and PILOT payments to other governmental units as part of the regionalization agreements.

WATER SYSTEM HIGHLIGHTS

- i Major capital construction for FY 2012 included the completion of phase two of the compliance requirements concerning open water storage. This second phase began in FY 2010 and included the construction of two tanks in proximity to the Marcy reservoir. As a result, the reservoir is now off-line from daily use to be used primarily for firefighting. Phase-one consisted of the construction of Deerfield tank and the clearwell tank at the treatment plant. The Deerfield tank was completed and put on-line in fiscal year 2012.

Compliance with open storage requirements promulgated by the United States Environmental Protection Agency (EPA) takes effect in 2012, and applies to water systems serving populations over 100,000. Essentially, all open reservoirs must be treated as a raw water source and either re-treated or eliminated from daily use. Methods of achieving this compliance include covering the reservoir or constructing alternative tanks.

MVWA chose to construct a series of tanks in a two-phase capital plan to eliminate all open reservoirs in the distribution system. The first phase consisted of the Deerfield reservoir tank, a 10 million gallon tank constructed in FY 2008 through FY 2010. The tank was put on-line FY 2012. In addition, the clearwell tank at the water treatment plant was completed in FY 2009 and went on-line in FY 2010. This additional clearwell will allow more contact time with chemicals used to clean the raw water passing through the treatment plant.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

WATER SYSTEM HIGHLIGHTS-continued

The second phase of the \$25 million capital project started in the summer of 2009 and includes constructing five additional smaller tanks to eliminate a second reservoir at Marcy and to provide additional storage at the southern reservoir area. Bonding for this unfunded EPA mandate occurred in two separate bond issues. The first bonding of approximately \$15 million occurred in 2006 and the second bonding completed in December 2008 was for \$12.2 million. Other smaller projects were also included in these bond issues.

The final tank at the southern reservoir is scheduled for construction in the summer of 2012. This will compliment a tank constructed in 2003 resulting in removing the southern reservoir from daily use. This additional tank will provide much needed capacity for the higher elevations of the water system.

- i In February 2012, Standard and Poor's Rating Services upgraded the Water Authority from A to A+. The rating assigned to the Water Authority's 2008A revenue bonds indicated a "strong financial risk profile, with consistently strong debt service coverage and liquidity position". In addition, S&P noted the regional water system has a "very diverse customer base", and an "ample water capacity to meet demand".
- i Continued stress from increased operating costs, debt service costs to fund the construction projects primarily to comply with the EPA's covered storage mandate, and lost revenue from unrealized expansion plans resulted in an average increase in water rates to customers of 2.0% for FY 2012. Significant operating cost increases included chemical costs and maintenance supplies, employee health insurance benefits, workers' compensation and the annual state-mandated retirement payment. In addition, accumulated legal costs to defend the water customers' right to draw water at maximum levels from the Hinckley Reservoir also attributed to the increase.
- i For FY 2012, annual consumption decreased 9.2 million cubic feet (MCF) to 479 MCF. This is fifth consecutive fiscal year that annual consumption has decreased. The top 3 service areas based on consumption are as follows: City of Utica, 245 MCF or 51%; Town of New Hartford, 68 MCF or 14%; and the Town of Marcy, 45 MCF or 9%. While annual consumption decreased during the fiscal year, water sales increased \$147,000 million to \$19.0 million. The marginal increase is attributed to the increase water rates of 2%.
- i Comparing budget to actual, water sales exceeded this forecast by \$761,000 or 4.2%. In addition, delinquency charges exceeded the budget by \$134,000 or 18.6%. This large increase primarily consisted of late penalties charged on delinquent account balances. Fees and ancillary charges were in line with budget while Other Services fell short by \$24,000 as compared to budget. Overall operating revenue exceeded budget by \$879,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENTS FOR FISCAL YEAR 2012

This section is intended to serve as an introduction to the MVWA's financial statements. MVWA's financial statements are prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Government Accounting Standards Board (GASB). The Water Authority is a single-purpose entity and revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

The financial statements are organized as follows:

The ***Statement of Net Assets*** presents information on all of MVWA's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of the financial position of MVWA. The ***Statement of Revenue, Expenses and Changes in Net Assets*** presents information showing how MVWA's net assets changed during the most recent reporting period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in prior or future periods (e.g., earned but unused vacation leave and depreciation expense on capital assets). The ***Statement of Cash Flows*** presents information depicting MVWA's cash flow activities for the reporting period ended and the effect that these activities had on MVWA's cash and cash equivalent balances. The ***Notes to Financial Statements*** present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements section of this report.

Combined Statement of Net Assets

MVWA assets exceeded liabilities (net assets) by \$34.4 million as March 31, 2012 as compared to \$31.6 million and \$28.4 as of March 31, 2011 and 2010.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

COMBINED STATEMENT OF NET ASSETS			
	FY 2012	FY 2011	FY 2010
ASSETS:			
Current Assets	\$ 12,711,756	\$ 11,136,442	\$ 10,441,498
Noncurrent Assets:			
Restricted Assets	15,491,980	17,486,631	22,832,722
Utility Plant, Net	74,672,018	73,936,016	68,895,838
Total Noncurrent Assets	90,193,998	91,422,647	91,728,560
Total Assets	102,875,754	102,559,089	102,170,058
LIABILITIES:			
Current Liabilities	5,807,002	6,217,711	7,079,808
Noncurrent Liabilities	62,703,566	64,710,312	66,734,994
Total Liabilities	68,510,568	70,928,023	73,814,802
NET ASSETS:			
Invested in Utility Plant, Net of Related Debt	14,506,845	12,329,769	9,640,148
Restricted For:			
Repair and Improvement	652,870	621,715	611,772
Unspent Debt Proceeds:			
Restricted for Capital Projects	2,766,952	3,829,810	8,506,163
Other Than Construction Proceeds	7,691,626	8,298,245	9,417,748
Unrestricted	8,746,893	6,551,527	179,425
TOTAL NET ASSETS	\$ 34,365,186	\$ 31,631,066	\$ 28,355,256

Assets

- i Current assets represent operating, restricted and board-designated cash, receivables, inventory, and prepaid expenses. Current assets increased by \$1.6 million were attributed mostly to unrestricted cash increase by \$907,000, receivables by \$266,000 and material inventory of \$377,000. Over half of the increase in unrestricted cash was caused by the timing of payment to sinking funds-which was made just after the current fiscal year. Accounts receivable increased due to the extended time for customers to make payments from 20 days to 30 days and region's downturn in the economy. Inventory increased as result of bulk purchasing: which led to better pricing. Inventory is expected to be used during the summer months. In addition, restricted cash collected from sewer and outside-service-area water billings increased \$85,000.
- i Non-current restricted assets represent trust funds that are subject to external restrictions as stipulated under applicable bond resolutions. The major change was the use of \$1.9 million of these restricted funds for designated capital projects. Construction payouts included the 2008A and 2006A project funds to construct the Toby Road and Marcy reservoir tanks.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statement of Net Assets-continued

- i Non-current utility plant assets consist of tangible, intangible, land, equipment less related accumulated depreciation, and work-in-progress. The majority of fixed assets are devoted to distribution, treatment plant, and water transmission & storage carried net of depreciation of \$23.5, \$18.2 and \$15.3 million, respectively. Capital projects in the amount of \$7.2 million were completed and another \$14.4 million are in various stages of construction as part of an aggressive multi-year capital plan to remediate system deficiencies and provide enhanced transmission and distribution facilities. Two water tanks (Marcy, \$4.0 million and Toby Road, \$8.5 million) account for the largest share of work-in-progress.

UTILITY PLANT ASSETS		
	FY 2012	FY 2011
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 1,050,000
Land	981,806	981,954
Water Transmission and Storage	17,371,369	10,977,567
Distribution	31,118,488	30,986,981
Vehicles & Maintenance Equipment	2,305,297	2,264,654
Office & Lab Equipment	2,151,869	2,025,646
Water Treatment Facilities	21,890,271	21,326,311
Work-in-Process	14,423,809	19,373,646
	<u>91,292,909</u>	<u>88,986,759</u>
Less: Accumulated Depreciation	<u>(16,620,891)</u>	<u>(15,050,743)</u>
Net Utility Plant	<u>\$ 74,672,018</u>	<u>\$ 73,936,016</u>

The following major construction projects were completed during the year increasing the Authority’s utility assets:

- o Main replacements or extensions were completed at—
 - i Ridge Road, Utica \$36,670
 - i Ferguson Road, Frankfort \$94,902
- o Construction of a 10 million gallon wire-wrapped tank at the Deerfield reservoir at a cost of \$6.4 million. This tank was necessary to remove the Deerfield reservoir from daily operation and comply with new state and federal drinking water regulations.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statement of Net Assets-continued

- As part of the maintenance of the treatment plant and other facilities, new roofs replaced the original roof installed in 1993 on the maintenance facility at a cost of \$553,829.
- An additional three phases (Phases IV-VI) of leak detection were completed system-wide resulting in greater knowledge of system weakness and potential rehabilitation in the future. The water service area is broken into three sections where the different phases are performed. Due to the age of the infrastructure, leak detection is becoming more prevalent and has become part of normal operations.

On-going capital projects include the following:

- Construction of a 6 million gallon water tank on Toby Road in Marcy at a current cost of \$8.5 million;
- Construction of a 3 million gallon water tank at the Marcy reservoir at a cost of \$4.0 million;
- The initial design of a tank and mains at the Oriskany business park at a current cost of \$357,000;
- Through the use of a special directional-drilling process piping was installed under the Erie Canal at a cost of \$717,000;
- Upgrade and additions to the existing SCADA system used to monitor water flows and key infrastructure performance throughout the system at a current cost of \$138,000;
- Pump station improvements system-wide at a current cost of \$132,000;
- Water quality improvements system-wide at a current cost of \$246,000;
- Main replacement on Andes Avenue in Utica at a cost of \$93,000.

Additional information on the Water Authority's utility plant can be found in Note 5 of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statement of Net Assets-continued

Liabilities

- i Current liabilities consist of accrued payments to suppliers and construction contractors, amounts collected for the billing of sewer and non-service area water services on behalf of several municipalities, and the current portions payable for accrued interest and principal on outstanding bonds and a promissory note. MWVA had current ratios of 2.19, 1.79 and 1.47 at March 31, 2012, 2011, and 2010 respectively. Current ratio implies there is sufficient assets on hand to cover liabilities that will come due in the ensuing year.

Ratio of Current Assets to Current Liabilities			
	FY 2012	FY 2011	FY2010
Current Assets	\$ 12,711,756	\$ 11,136,442	\$ 10,441,498
Current Liabilities	\$ 5,807,002	\$ 6,217,711	\$ 7,079,808
Current Ratio	2.19	1.79	1.47

- i Noncurrent liabilities represent water revenue bonds acquired to finance the water system’s multi-year capital improvement plan, a promissory note payable to the City of Utica, a component of the purchase of the water system in 1996 and the post employment benefit other than pension accrual. As a general policy, MVWA prefers to finance projects by bonding every two years in order to keep closing costs and other expenses to a minimum. The largest change to noncurrent liabilities was the principal reduction of the Series 2001A revenue bonds of \$1.2 million. A net increase of \$547,000 incurred to accrue for the postemployment benefits other than pension liability in accordance with GASB 45.

Water Revenue Bonds

As of March 31, 2012, MVWA has seven water revenue bond series outstanding totaling \$58.7 million. The Series 1996B bonds, 2001A bonds and the 2001B bonds are all funded through the New York State Drinking Water Revolving Fund administered by the Environmental Facilities Corporation (EFC), a public benefit corporation of the State of New York. The 2001A Series bonds are the result of an advanced refunding of the original 1996A Series bonds used to purchase the water system from the City of Utica. In FY 2007, the Water Authority issued \$20,335,000 of revenue bonds to fund several large capital projects and to partially advance refund portions of the 1999 and 2000 series bonds. The remaining portions of the 1999 series bonds have been paid in full during FY 2012. During fiscal 2009, a new bond issue was completed in the amount of \$12.2 million. No new bonds were issued during FY 2011 and FY 2012.

MOHAWK VALLEY WATER AUTHORITY**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED****Combined Statement of Net Assets-continued**

Prior to FY 2006, annual debt service (principal and interest) was \$3.2 million. The debt service increased to \$4.1 million and \$4.3 million in FY 2007 and FY 2009, respectively. In FY 2010, debt service increased to \$5 million. During FY 2011 and FY 2012, EFC refinanced state-backed bonds related to the series 2001A and 2001B bond issues. The savings from these refinancing have been passed on to the Water Authority in the form of increased subsidies. The resulting subsidies have reduced debt service by approximately \$200,000 to \$4.8 million. Rates on these current debt issues range from 2.00% to 6.25%.

Water revenue bond series outstanding as of March 31, 2012 and 2011 follows:

Water Revenue Serial Bonds		Principal Outstanding Balance March 31, 2012		Principal Outstanding Balance March 31, 2011
1996B	\$	160,000	\$	320,000
1999		0		90,000
2000		4,788,720		5,048,720
2001A		14,240,000		15,585,000
2001B		1,915,000		2,035,000
2003		7,000,000		7,185,000
2006A		18,765,000		19,080,000
2008A		11,880,000		11,985,000
Total	\$	<u>58,748,720</u>	\$	<u>61,328,720</u>

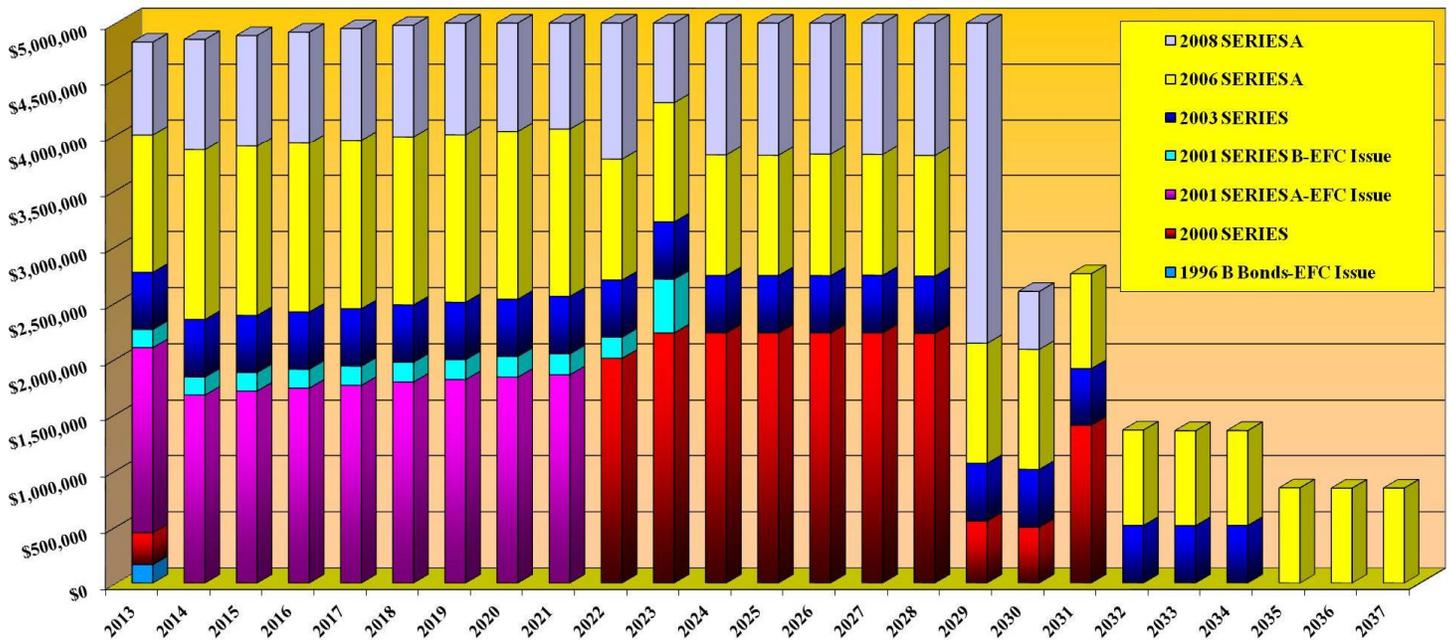
Additional information on the Water Authority's long-term debt can be found in Note 8 of this report.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Annual debt service is the required amount of cash that is required each fiscal year to cover the repayment of interest and principal on a debt. MVWA's requirement by each bond series follows:

DEBT SERVICE REQUIREMENTS
FISCAL YEARS 2013-2037



MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**Combined Statement of Net Assets-continued****Net Assets**

MVWA assets exceeded liabilities (net assets) by \$34.4 million, \$31.6 million, \$28.4 million as March 31, 2012, 2011 and 2010, respectively. Net assets are divided into three main categories of invested in utility plant, net of related debt; restricted and unrestricted net assets.

- i The largest net assets portion of the MVWA each year consists of its investment in utility plant net of accumulated depreciation reduced by the related indebtedness outstanding used to acquire such assets. For FY 2012, MVWA carried \$74.7 million in utility plant net of depreciation and related debt as compared to \$73.9 million and \$68.9 for FY 2011 and 2010, respectively.
- i Restricted assets represents net assets that should be reported as restricted when constraints placed on net assets use are externally imposed or imposed by law. For FY 2012, the vast majority of MVWA's restricted assets are related to bond proceeds of \$10.5 million as compared to \$12.1 million and \$17.9 million for FY 2011 and 2010, respectively. A legally restricted portion consists of \$653,000 set-aside for the repair and improvement of the water infrastructure as stipulated under the original General Bond Resolution as compared to \$622,000 and \$612,000 for FY 2011 and 2010, respectively.
- i Unrestricted net assets are the residual component of net assets. It consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt. For FY 2012, the Board of Directors has designated \$3.8 million of the \$8.7 million of unrestricted net assets to indicate tentative plans for future financial commitments and resource use as compared to \$4.0 million and \$3.5 million for FY 2011 and 2010, respectively. The designed funds include amounts for debt service covenant and reserves for certain repair, replacement, maintenance and operating reserves:
 - o \$800,000 for debt service covenant is MVWA required amount of collected funds that equates to additional 15% of the estimated aggregate debt service for each fiscal year plus all remaining obligations including operating expenses, PILOT payments, Finance Authority obligations, promissory note and debt service.
 - o \$1.3 million for capital maintenance reserve was created during FY 2009 to fund the annual maintenance of larger infrastructure assets in the water system. Amounts are anticipated to be funded each year with the goal of annually paying for the maintenance of these assets as opposed to bonding for the repairs over time.
 - o \$924,000 for Repair, Replacement and Renewal Reserve
 - o \$619,000 for Operating and Maintenance Reserve
 - o \$147,000 to fund specific Board of Directors' projects.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses and Changes in Net Assets

For FY 2012, operating revenues increased by \$147,000 over the prior year. Operating expenses are incurred for the purpose of producing revenue increased by \$1.3 million as compared to the prior year. Operating income shows the relationship between revenue earned and expenses incurred was \$6.7 million for FY 2012, also down \$1.1 million from the prior year. Nonoperating revenues and expenses, which are considered not directly related to operating income, showed a reduction from the prior year of \$564,000: leading to change of net assets of \$2.7 for FY 2012 as compared to \$3.3 million and \$2.7 million for FY 2011 and FY 2010, respectively.

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
	FY 2012	FY 2011	FY 2010
Operating Revenues	\$ 20,429,500	\$ 20,282,694	\$ 18,829,615
Operating Expenses	<u>13,723,116</u>	<u>12,470,677</u>	<u>11,958,526</u>
Operating Income	6,706,384	7,812,017	6,871,089
Nonoperating Revenues (Expenses)			
Investment Income	225,341	286,169	411,998
Interest Expense	(2,665,824)	(2,965,973)	(2,875,515)
PILOT Payments	(1,445,725)	(1,471,913)	(1,510,885)
Other	<u>(86,056)</u>	<u>(384,490)</u>	<u>(205,911)</u>
Total Nonoperating Expenses	<u>(3,972,264)</u>	<u>(4,536,207)</u>	<u>(4,180,314)</u>
Change in Net Assets	2,734,120	3,275,810	2,690,775
Net Assets, Beginning of Year	<u>31,631,066</u>	<u>28,355,256</u>	<u>25,664,481</u>
Net Assets, End of Year	\$ <u>34,365,186</u>	\$ <u>31,631,066</u>	\$ <u>28,355,256</u>

Operating Revenue

MVWA sets its rates annually in concurrence with the adoption of its annual operating and capital budget. MVWA is required by its enabling legislation to set rates and fees sufficient to cover all of its operating costs and 115% of the principal and interest on debt service used for construction and remediation of the existing system. MVWA raised its rates over the years to offset operating and capital expenses. A summary of the rate increases since the Authority began setting rates and adopting budgets is as follows:

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses and Changes in Net Assets-continued

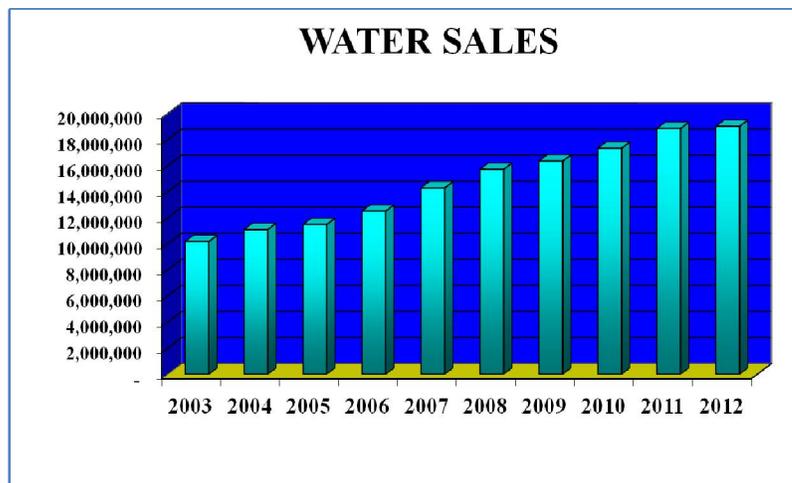
RATE HISTORY						
Fiscal Year	Rate Increase		Fiscal Year	Rate Increase		
1998	5.50%		2003	6.00%	2008	8.30%
1999	0.00%		2004	9.50%	2009	7.10%
2000	8.00%		2005	5.00%	2010	5.60%
2001	5.00%		2006	8.74%	2011	7.90%
2002	5.40%		2007	13.50%	2012	2.00%

Water Sales, Consumption and Production

Operating revenues includes water sales and other operating revenue (delinquency charges, fees and ancillary charges and other service revenue).

OPERATING REVENUES			
	FY 2012	FY 2011	FY2010
Water Sales:			
Quarterly Customers	\$ 14,170,697	\$ 14,648,088	\$ 13,239,062
Monthly Customers	4,852,581	4,207,615	4,103,648
Other Operating Revenue	1,406,222	1,426,991	1,486,905
Total Operating Revenues	\$ 20,429,500	\$ 20,282,694	\$ 18,829,615

Water sales increased slightly by \$168,000 or 1% compared to the previous year was mostly attributed to the two percent increase in water rates for FY 2012. Overall water consumption decreased from the previous year by 9.2 million cubic feet (68.9 million gallons) to 480 MCF (3.6 billion gallons) for the fiscal year. This is an average of 1.3 million cubic feet (9.8 million gallons) consumed per day which is slightly less than the previous year.



MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

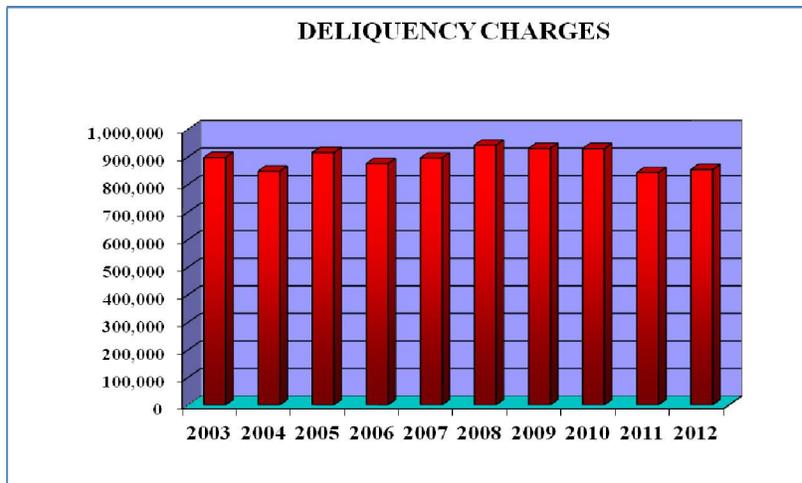
Changes in Revenue, Expenses and Changes in Net Assets-continued

As compared to the prior fiscal year, both quarterly and monthly customers consumption decreased; yet quarterly customers were down a greater portion at 2.7% as compared to monthly customers who were down 0.6%. Consumption decrease can be explained by the economic downturn, conservation measures, and more efficient manufacturing processes.

Water production at the treatment plant increased greatly for the FY 2012 by 97 million cubic feet (725 million gallons) to a high level of 948 million cubic feet (7 billion gallons). This is an average of approximately 2.6 million cubic feet (19.4 million gallons) per day. This significant increase in production was response to the small increase of 2 million cubic feet of production in FY 2011 and that additional water production was required as new tanks were being brought on line.

Delinquent Charges

Other operating revenue is comprised of delinquency, fees and other service charges. Delinquency charges account for over 60% of these fees and increased slightly from the prior year. Penalties, tampering fees and shut-off and turn-on fees were in line with the previous year. Enforcement of delinquent accounts has remained constant, resulting in a continued reduction in the dollar threshold used to determine further review and more aggressive collection procedures. Accounts that are grossly overdue or a high dollar value have been significantly reduced over the past 10 years. This is a



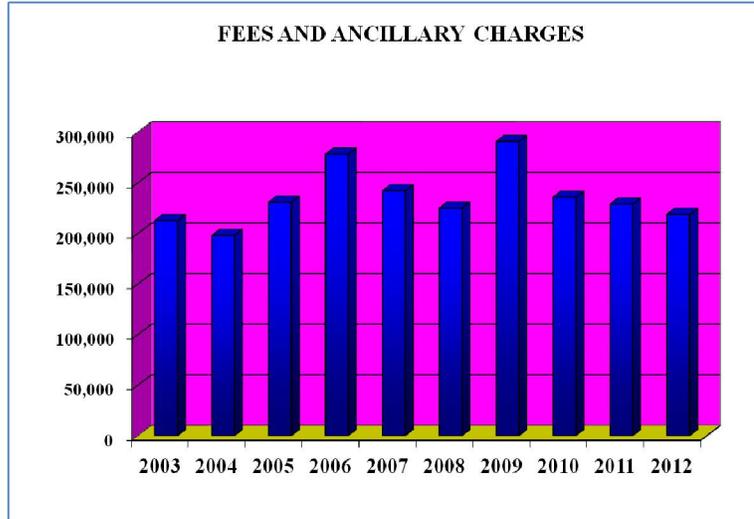
further indication of the success in collecting on delinquent accounts. The collection of past due accounts has been effective by aggressively posting notices on properties and terminating water service on accounts that remained unpaid. The results have been positive with greater collection and less delinquencies.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses and Changes in Net Assets-continued

Ancillary Fees

Ancillary-type fees continued to experience an overall small decrease of during FY 2012. The majority of the decrease occurred as a result of less charges for hydrant permit fees lines and termination of service charges. These decreases were offset by increases to meter line charges and frozen and lost meter charges, permits, service terminations.



Operating Expenses

The MVWA expenses are annually budgeted and tracked by function. MVWA operations are divided into: Administration, Finance & Accounting, Customer Service, Information Technology, Engineering, Capital Projects, Water Distribution, Water Quality, Treatment, and System Repair & Maintenance.

Operating expenses increased, before amortization and depreciation, by \$1.05 million to \$11.8 million compared to the prior year. Depreciation and amortization increased by \$203,000 as fixed assets were brought online and increasing the non-cash expense from the prior year.

OPERATING EXPENSES			
	FY 2012	FY 2011	FY 2010
Operating Expenses	\$ 11,828,957	\$ 10,779,838	\$ 10,259,244
Depreciation and Amortization	1,894,161	1,690,839	1,699,282
Total Operating Expenses	\$ 13,723,118	\$ 12,470,677	\$ 11,958,526

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses and Changes in Net Assets-continued

- i Operating expenses experienced notable changes compared to the previous year in the following areas:
- o MVWA employees are members of one of two unions, with the exception of certain employees' titles. The International Brotherhood of Teamsters, Local Union 182, represents the office staff, operations staff, field labor staff, and foremen. The Management Employees Association represents the remainder of employees. Contract negotiations with the International Brotherhood of Teamsters Local Union 182 have been completed successfully. The effective date of the agreement was retroactive to April 10, 2010 and it is scheduled to expire on March 31, 2013. Wage adjustments were made in the fiscal year 2012. The Management Employees Association's (MEA) present contract expired on March 30, 2010. MVWA has met with the MEA to commence contract negotiations which are currently underway. Overall payroll recorded an increase of \$193,000 for fiscal year 2012 primarily due to the filling of previous open positions and retro payment. Each fiscal year, labor costs of management and staff time on specific projects is allocated to capital projects. The allocation for FY 2012 was \$430,000 as compared to \$500,000 for FY 2011.
 - o Employee benefits consist mostly of health and dental insurance and participation in the New York State retirement system. Health & dental insurance premiums less employee payroll contribution continued to rise by 5% over the previous year to \$1,250,000. Also, state-mandated retirement contributions increased 29% compared to the previous year to \$666,000. Employer required workers' compensation insurance increased \$31,000 during the year. Medical insurance for retirees increased by 20% over the previous year to \$160,000.
 - o Legal expenses related to appeals following the Judge's decision against Erie Hydropower, LLC. In addition, the Water Authority has also appealed one part of the Judge's decision related to the maximum allowable daily draws. Since fiscal year 2005, the Water Authority has spent over \$1.3 million litigating this suit
 - o The purchase of granulated activated carbon (GAC) at \$500,000 most notably increased operating expenses. GAC is a new substance used in the treatment process to comply with new standards promulgated for fiscal year 2012.
 - o Paving cost decreased by \$149,000 in comparison to the prior year. During the prior year a major break on Oriskany Boulevard in Utica and restoration of the surface cost to MVWA caused the prior fiscal year amounts to be out of line with current fiscal year.
 - o Additional meters and hydrants were installed causing \$92,000 increase in operating costs. These costs are part of a multi-year plan of meter replacements.
 - o Vehicle maintenance and repair was up as compared to the prior year by \$38,000 as fleet is getting older.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses and Changes in Net Assets-continued

Nonoperating Revenues and Expenses

MVWA nonoperating revenues expenses are annually budgeted and tracked by category.

NONOPERATING REVENUES AND EXPENSES			
	FY 2012	FY 2011	FY 2010
Investment Income	\$ 225,341	\$ 286,169	\$ 411,998
Interest Expense	(2,665,824)	(2,965,973)	(2,875,515)
PILOT Payments	(1,445,725)	(1,471,913)	(1,510,885)
Other	<u>(86,056)</u>	<u>(384,490)</u>	<u>(205,911)</u>
Total Nonoperating Expenses	\$ <u>(3,972,264)</u>	\$ <u>(4,536,207)</u>	\$ <u>(4,180,314)</u>

- i Nonoperating revenue and expenses experienced changes compared to the previous year in the following areas:
- o Investment income is earned from operating accounts and trust funds. These categories experienced decreases in earnings of \$60,000 as market yields continue to plummet.
 - o Interest expense includes interest on the City of Utica's promissory note, revenue bonds and administrative fees. The reduction of interest of \$300,000 on revenue bonds was attributed to the systematic pay down of principal balance and refunding of the 2001A bonds.
 - o MVWA made required transfers as established under the Act to make specified payments in lieu of taxes (PILOT's) to the City of Utica, Oneida County, impacted school districts (on a declining schedule).
 - o Other nonoperating revenues and expenses increased was attributed mainly to \$292,000 selling investments in the 2001A reserve fund as part of the refunding of debt.

MOHAWK VALLEY WATER AUTHORITY**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**

Changes in Revenue, Expenses and Changes in Net Assets-continued

SUMMARY OF CASH FLOW ACTIVITIES			
	FY 2012	FY 2011	FY 2010
Cash Flows From:			
Operating Activities	\$ 7,435,782	\$ 8,729,097	\$ 6,189,820
Non-Capital Financing Activities	(1,362,923)	(1,399,419)	(1,327,864)
Investing Activities	1,891,335	5,242,775	9,005,585
Capital & Financing Activities	<u>(6,971,839)</u>	<u>(11,567,214)</u>	<u>(12,049,060)</u>
Net (Decrease) Increase in Cash	992,355	1,005,239	1,818,481
Cash, Beginning of Year	<u>8,130,189</u>	<u>7,124,950</u>	<u>5,306,469</u>
Cash, End of Year	\$ <u>9,122,544</u>	\$ <u>8,130,189</u>	\$ <u>7,124,950</u>

The Authority's available cash increased \$1 million during fiscal year 2012, marking the seventh such increase in cash in the last eight years. This increase is the result of a reduction in operating expenses and/or a postponement of spending resulting in an increase in cash flow from operating activities. Trust fund amounts not used for capital projects during the year were invested in a wide-array of certificates of deposits with varying maturities. The maturity of these certificates was staggered to allow adequate trust fund money available for capital projects. As a result, capital projects were completed creating new system assets put into service throughout the year. These infrastructure assets consisted primarily of water tanks within the service area.

The \$9.1 million cash at fiscal year-end consists of \$6.9 million available for unrestricted operations, \$1.3 million set aside to pay municipalities for sewer and outside water collections, \$767,000 that is Board Designated to fund the required bond covenant reserve and \$148,000 of Board Designated funds from the Proceeds From Timber Sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR FISCAL 2013

Infrastructure

Capital construction and customer service are the prevailing themes the Water Authority will be projecting into fiscal year 2013. The second phase of water tank construction began in 2009 and has continued over the last three years. The Deerfield tank has been placed on-line and the two additional tanks in Marcy, NY (Marcy and Toby Road tanks) are also complete and will be placed on-line in the near future. Bonding is currently under way to fund the construction of an additional tank at the southern reservoir area to provide increased storage in this zone. A tank at southern reservoir was constructed in 2003 enabling the Water Authority the ability to take the reservoirs in this area off-line. All reservoirs throughout the water service area have been taken off-line ahead of the new water rules promulgated for fiscal year 2012.

An additional project projected in the review stages over the last several years has taken a large step forward and will be the majority of the anticipated bonding. An Automated Meter Infrastructure (AMI) system, estimated at \$5.3 million, will be purchased and placed throughout the water service area over the next two to three years. The infrastructure consists of data collection hardware placed throughout the service area, installing or retro-fitting 38,000 meters within the system, and software that will enable the collection of this data for billing, review and reporting to customers and other stakeholders of the water system.

Debt service related to this new bonding will be phased in over a two year period. The first half of debt service was incorporated into the fiscal 2013 budget. The remaining portion will be added to the fiscal 2014 budget.

Litigation

Litigation continues for the Water Authority over its rights to withdraw water unfettered from the Hinckley Reservoir. In May of 2009, the Oneida County Supreme Court judge rendered his decision concerning the Water Authority's water rights from Hinckley reservoir. The Court partially granted the Water Authority a summary judgment against New York State and the NYS Canal Corporation finding the state was barred against enforcing the compensation provisions of the 1917 agreement; however, the Court limited the extent of the State's waiver to the historic maximum amount of water withdrawn, which it determined was 35 cubic feet per second (cfs). All parties appealed the decision. The Water Authority appealed the judge's decision concerning the limit imposed on water withdrawal.

On October 18, 2010, the Appellate Division issued a decision on the appeals affirming the court's decision to grant summary judgment in the Water Authority's favor against Erie Hydropower and dismissal of Erie Hydropower's counterclaims. The Appellate Division modified the Court's decision with respect to limiting the Water Authority's withdrawal to 35 cfs on the basis of incomplete evidence.

The Water Authority's final claim that it can withdraw water from Hinckley Reservoir free from compensation obligation to the State and the State's counterclaim that the Water Authority is obligated to comply with the 1917 agreement, will be tried before the Oneida County Supreme Court. The date for trial has not been determined.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR FISCAL 2013--continued

Financial Operations

For fiscal year 2013, overall operating costs are budgeted to remain relatively the same compared to the previous year. A 2.0% water rate increase was imposed following a 2.0% water rate increase in the previous year. Water consumption is projected to remain relatively constant or decrease up to 2.0%. For fiscal year 2012, consumption recorded a drop of 9 million cubic feet or a 1.8% reduction to 489 million cubic feet. However, rates have been set to weather this potential reduction. Staff will monitor consumption on a monthly basis reporting to the Board as part of their monthly financial reporting.

The use of granulated activated carbon (GAC) as part of the filtration process has been incorporated into the budget. The annual cost is estimated between \$800,000 and \$1 million. This will be the second year of GAC use at the treatment plant.

Operating and non-operating cost increases are anticipated in several areas that will put pressure on existing water rates. This includes increased costs for PILOT payments, negotiated salary adjustments, employee retirement, chemical costs at the filtration plant, and costs for customers' use of credit cards and alternative payment options. Also, there have been reductions in revenue items including outside lab services, and several customer fees. This is offset by a reduction in anticipated litigation expenses, health insurance, vehicle and operating equipment, water quality supplies and debt service. The overall result of an intensive budget formulation process resulted in a decrease of \$113,000 to operating costs.

The anticipated issuing of new bonds has been the largest overall increase and stress on the budget. One-half of the debt service has been incorporated in the fiscal 2013 budget with the remaining portion schedule for the fiscal 2014 budget.

The following changes in budgeted operating and non-operating costs consist of:

1. Increase in cash carried forward of \$182,000 to \$732,000;
2. Reduction in legal fees of \$80,000;
3. Increase in customer use of credit cards and other payment services of \$70,000;
4. Retirement costs will increase \$198,000, but prior year budget had already planned increase;
5. Decreases in health insurance of \$140,000 due to anticipated change in plan for bargaining groups;
6. Staff reduction of approximately \$155,000;
7. Timber harvest revenue of approximately \$100,000;
8. Chemical increases at the treatment plant of approximately \$138,000;
9. One-half of debt service on new bond issue of \$372,000;
10. Combining other operating expenses resulted in \$116,000 in savings.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR FISCAL 2013--continued

The 2013 budget was prepared using the following assumptions: water consumption will experience a mild drop of approximately 2.0%; overall operations will remain stable with operating costs remaining consistent with the prior year. New water sales remain stagnant as substantial growth is not anticipated. Other fees and charges are anticipated to generate revenue consistent with the prior year. In addition, there will be increased chemical costs due to unit cost increases and the potential for fluctuated costs associated with adding granulated activated carbon (GAC) to the treatment process.

Management of the Water Authority does not assert these projections as being factual; however, estimates always have to be made when devising a budget.

CREDIT RATINGS

The Water Authority is currently the recipient of favorable credit ratings from Standard and Poor's Ratings Services and Moody's Investors Service.

In February 2012, Standard and Poor's Rating Services upgraded the Water Authority from A to A+. The rating assigned to the Water Authority's 2008A revenue bonds indicated a "strong financial risk profile, with consistently strong debt service coverage and liquidity position". In addition, S&P noted the regional water system has a "very diverse customer base", and an "ample water capacity to meet demand".

Moody's Investors Service revised their rating scale during 2010 resulting in a change to the Water Authority's rating from an A₃ to an A₁. The A₁ rating is considered "upper-medium grade and the obligations are subject to low credit risk". Moody's Investors Service last reviewed the Water Authority's bond rating in December of 2008. The Water Authority issues revenue bonds subject to its General Revenue Bond (Master) Resolution dated December 1, 1996 and Supplemental Resolutions issued with and specific to each subsequent revenue bond issue.

Under the Authority's Master Bond Resolution, it is required to maintain a debt service reserve equal to 115% of the Authority's aggregate debt service and a repair and replacement reserve of \$500,000. The Authority currently maintains these reserves sufficient to comply with the respective covenants.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the Mohawk Valley Water Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Executive Director, Mohawk Valley Water Authority, One Kennedy Plaza, Utica, New York 13502 or through our web site www.mvwa.us.

AUDITED FINANCIAL STATEMENTS**COMBINED STATEMENTS OF NET ASSETS**

March 31, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash:		
Unrestricted/ Undesignated	\$ 6,915,326	\$ 6,007,623
Board Designated Funds:		
Debt Covenant Reserve	766,869	766,869
Proceeds From Timber Sales	147,638	147,638
Sewer Charges Collected	1,292,711	1,208,059
Billed Water Receivables, Net of Allowance of \$412,416 in 2012 and \$406,445 in 2011	1,739,657	1,455,093
Grants Receivable	13,800	40,000
Lab Fees Receivable	717	332
Interest Receivable	33,900	23,732
Miscellaneous Receivables	7,655	10,905
Materials Inventory	648,452	271,208
Prepaid Expenses	<u>1,145,031</u>	<u>1,204,983</u>
Total Current Assets	12,711,756	11,136,442
NONCURRENT ASSETS		
Restricted Assets:		
Serial Bond Funds	10,328,729	11,998,225
Repair and Improvement Fund	3,511,286	3,733,143
Promissory Note Fund	<u>129,849</u>	<u>129,830</u>
Net Restricted Funds	13,969,864	15,861,198
Unamortized Bond Expense	<u>1,522,116</u>	<u>1,625,433</u>
Total Restricted Assets	15,491,980	17,486,631
Utility Plant:		
Water Rights & Other Intangible Assets	1,050,000	1,050,000
Land	981,806	981,954
Water Transmission and Storage	17,371,369	10,977,567
Treatment	21,890,271	21,326,311
Distribution	31,118,488	30,986,981
Office & Lab Equipment	2,151,869	2,025,646
Vehicles & Maintenance Equipment	2,305,297	2,264,654
Work in Process	14,423,809	19,373,646
Accumulated Depreciation	<u>(16,620,891)</u>	<u>(15,050,743)</u>
Net Utility Plant	74,672,018	73,936,016
Total Noncurrent Assets	<u>90,163,998</u>	<u>91,422,647</u>
Total Assets	\$ 102,875,754	\$ 102,559,089

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts Payable	\$ 312,526	\$ 351,309
Construction Contracts (Includes retainages of \$62,699 in 2012 and \$460,860 in 2011)	108,996	477,038
Accrued Liabilities	182,673	300,702
Lease Payable	28,365	14,496
Accrued Interest	1,010,327	1,094,321
Compensated Absences	268,000	268,000
Sewer Service Collections Due to Municipalities	1,292,711	1,208,059
Current Portion of Promissory Note	115,101	108,704
Current Portion of Revenue Bonds Payable, Net of Premium/Discount of \$181,697 in 2012 and \$184,918 in 2011	2,488,303	2,395,082
Total Current Liabilities	5,807,002	6,217,711
NONCURRENT LIABILITIES		
Revenue Bonds:		
Series 2008A Bonds, Net of Discount of \$191,409 in 2012 and \$203,562 in 2011	11,568,591	11,676,438
Series 2006A Bonds, Net of Premium and Deferred Amount of \$408,772 in 2012 and \$426,545 in 2011	17,936,228	18,338,455
Series 2003 Bonds, Net of Discount of \$154,198 in 2012 and \$161,659 in 2011	6,655,802	6,838,341
Series 2001A Bonds, Net of Discount of \$1,116,224 in 2012 and \$1,261,819 in 2011	11,743,776	12,978,181
Series 2001B Bonds	1,790,000	1,915,000
2000 Serial and Capital Appreciation Bonds, Premium of \$22,682 in 2012 and \$23,966 in 2011	4,536,402	4,812,686
Series 1996B Bonds	0	160,000
Lease Payable	56,333	20,332
Compensated Absences	135,150	122,198
Postemployment Benefits Other Than Pension	2,183,213	1,635,509
Promissory Note to City of Utica	6,098,071	6,213,172
Total Noncurrent Liabilities	62,703,566	64,710,312
Total Liabilities	68,510,568	70,928,023
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	14,506,845	12,329,769
Restricted For:		
Repair and Improvement	652,870	621,715
Unspent Debt Proceeds, Restricted for Capital Projects	2,766,952	3,829,810
Unspent Debt Proceeds, Other than Capital Construction	7,691,626	8,298,245
Unrestricted	8,746,893	6,551,527
Total Net Assets	\$ 34,365,186	\$ 31,631,066

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended March 31, 2012 and 2011

	2012	2011
OPERATING REVENUE		
Metered Water Sales	\$ 19,023,278	\$ 18,855,703
Delinquency Charges	854,927	843,693
Fees and Ancillary Charges	218,970	229,040
Other Services	332,325	354,258
Total Operating Revenue	<u>20,429,500</u>	<u>20,282,694</u>
OPERATING EXPENSES		
Administrative	647,543	881,765
Finance & Accounting	989,175	882,848
Customer Service	367,778	431,190
Engineering	498,373	385,479
Water Distribution	314,460	322,426
Information Technology	656,214	604,205
Water Quality Maintenance	703,536	738,464
Treatment	2,386,367	1,592,493
System Repair & Maintenance	3,846,903	3,538,455
General Services	1,418,606	1,402,513
Amortization of Bond Expenses	288,235	285,184
Depreciation	1,605,926	1,405,655
Total Operating Expenses	<u>13,723,116</u>	<u>12,470,677</u>
OPERATING INCOME	6,706,384	7,812,017
NONOPERATING REVENUES (EXPENSES)		
Investment Income	225,341	286,169
Interest Expense	(2,665,824)	(2,965,973)
PILOT Payments	(1,445,725)	(1,471,913)
Independent Lab Services, Net	88,214	63,090
Realized Gain/ (Loss) on Investments	292,476	(58,613)
Post Employment Health Benefits	(547,704)	(466,665)
Other Income, Net	80,958	77,698
Total Nonoperating Expenses	<u>(3,972,264)</u>	<u>(4,536,207)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,734,120	3,275,810
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>
Increase in Net Assets	2,734,120	3,275,810
NET ASSETS		
Beginning of Year	<u>31,631,066</u>	<u>28,355,256</u>
End of Year	<u>\$ 34,365,186</u>	<u>\$ 31,631,066</u>

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 19,681,547	\$ 19,720,705
Payments to Suppliers	(8,373,307)	(7,554,515)
Payments to Employees	(4,501,114)	(4,395,339)
Other Receipts	<u>628,656</u>	<u>958,246</u>
Net Cash Provided By Operating Activities	7,435,782	8,729,097
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to Other Governments	<u>(1,362,923)</u>	<u>(1,399,419)</u>
Net Cash Used In Noncapital Financing Activities	(1,362,923)	(1,399,419)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments and Maturities of Investment Securities	<u>1,891,335</u>	<u>5,242,775</u>
Net Cash Provided By Investing Activities	1,891,335	5,242,775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(2,306,150)	(6,458,389)
Other Nonoperating Revenue and Expense, net	939,828	714,486
Principal Payments on Long-Term Bonds	(2,580,000)	(2,405,000)
Principal Payments on Promissory Note	(108,704)	(102,662)
Capital Contributions	443,200	466,968
Transfers Out for Capital Purposes	(750,000)	(697,203)
Interest Paid	<u>(2,610,013)</u>	<u>(3,085,414)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(6,971,839)</u>	<u>(11,567,214)</u>
Net Increase (Decrease) in Cash	992,355	1,005,239
Cash, Beginning of Year	<u>8,130,189</u>	<u>7,124,950</u>
Cash, End of Year	\$ <u>9,122,544</u>	\$ <u>8,130,189</u>

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS-CONTINUED

Years Ended March 31, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 6,706,384	\$ 7,812,017
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	1,646,323	1,481,151
Amortization of Bond Expenses	288,235	285,184
Disposition of Assets	(76,175)	(62,942)
(Increase) Decrease in Operating Assets:		
Billed Water Receivables & Other Receivables	(265,667)	7,743
Materials Inventory	(377,244)	(102,184)
Prepaid Expenses	59,952	404,736
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(406,825)	(916,418)
Accrued Liabilities	(152,153)	(172,297)
Compensated Absences	<u>12,952</u>	<u>(7,893)</u>
Net Cash Provided By Operating Activities	<u>\$ 7,435,782</u>	<u>\$ 8,729,097</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Disposition of Assets	<u>\$ (76,452)</u>	<u>\$ (62,943)</u>
Change in Fair Value of Investments	<u>\$ 292,476</u>	<u>\$ (58,613)</u>
Post Employment Benefits Other than Pension	<u>\$ 547,704</u>	<u>\$ 466,665</u>

See notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mohawk Valley Water Authority (hereafter referred to as the “Water Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The accounts are maintained substantially in accordance with the Uniform System of Accounts for Water Utilities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

On October 23, 2002, the Upper Mohawk Valley Regional Water Board filed and subsequently received a “Certificate of Amendment of Assumed Name”, from the State of New York’s Department of State, Division of Corporations changing the name of the public benefit corporation to the “Mohawk Valley Water Authority”. Essentially, the public utility will be “doing business as” - (dba) Mohawk Valley Water Authority.

Included in the Water Authority reporting entity is a blended component unit, the Upper Mohawk Valley Regional Water Finance Authority (hereafter referred to as the “Finance Authority”). The reason for its inclusion in the Water Authority is more fully described in Note 1, Reporting Entity.

The more significant accounting policies of the Water Authority are described below.

Introduction

The Water Authority and the Finance Authority were created on August 2, 1994 pursuant to Title 10 and Title 10-A, respectively, of Article 5, §1226.e and §1226.c, of the Public Authorities Law of the State of New York.

The Water Authority is a corporate municipal instrument of the State of New York consisting of twelve appointed Board members responsible for the overall operations of the water system.

The Finance Authority is a public benefit corporation of the State of New York consisting of five members primarily responsible for financing projects of the Water Authority through issuance of debt and subsequent payment of the debt.

Board members for both the Water Authority and Finance Authority are appointed pursuant to the enabling legislation.

On December 19, 1996, the Finance Authority issued bonds for the benefit of the Water Authority, to enable purchase of the assets, net of liabilities, of the public water system from the City of Utica. The Water Authority began operation of the public water system on December 19, 1996.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The regional water system includes facilities within the following jurisdictions:

Villages of:	Towns of:	Cities of:
Clark Mills	Deerfield	Utica
Holland Patent	Frankfort	
New Hartford	Kirkland	
New York Mills	Marcy	
Oriskany	New Hartford	
Whitesboro	Schuyler	
Yorkville	Trenton	
	Whitestown	

The Water Authority sells, on a bulk basis, to the Tilden Manors development located in the Town of Westmoreland.

Currently there are approximately 38,000 residential and 1,000 commercial customers. Total population served by the water system is estimated in the range of 120,000 to 130,000 customers. The average daily production for the current fiscal year is 17.4 million gallons per day (MGD), the same average daily production for the previous year.

Hinckley Reservoir serves as the source of water for the system. The reservoir is located approximately 18 miles north of the City of Utica. The 25 billion gallon reservoir is a multi-use facility owned by the State of New York. In addition to use by the Mohawk Valley Water Authority, the New York Power Authority and the Canal Corporation's Barge Canal use the reservoir as a water supply for power generation, flood control, and recreation. The New York State Power Authority controls regulation of the water level and discharge at the Hinckley Reservoir. The Jarvis Hydroelectric Plant at Hinckley generates power for the surrounding community. The reservoir watershed area covers 373 square miles in the southerly areas of the Adirondack Mountains, most of which lies within the Adirondack Park region. The watershed is mostly rural and undeveloped forest. Two main highways, NYS Route 8 and Route 365, pass through the watershed.

The water system transmission and distribution mains total 42.5 miles and 558.9 miles, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reporting Entity

The basic financial statements include the primary entity, the Water Authority, as well as a blended component unit, the Finance Authority, determined to be includable in the Water Authority's financial reporting entity in accordance with GASB Statement No. 14.

The decision to include a potential component unit in the Water Authority's reporting entity is based on several criteria set forth in GASB Statement No. 14, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of the criteria used to determine the Water Authority's reporting entity.

Blended Presentation of Component Unit

Blended component units, although legally separate entities are, in substance, part of the government's operations. The following is a brief description of the blended component unit included in the primary government:

Upper Mohawk Valley Regional Water Finance Authority

On August 2, 1994, state legislation created the Upper Mohawk Valley Regional Water Finance Authority ("Finance Authority"), under provisions of §1226.c of the Public Authorities law of the State of New York. The Finance Authority consists of five Board members including a chairperson, a vice-chair and a treasurer. On December 19, 1996, the Finance Authority issued revenue bonds in the amount of \$28,300,000, with varying interest rates. The proceeds of this issue were designated for the operation, expansion and improvement of the water system, in compliance with state standards. These bonds were subsequently defeased through an advanced refunding with the issuance of the 2001A series bonds.

Among the powers given to the Finance Authority is the ability to borrow money and issue negotiable or non-negotiable notes, bonds or other obligations for the acquisition, renovation and improvement to the regional water system. The Finance Authority may also apply for licenses, permits and approval of plans associated with the acquisition, renovation and improvement of the regional water system. In the process of borrowing funds to improve facilities, professional consultants may be retained to offer technical services and advice for the purpose and benefit of acquiring or improving the regional water system.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Upper Mohawk Valley Regional Finance Authority – continued

The Finance Authority has entered into an agreement with the Water Authority to make payments for the debt service required by these bonds. The Water Authority is also required to make payments to the Finance Authority for PILOT payments to certain municipalities and school districts, and to make funds available for the Finance Authority to make payments on the promissory note owed to the City of Utica and to fund the Repair and Improvement Fund. The obligation to make these payments is a general obligation to which its full faith and credit are pledged.

In consideration for operating the regional water system and the financing of capital projects from time to time, the Water Authority leases all its rights, title and interest of the regional water system and capital projects to the Finance Authority under terms and conditions of the original financing agreement. In turn, the Financing Authority appoints the Water Authority as the exclusive operator of the regional water system.

The Finance Authority is considered a component unit since the Water Authority is obligated to pay debt service, PILOT payments, and fund other accounts of the Finance Authority. Thus, the Finance Authority is “fiscally dependent” upon the Water Authority to establish and collect rates and fees necessary to pay these debts. Further, the Finance Authority is "blended" with the Water Authority in the combined financial statements because the Finance Authority exists solely to provide services that predominantly benefit the Water Authority.

All significant intercompany accounts and transactions are eliminated.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The activities of the Water Authority are similar to those often found in the private sector (proprietary-type accounting). The measurement focus is upon determination of net income, financial position, and cash flows.

Proprietary-type accounting records transactions on a cost of services or economic resources measurement focus. This means all assets and liabilities, whether current or non-current, associated with this activity are included on the balance sheet. The equity consists of net assets and contributed capital, if any. Proprietary operating statements present increases (revenues) and decreases (expenses) in total net assets.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation-continued

Basis of accounting refers to when revenues, expenses, transfers and the related assets and liabilities are recognized and reported in the financial statements. Specifically, it relates to the timing of the measurements made regardless of the nature of the measurement.

The Water Authority uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Proprietary-type accounting also distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water services and producing potable water for the service area in connection with the Water Authority's principle ongoing operations. The principal operating revenues of the Water Authority are charges to customers to provide potable water service. Other ancillary fees and services related to providing water are also recognized as operating revenues. Operating expenses include the cost of service, administration and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Water Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in preparing the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Where reasonable and practical, the Water Authority has elected not to follow subsequent private-sector guidance.

Effective March 31, 2009, the Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for reporting the liability for non-pension postemployment benefits, primarily health care premiums for retirees.

During fiscal year 2011, the Authority adopted Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and Statement No. 53, *Financial Reporting of Derivative Instruments*. Intangible assets include easements, water rights, timber rights, patents, trademarks, and computer software. The adoption of both GASB Statement No. 51 and Statement No. 53 did not have an impact on the Authority's financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgets and Budgetary Accounting

The annual budget is the financial plan for the operation of the Water Authority and Finance Authority. The Board has adopted a cash-basis format for developing annual budgets. Large variances between budget figures and actual amounts can often be attributed to the recording of actual amounts on the accrual basis of accounting and the cash basis reporting used for budget purposes.

Vacation Leave, Sick Leave, and Compensatory Absences

Water Authority employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, all union employees are entitled to payment for the accumulated vacation and compensatory time limited to amounts defined under their respective collectively bargained agreements. All non-union employees are entitled to similar benefits as defined by their respective contracts with the Water Authority.

Payment of vacation leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be available for the payments of vacation leave and compensatory time when such payments become due.

Retirement Plan

The Water Authority provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State Employees' Retirement System. The system provides various plans and options, some of which require employee contributions. The retirement system computes the cost of retirement benefits based on their fiscal year, April 1 to March 31 (see Note 11).

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Water Authority has adopted the direct method of reporting net cash flows from operating activities and considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Receivables

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Water Authority has adopted a policy of recognizing water revenues in the period billed. These billings generally consist of revenues earned from the prior three months for quarterly billed customers and revenues earned from the prior month for monthly-billed customers.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventory

Material and supplies inventory is stated at lower of cost or market. Items consisting of meters, hydrants and piping are valued on the first-in-first-out (FIFO) method. These materials are expensed when installed into the water system as part of overall maintenance. Chemicals used in the treatment of water are purchased in large quantities and stored by various methods depending on the volatility of the material. The material is expensed as used in the treatment of the water.

Prepaid Expenses

Prepaid expenses are recognized when cash outflows are made prior to an impending liability's invoice, service or due date. The balance generally consists of PILOT payments, debt service paid in advance to the trustee, and property/liability insurance.

Utility Plant

Utility Plant acquired by the Water Authority with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized and recorded on the Statement of Net Assets. Such assets are stated at cost including interest capitalized during construction, where applicable. Cost includes material, direct labor and other items such as supervision, payroll taxes, employee benefits, transportation and certain preliminary legal, engineering and survey costs. The cost of repairs and maintenance is expensed as incurred. Contributed assets including transmission mains, hydrants, tanks, and pump stations are recorded at fair market value at the date received.

Construction projects are conducted on a continual basis in order to maintain or enhance the water system. Preliminary legal, engineering and surveying costs include studies conducted prior to the actual construction period that directly result in specific construction projects. While capital projects are in process, all associated costs are recorded as work-in-process. Once complete, all costs, including legal, engineering, surveying and construction costs, are reclassified to their respective asset categories and depreciated according to their useful lives.

Depreciation has been recorded using the straight-line method. The estimated useful lives for the major classes of assets include the following:

<u>Class</u>	<u>Life in Years</u>
Treatment Facilities	25-75
Office and Lab Equipment	5
Vehicles and Maintenance Equipment	5
Water Transmission and Storage	20-100
Distribution Facilities	15-100

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are stated at fair value.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Reclassifications

Certain fiscal 2011 amounts have been reclassified to conform with current report classifications.

NOTE 2 – CASH

New York State investment statutes govern the Water Authority's cash investment policies. In addition, the Water Authority has its own investment policy that closely resembles New York State statutes. Board monies must be deposited in FDIC-insured commercial banks or trust companies located within the State of New York. The Water Authority is authorized to use demand accounts, certificates of deposit, and investment pools. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for applicable deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipal entities.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 105% of the cost of the repurchase agreement.

The Water Authority has an investment program whereby cash received into its capital trust accounts are invested in certificates of deposit or repurchase agreements in an effort to maximize earnings. In addition, other idle cash has been invested in money market accounts backed by proper collateral. During both fiscal years 2012 and 2011, interest earnings on capital investments have been in the range of .01%-5.13%.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 2 – CASH – CONTINUED

The Water Authority has an agreement with a banking institution to collect, record and deposit customer payments, known as a lock-box banking service, in an effort to have payments recorded more timely to customer accounts and create efficiencies in the customer payment process. In addition, the Water Authority has an agreement with the City of Utica and a local drug and convenience store to process over-the-counter payments by customers.

Cash, cash equivalents (consisting of money market funds) and investments at March 31 are as follows:

Cash and Cash Equivalents

	Fiscal 2012		Fiscal 2011	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand Deposits	<u>\$ 9,033,211</u>	<u>\$ 9,122,544</u>	<u>\$ 8,405,587</u>	<u>\$ 8,130,189</u>

Investments

	Credit Rating	Fiscal 2012	Fiscal 2011
Cash and Accrued Income		\$ 6,642	\$ 2,547
U.S. Treasury Bills		0	0
Federated U.S. Treasury Cash Reserves #632	Aaa*	5,100,175	8,232,769
Dreyfus Government Prime Cash Management	Aaa*	0	123,124
BNY Cash Reserves	A1*	121,085	80,119
State and Local Government Series (SLGS)	Aaa*	0	287,700
SLGS, 2.375%, due 11/15/2020	Aaa*	1,710,000	1,710,000
SLGS, 2.07%, due 05/15/2022	Aaa*	287,700	0
Certificates of Deposit		5,693,381	4,374,058
Master Repurchase Agreements	Aaa*	<u>1,050,881</u>	<u>1,050,881</u>
Total Investments		<u>\$13,969,864</u>	<u>\$15,861,198</u>

*-Moody's Investors Service

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 2 – CASH – CONTINUED

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. Section 330.15 of the Federal Depository Insurance Corporation's (FDIC) regulations (12 CFR 330.15) governs the insurance coverage of public unit accounts.

The FDIC has established a temporary unlimited coverage for noninterest-bearing transaction accounts from December 31, 2010 to December 31, 2012. All noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account. This coverage is separate from, and in addition to, the insurance coverage provided for other accounts held in FDIC-insured banks.

For interest-bearing time and savings deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000.

The Water Authority's cash accounts are secured by the appropriate amount from the FDIC with all remaining amounts fully pledged collateral at March 31, 2012. All pledged collateral and investments are classified in the highest category by being held in bank trust departments in the Water Authority's name.

NOTE 3 – RESTRICTED ASSETS

Upon creation of the Water Authority as sole operator of the water system under the Public Authorities Law of the State of New York, certain requirements were established under the law to ensure sufficient funds were available to pay all costs associated with operating the water system. The law requires the Water Authority to set rates and charges sufficient to pay principal and interest on outstanding bonds, in accordance with the financing agreement, PILOT payments, and all other operational, renewal, replacement and maintenance costs. The Public Authorities Law creates a statutory lien (externally imposed restriction) on revenues to pay these amounts in accordance with the financing agreement. In addition, the financing agreement prescribed certain bond covenants and identified specific resources (consisting of cash and investments) be maintained for specific purposes necessary to operate the regional water system (see Note 8 under "bond covenants" for a listing of the more significant covenants).

Cash has been deposited into various trust funds with a fiscal agent to satisfy legal covenants. Further, the amounts have been invested into various short-term investments in compliance with the Water Authority's investment policy. Certain funds were used for their intended purposes and may not be currently active.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 3 – RESTRICTED ASSETS-CONTINUED

Interest Rate Risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

Cash held under trust indentures or similar instruments governing the issue of bonds shall be invested only in the permitted investments specified in the indenture or similar instrument, primarily short-term. Also, investments held outside trust indentures or similar instruments are restricted to deposits in interest-bearing accounts secured by collateral obligations of the United States or the State of New York with a market value of 105% of the amount on deposit.

The following is a specific list of the type of permitted investments and their maximum maturities:

<u>Permitted Investments</u>	<u>Maturity Maximum</u>
U.S. Treasuries, government obligations, commercial paper, tax-exempt obligations, bonds issued by federal agencies and money markets.	12 Years
Certificates of Deposit	5 Years

Credit Risk: Water Authority investment policy limits investments of funds to money markets, certificates of deposits, and repurchase agreements with appropriate collateral equal to 105% of the principal amount. Under the Water Authority's general revenue bond resolution, investment securities include government obligations guaranteed by the full faith and credit of the United States, bonds or notes issued by various federal institutions, interest-bearing or demand deposits, repurchase agreements, money market funds, commercial paper, and tax-exempt obligations rated A-3 or better. As of March 31, 2012, investments in trustee accounts or through investment agreements as part of obligations held under the trust indenture or similar instrument are limited to treasury securities, repurchase agreements and certificates of deposit.

The following is a brief synopsis of the various trust funds:

Sinking Fund and Debt Service Reserve Fund

Various sinking funds and the debt service reserve funds are established to fulfill the debt service reserve requirements on the outstanding bonds as and when they become due and payable.

PILOT Payment Fund

The PILOT payment fund is established to hold funds payable to each municipality and school district at the times and amounts determined pursuant to the legislation creating the Finance Authority and Water Authority.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 3 – RESTRICTED ASSETS-CONTINUED

Repair and Improvement Fund

The repair and improvement fund is established to fund repairs and improvements to the water system. The required deposit amount in this fund should be equal to the repair reserve requirement. The repair reserve requirement stipulates that funds should be used to make up deficiencies in the promissory note fund; to pay costs of constructing, acquiring, completing or restoring projects; the costs of renewals to or replacements of projects or extraordinary maintenance or repairs; to repay certain temporary loans incurred for projects; and to pay other debts and liabilities of the regional system, PILOT payments and debt service requirements.

Promissory Note Fund

The promissory note fund is established to hold funds payable to the City of Utica at the times and amounts determined pursuant to the promissory note agreement created when the Finance Authority and Water Authority bought the water system.

Bond Redemption Fund

Bond redemption funds are established and may be used to purchase or redeem bonds of any series at a price not greater than 100% of the principal amount plus accrued interest.

Construction Fund

Construction or Project funds are established to fund future construction projects and to acquire projects necessary to maintain or enhance the current water system.

Special Operating/Capitalized Interest Fund

Special operating/capitalized interest funds are established to hold all capitalized interest on the various outstanding bonds.

Cost of Issuance Fund

Cost of issuance funds are established to pay for all legal, financial and other costs related to acquiring and maintaining various bond issues.

Trust Fund Investments

The composition and estimated fair values for each fund's financial instruments as of March 31, 2012 and 2011 (all of which are held for non-trading purposes) are on the following pages.

The carrying amount for each investment listed approximates fair value of the cash equivalents. For long-term investments, fair values are estimates based on quoted market prices.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	2012	
	Carrying Amount	Fair Value
	<u> </u>	<u> </u>
1996B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	31,462	31,462
Certificates of Deposit	<u>200,000</u>	<u>205,492</u>
Value of 1996B Bonds	231,462	236,954
1999 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	13,653	13,653
Master Repurchase Investment 5.13%, 08/01/2029	<u>263,662</u>	<u>263,662</u>
Value of 1999 Series Bonds	277,315	277,315
2000 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	345,540	345,540
Master Repurchase Investment 5.13%, 04/01/2030	<u>787,219</u>	<u>787,219</u>
Value of 2000 Series Bonds	1,132,759	1,132,759
2001A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	571,354	571,354
US Treasury Notes-SLGS 2.3748% 11/15/2020	<u>1,710,001</u>	<u>1,710,001</u>
Value of 2001 A Series Bonds	2,281,355	2,281,355
2001B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	117,213	117,213
US Treasury Notes-SLGS 2.07% 5/15/2022	<u>287,700</u>	<u>287,700</u>
Value of 2001 B Series Bonds	404,913	404,913

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	2012	
	Carrying Amount	Fair Value
	<u> </u>	<u> </u>
2003 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	1,490,172	1,490,172
Certificates of Deposit	<u>1,189,000</u>	<u>1,192,929</u>
Value of 2003 Series Bonds	2,679,172	2,683,101
2006A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	1,621,679	1,621,679
Certificates of Deposit	<u>400,000</u>	<u>410,140</u>
Value of 2006A Series Bonds	2,021,679	2,031,819
2008A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	572,719	572,719
Certificates of Deposit	<u>696,000</u>	<u>707,793</u>
Value of 2008A Series Bonds	1,268,719	1,280,512
R & I Fund, Pilot Fund, Promissory Note		
Bank of New York Cash Reserves	121,085	121,085
Cash Equivalents – Fed. US Treasury Cash Reserves	336,382	336,382
Certificates of Deposit	<u>3,124,000</u>	<u>3,183,669</u>
Value of R&I Fund, Pilot Fund, and Promissory Note	<u>3,581,467</u>	<u>3,641,136</u>
Total Value of All Restricted Investments	\$ <u>13,878,841</u>	\$ <u>13,969,864</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	2011	
	Carrying Amount	Fair Value
1996B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	31,813	31,813
Certificates of Deposit	200,000	194,901
Value of 1996B Bonds	<u>231,813</u>	<u>226,714</u>
1999 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	59,811	59,811
Master Repurchase Investment 5.13%, 08/01/2029	263,662	263,662
Value of 1999 Series Bonds	<u>323,473</u>	<u>323,473</u>
2000 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	403,826	403,826
Master Repurchase Investment 5.13%, 04/01/2030	787,219	787,219
Value of 2000 Series Bonds	<u>1,191,045</u>	<u>1,191,045</u>
2001A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	798,303	798,303
US Treasury Notes-SLGS 2.3748% 11/15/2020	1,710,000	1,710,000
Value of 2001 A Series Bonds	<u>2,508,303</u>	<u>2,508,303</u>
2001B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	126,873	126,873
US Treasury Notes-SLGS 4.67% 5/15/2022	287,700	287,700
Value of 2001 B Series Bonds	<u>414,573</u>	<u>414,573</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	2011	
	Carrying Amount	Fair Value
2003 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	3,447,817	3,447,817
Certificates of Deposit	<u>192,929</u>	<u>192,929</u>
Value of 2003 Series Bonds	3,640,746	3,640,746
2006A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	1,873,415	1,873,415
Dreyfus Government Prime Cash Management	13,344	13,344
Certificates of Deposit	<u>400,000</u>	<u>393,268</u>
Value of 2006A Series Bonds	2,286,759	2,280,027
2008A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	499,598	499,598
Dreyfus Government Prime Cash Management	109,780	109,780
Certificates of Deposit	<u>792,551</u>	<u>803,966</u>
Value of 2008A Series Bonds	1,401,929	1,413,344
R & I Fund, Pilot Fund, Promissory Note		
Bank of New York Cash Reserves	80,119	80,119
Cash Equivalents – Fed. US Treasury Cash Reserves	993,860	993,860
Certificates of Deposit	<u>2,773,995</u>	<u>2,788,994</u>
Value of R&I Fund, Pilot Fund, and Promissory Note	<u>3,847,974</u>	<u>3,862,973</u>
Total Value of All Restricted Investments	\$ <u>15,846,615</u>	\$ <u>15,861,198</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 4 – ACCOUNTS RECEIVABLE

Billed Water Receivables and Collections

Billed water receivables consist primarily of amounts due from customers for current and delinquent water charges including penalties, unpaid bill charges, collection fees and shut-off charges.

Customers are billed either on a monthly or quarterly basis depending on the type of customer (commercial or residential), and the level of water usage. Customers are provided a thirty-day (30) payment period from the billing date to pay their current water charges. A late penalty of 15% is assessed if the bill is not paid during the thirty-day period. Accounts not paid 10 days after the thirty-day payment period, 40 days from the original billing date, are sent an “unpaid bill” notice that indicates the customer could be subject to additional delinquent charges and action including the shut-off of their water service. All other charges and their assessment dates remain the same.

If the account remains unpaid ten days (10) after the unpaid bill notice is sent to the customer, a \$15.00 unpaid bill charge is assessed to the account. Thirty to forty days (30-40) following the unpaid bill charge, 90 days from the billing date, the account is posted with a “20-day notice” requiring payment of the delinquent balance or risk termination of water service. If the property’s water service is terminated, it remains until the balance is paid in full.

At the Water Authority’s discretion, if the delinquent balance remains unpaid, the amount is delivered to the respective government jurisdiction (county, city or village government) and added to their respective tax bill. As the City of Utica collects delinquent water charges, they are remitted to the Water Authority. The collections of delinquent town and village water charges are remitted at the end of their respective fiscal year-ends.

Management reviews collectibility of delinquent water charges on an ongoing basis. Based upon past history, management has determined that the collectibility on these delinquent receivables decreases rapidly as they become increasingly stale. The majority of the delinquent receivables have been deemed uncollectible in a range from 40% to 85%, depending on their maturity. Generally, 98% of accounts billed are eventually collected. At March 31, 2012 and 2011, an allowance for uncollectible accounts of water sales has been established in the amount of \$412,416 and \$406,445, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 4 – ACCOUNTS RECEIVABLE – CONTINUED

Lab Fees Receivable

Lab fees receivable consists of amounts due from municipal water systems and other independent regional water systems for water sample testing performed by the Water Authority's water quality lab. Water samples are tested for their chemical breakdown and customers are provided with a quality report comparing their sample levels to acceptable levels. The Oneida County Health Department, New York State Health Department and the U.S. Environmental Protection Agency define the various acceptable levels.

The Water Authority considers lab fees receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. No such charges were recorded for the years ended March 31, 2012 and 2011.

Interest Receivable

Restricted trust funds used primarily to fund capital projects, as security to bond holders and to pay down outstanding debt, have been invested in various investment programs that periodically earn interest. Investments consist primarily of certificates of deposits, state and local government securities (SLGS) and repurchase agreements. This interest accrues over time and is paid out upon request or as stipulated in the investment agreement. Interest is periodically transferred out of various trust funds to pay down on outstanding debt service. For fiscal year 2012 and 2011, accrued interest receivable on these investments was recorded in the amount of \$33,900 and \$23,732, respectively.

Grants Receivable

Various grants are received from time to time based upon successful awards following the submittal of proposals to various county, state and federal agencies.

These grants primarily consist of funds received from Herkimer and Oneida Counties for microbiological and residual research of potable water and water sources.

During both fiscal years 2012 and 2011, grants were received from the Herkimer County Water Quality Department to perform water testing in connection with the Safe Water Drinking Act (SWDA).

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 4 – ACCOUNTS RECEIVABLE – CONTINUED

Miscellaneous Receivables

The receivable balance consists primarily of sewer billing and collection service fees owed by municipalities. In addition, fees are owed by various towns for annual hydrant permits.

The Water Authority considers miscellaneous receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Immaterial amounts considered uncollectible, if any, are charged to operations when that determination is made. During fiscal year 2012 and 2011, no such charges were recorded to operations.

NOTE 5 – UTILITY PLANT AND DEPRECIATION

Water System Valuation

The Water Authority performed a revaluation of the water system assets originally purchased from the City of Utica in December 1996. Utility plant assets were valued at the purchase price plus the liabilities assumed. The purchase price was established to assure the population served could reasonably afford the cost of maintaining the system over time. Since the purchase price was financed through the issuing of revenue bonds, the debt service related to the revenue bonds was also factored into the affordability of maintaining the system over time. As a result, the value of the utility plant assets was adjusted downward on a uniform basis without regard for their respective age and condition.

During fiscal 2004, management reviewed each utility plant asset to determine its age and condition at the time of purchase from the City of Utica. Utility plant assets were revalued to more correctly state each asset at its market value at the time of purchase. The overall dollar value of utility plant remained consistent with the original purchase price; however, the values within the asset classes and asset sub-classes were restated to more realistically reflect the true value and composition of each asset's age and condition. In addition, depreciation was recalculated on each asset resulting in a more accurate net present value.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

Contributed Property

Contributed assets including distribution mains, valves, hydrants, tanks, and pump stations are recorded at fair market value at the date acquired. As part of normal operations, the Water Authority will acquire newly constructed and existing water districts from cities, towns, villages and private contractors for operation and maintenance.

In conjunction with the purchase of the water system from the City of Utica in December 1996, several additional systems within the service area were acquired from various municipalities. In subsequent years, several other water districts were acquired from municipalities within the service area. These acquired assets and their associated values were not recorded in the Water Authority's financial statements.

During fiscal 2004, an inventory was performed to categorize and value these water districts and water systems. The associated infrastructure including distribution mains, valves, hydrants, tanks, pump stations and land were recorded on the Water Authority's books and records. Likewise, associated depreciation was calculated and recorded for these acquired assets. The Water Authority's financial statements reflect the recording of this additional utility plant and associated depreciation.

No contributed property was received in fiscal years 2012 and 2011.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

Activity for utility plant for the current and preceding fiscal years is summarized as follows:

	Balance 3/31/2011	Increases	Decreases	Balance 3/31/2012
Utility Plant, not being depreciated				
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 0	\$ 0	\$ 1,050,000
Land	981,954	0	148	981,806
Work In Progress	<u>19,373,646</u>	<u>2,213,940</u>	<u>7,163,777</u>	<u>14,423,809</u>
Total Utility Plant, not being depreciated	<u>21,405,600</u>	<u>2,213,940</u>	<u>7,163,925</u>	<u>16,455,615</u>
Utility Plant, being depreciated				
Water Transmission and Storage	10,977,567	6,393,802	0	17,371,369
Distribution	30,986,981	131,507	0	31,118,488
Vehicle and Maintenance Equipment	2,264,654	116,947	76,304	2,305,297
Office and Lab Equipment	2,025,646	126,223	0	2,151,869
Water Treatment	<u>21,326,311</u>	<u>563,960</u>	<u>0</u>	<u>21,890,271</u>
Total Utility Plant, being depreciated	<u>67,581,159</u>	<u>7,332,439</u>	<u>76,304</u>	<u>74,837,294</u>
Less Accumulated Depreciation for:				
Water Transmission and Storage	(1,851,712)	(203,842)	0	(2,055,554)
Distribution	(6,809,284)	(726,517)	0	(7,535,801)
Vehicle and Maintenance Equipment	(1,440,911)	(227,558)	(76,175)	(1,592,294)
Office and Lab Equipment	(1,658,561)	(128,016)	0	(1,786,577)
Water Treatment	<u>(3,290,275)</u>	<u>(360,390)</u>	<u>0</u>	<u>(3,650,665)</u>
Total Accumulated Depreciation	<u>(15,050,743)</u>	<u>(1,646,323)</u>	<u>(76,175)</u>	<u>(16,620,891)</u>
Total Utility Plant, being depreciated, net	<u>52,530,416</u>	<u>5,686,116</u>	<u>129</u>	<u>58,216,403</u>
Total Utility Plant, net	<u>\$ 73,936,016</u>	<u>\$ 7,900,056</u>	<u>\$ 7,164,054</u>	<u>\$ 74,672,018</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

	<u>Balance 3/31/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 3/31/2011</u>
Utility Plant, not being depreciated				
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 0	\$ 0	\$ 1,050,000
Land	981,954	0	0	981,954
Work In Progress	18,928,810	6,179,796	5,734,960	19,373,646
Total Utility Plant, not being depreciated	<u>20,960,764</u>	<u>6,179,796</u>	<u>5,734,960</u>	<u>21,405,600</u>
Utility Plant, being depreciated				
Water Transmission and Storage	10,917,078	60,489	0	10,977,567
Distribution	30,109,142	877,839	0	30,986,981
Vehicle and Maintenance Equipment	2,039,456	277,675	52,477	2,264,654
Office and Lab Equipment	1,979,578	56,663	10,595	2,025,646
Water Treatment	16,522,354	4,803,957	0	21,326,311
Total Utility Plant, being depreciated	<u>61,567,608</u>	<u>6,076,623</u>	<u>63,072</u>	<u>67,581,159</u>
Less Accumulated Depreciation for:				
Water Transmission and Storage	(1,637,461)	(214,251)	0	(1,851,712)
Distribution	(6,115,024)	(694,260)	0	(6,809,284)
Vehicle and Maintenance Equipment	(1,300,493)	(192,895)	(52,477)	(1,440,911)
Office and Lab Equipment	(1,528,858)	(140,298)	(10,595)	(1,658,561)
Water Treatment	(3,050,698)	(239,577)	0	(3,290,275)
Total Accumulated Depreciation	<u>(13,632,534)</u>	<u>(1,481,281)</u>	<u>(63,072)</u>	<u>(15,050,743)</u>
Total Utility Plant, being depreciated, net	<u>47,935,074</u>	<u>4,595,342</u>	<u>0</u>	<u>52,530,416</u>
Total Utility Plant, net	<u>\$ 68,895,838</u>	<u>\$ 10,775,138</u>	<u>\$ 5,734,960</u>	<u>\$ 73,936,016</u>

Depreciation charged to expense at March 31, 2012 and 2011 was \$1,646,323 and \$1,405,655, respectively.

NOTE 6 – BOND DISCOUNTS AND BOND ISSUANCE COSTS

Bond discounts and bond issuance costs are capitalized and amortized over the term of the respective bonds using a straight-line method.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 7 – SEWER AND WATER SERVICE COLLECTIONS

Collections of sewer charges imposed by Oneida County, City of Utica, Village of Holland Patent and the Town of Marcy are collected by the Water Authority. In addition, beginning in fiscal year 2011, billing and collection of water service charges assessed by the Village of Bridgewater (outside the Water Authority's service area) were conducted by the Water Authority. The amounts collected may consist of current and delinquent sewer or water charges.

The delinquent County sewer charges as well as the Village of Holland Patent and the Town of Marcy sewer charges are added to each customer's property tax bill by the County of Oneida in January of each year. The delinquent City sewer charges are added to the first installment of the City's tax bill in April of each year. The Village of Bridgewater has chosen to leave delinquent amounts unpaid as a water service receivable.

The amounts collected and payable to the other governments primarily consist of three months' sewer or water rent billings. The amounts owed to these other governments are as follows:

Local Government	2012	2011
Oneida County	\$ 1,148,301	\$ 1,071,783
City of Utica	126,301	120,083
Village of Holland Patent	2,343	3,705
Town of Marcy	14,304	4,846
Village of Bridgewater	1,462	7,642
Total	\$ 1,292,711	\$ 1,208,059

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT

The bonds and note outstanding at March 31, 2012 and 2011 bear annual interest, amortize premiums or discounts and mature as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Underlying Rating</u>	<u>Year of Maturity</u>	<u>Percent Interest Rate</u>	<u>Original Issue</u>	<u>Balance at March 31,</u>	
						<u>2012</u>	<u>2011</u>
1996 Series B	System Improvement	Baa3	2013	2.20%	\$ 2,725,000	\$ 160,000	\$ 320,000
Less: Current Maturities						160,000	160,000
Total Long-Term						<u>\$ 0</u>	<u>\$ 160,000</u>
1999 Series (Partially Advanced Refunded)	System Improvement	Baa2	2030	4.20%-5.75%	\$ 3,735,000	\$ 0	\$ 86,779
Less: Current Maturities						0	86,779
Less: Bond Discount						0	0
Total Long-Term						<u>\$ 0</u>	<u>\$ 0</u>
2000 Series (Partially Advanced Refunded)	System Improvement	Baa1	2030	4.75%-5.87%	\$ 8,528,720	\$ 4,788,720	\$ 5,048,720
Less: Current Maturities						276,284	261,284
Add: Bond Premium						23,966	25,250
Total Long-Term						<u>\$ 4,536,402</u>	<u>\$ 4,812,686</u>
2001 Series A** (Advanced Refunding)	Refunding of 1996B Bonds	Baa1	2020	3.43%-5.13%	\$26,716,006	\$ 14,240,000	\$ 15,585,000
Less: Current Maturities						1,234,405	1,199,406
Less: Bond Discount						1,261,819	1,407,413
Total Long-Term						<u>\$ 11,743,776</u>	<u>\$ 12,978,181</u>
2001 Series B** (Advanced Refunding)	System Improvement	Baa1	2022	3.02%-5.31%	\$ 2,876,300	\$ 1,915,000	\$ 2,035,000
Less: Current Maturities						125,000	120,000
Total Long-Term						<u>\$ 1,790,000</u>	<u>\$ 1,915,000</u>
2003 Series	System Improvement	A3	2034	2.00%-4.75%	\$ 8,385,000	\$ 7,000,000	\$ 7,185,000
Less: Current Maturities						182,539	177,539
Less: Bond Discount						161,659	169,120
Total Long-Term						<u>\$ 6,655,802</u>	<u>\$ 6,838,341</u>
2006 Series A	System Improvement/ Partial Refunding-1999 & 2000 Series	A3	2036	4.00%-5.00%	\$20,325,000	\$ 18,765,000	\$ 19,080,000
Less: Current Maturities						402,227	297,227
Add: Bond Premium						75,001	78,126
Less: Deferred Amount						501,546	522,444
Total Long-Term						<u>\$ 17,936,228</u>	<u>\$ 18,338,455</u>
2008 Series A	System Improvement	A3	2030	3.00%-6.25%	\$12,220,000	\$ 11,880,000	\$ 11,985,000
Less: Current Maturities						107,847	92,847
Less: Bond Discount						203,562	215,715
Total Long-Term						<u>\$ 11,568,591</u>	<u>\$ 11,676,438</u>
Promissory Note	Water System Purchase Agreement	N/A	2036	Approx. 5.8%	\$ 7,000,000	\$ 6,213,172	\$ 6,321,876
Less: Current Maturities						115,101	108,704
Total Long-Term						<u>\$ 6,098,071</u>	<u>\$ 6,213,172</u>

**--The Environmental Facilities Corporation (EFC) refinanced the 2001A and 2001B bond issues on behalf of the Water Authority as part of larger refunding transactions at the State level. The resulting savings from these refinancings will be past on to MVWA in the form of additional subsidies to the existing debt service. The existing principal and interest amounts for the EFC bonds will remain as established under their original agreements.

MOHAWK VALLEY WATER AUTHORITY**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

	2008 A SERIES BONDS		
	Principal	Interest	Total
2013	\$ 120,000	\$ 709,375	\$ 829,375
2014	290,000	701,175	991,175
2015	305,000	687,750	992,750
2016	325,000	672,000	997,000
2017	345,000	655,250	1,000,250
2018-2020	1,145,000	1,853,500	2,998,500
2021-2025	3,135,000	2,487,969	5,622,969
2026-2030	<u>6,215,000</u>	<u>1,037,656</u>	<u>7,252,656</u>
	11,880,000	8,804,675	20,684,675
Less: Current Portion	107,847	0	107,847
Less: Bond Discount	<u>203,562</u>	<u>0</u>	<u>203,562</u>
	<u>\$ 11,568,591</u>	<u>\$ 8,804,675</u>	<u>\$ 20,373,266</u>

	2006 A SERIES BONDS		
	Principal	Interest	Total
2013	\$ 420,000	\$ 810,275	\$ 1,230,275
2014	725,000	787,375	1,512,375
2015	755,000	754,000	1,509,000
2016	790,000	715,375	1,505,375
2017	830,000	674,875	1,504,875
2018-2020	2,735,000	1,766,275	4,501,275
2021-2025	3,535,000	2,252,707	5,787,707
2026-2030	3,870,000	1,509,387	5,379,387
2031-2035	3,490,000	726,537	4,216,537
2036-2037	<u>1,615,000</u>	<u>69,381</u>	<u>1,684,381</u>
	18,765,000	10,066,187	28,831,187
Less: Current Portion	402,227	0	402,227
Add: Bond Premium	75,001	0	75,001
Less: Deferred Amount	<u>501,546</u>	<u>0</u>	<u>501,546</u>
	<u>\$ 17,936,228</u>	<u>\$ 10,066,187</u>	<u>\$ 28,002,415</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

2003 SERIES BONDS

	Principal	Interest	Total
2013	\$ 190,000	\$ 318,925	\$ 508,925
2014	200,000	311,975	511,975
2015	205,000	303,994	508,994
2016	215,000	295,069	510,069
2017	225,000	285,719	510,719
2018-2019	480,000	541,688	1,021,688
2020-2024	1,410,000	1,141,663	2,551,663
2025-2029	1,795,000	762,969	2,557,969
2030-2034	<u>2,280,000</u>	<u>280,725</u>	<u>2,560,725</u>
	7,000,000	4,242,727	11,242,727
Less: Current Portion	182,539	0	182,539
Less: Bond Discount	<u>161,659</u>	<u>0</u>	<u>161,659</u>
	<u>\$ 6,655,802</u>	<u>\$ 4,242,727</u>	<u>\$ 10,898,529</u>

2001 B SERIES BONDS

	Principal	Interest	Total
2013	\$ 125,000	\$ 93,137	\$ 218,137
2014	125,000	87,457	212,457
2015	130,000	81,522	211,522
2016	135,000	75,222	210,222
2017	140,000	68,553	208,553
2018-2019	295,000	115,712	410,712
2020-2023	<u>965,000</u>	<u>126,165</u>	<u>1,091,165</u>
	1,915,000	647,768	2,562,768
Less: Current Portion	<u>125,000</u>	<u>0</u>	<u>125,000</u>
	<u>\$ 1,790,000</u>	<u>\$ 647,768</u>	<u>\$ 2,437,768</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

2001 A SERIES BONDS

	Principal	Interest	Total
2013	\$ 1,380,000	\$ 694,969	\$ 2,074,969
2014	1,425,000	632,731	2,057,731
2015	1,475,000	566,896	2,041,896
2016	1,520,000	497,128	2,017,128
2017	1,570,000	423,713	1,993,713
2018-2019	3,315,000	613,196	3,928,196
2020-2021	<u>3,555,000</u>	<u>274,351</u>	<u>3,829,351</u>
	14,240,000	3,702,984	17,942,984
Less: Current Portion	1,234,405	0	1,234,405
Less: Bond Discount	<u>1,261,819</u>	<u>0</u>	<u>1,261,819</u>
	<u>\$ 11,743,776</u>	<u>\$ 3,702,984</u>	<u>\$ 15,446,760</u>

2000 SERIES BONDS (Partially Refunded)

	Principal	Interest	Total
2013	\$ 275,000	\$ 7,906	\$ 282,906
2014	0	0	0
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018-2019	0	0	0
2020-2024	1,906,663	4,558,337	6,465,000
2025-2029	2,253,938	7,211,063	9,465,001
2030-2031	<u>353,119</u>	<u>1,541,781</u>	<u>1,894,900</u>
	4,788,720	13,319,087	18,107,807
Less: Current Portion	276,284	0	276,284
Add: Bond Premium	<u>23,966</u>	<u>0</u>	<u>23,966</u>
	<u>\$ 4,536,402</u>	<u>\$ 13,319,087</u>	<u>\$ 17,855,489</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

1996 B SERIES BONDS

	Principal	Interest	Total
2013	\$ 160,000	\$ 3,520	\$ 163,520
2014	<u>0</u>	<u>0</u>	<u>0</u>
	160,000	3,520	163,520
Less: Current Portion	<u>160,000</u>	<u>3,520</u>	<u>163,520</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PROMISSORY NOTE

	Principal	Interest	Total
2013	\$ 115,101	\$ 365,615	\$ 480,716
2014	121,874	358,841	480,715
2015	129,045	351,670	480,715
2016	136,639	344,076	480,715
2017	153,193	327,522	480,715
2018-2019	306,887	654,543	961,429
2020-2024	965,958	1,437,618	2,403,576
2025-2029	1,285,642	1,117,933	2,403,575
2030-2034	1,711,126	692,449	2,403,575
2035-2037	<u>1,287,707</u>	<u>154,437</u>	<u>1,442,145</u>
	6,213,172	5,804,704	12,017,876
Less: Current Portion	<u>115,101</u>	<u>0</u>	<u>115,101</u>
	<u>\$ 6,098,071</u>	<u>\$ 5,804,704</u>	<u>\$ 11,902,775</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

Long-term liability activity for the fiscal year ended March 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	\$ 61,328,720	\$ -	\$ (2,580,000)	\$ 58,748,720	\$ 2,670,000
Less Deferred Amounts:	-				
For Issuance Premiums/(Discounts)	(1,692,093)	168,430	(4,409)	(1,528,072)	181,697
Refunding Deferral	(522,444)	20,898	-	(501,546)	20,898
Total Bonds Payable	59,114,183	189,328	(2,584,409)	56,719,102	2,467,405
Promissory Note	6,321,876	-	(108,704)	6,213,172	115,101
Capital Leases	34,828	70,830	(20,960)	84,698	28,365
Compensated Absences	390,198	317,541	304,589	403,150	268,000
Postemployment Benefits Other Than Pension	1,635,509	547,704	-	2,183,213	301,074
Total Liabilities	\$ 67,496,594	\$ 1,125,403	\$ (2,409,484)	\$ 65,603,335	\$ 3,179,945

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

Advance Refunding

On November 2, 2006, the Water Authority issued \$20,335,000 of revenue bonds, Series 2006A, to provide funds for both capital projects and to purchase State and Local Government securities (SLGS) that were placed into an escrow fund for the purpose of generating resources for paying portions of future debt service on \$2,945,000 of 1999 series bonds and \$2,760,000 of 2000 series bonds. The SLGS purchased have variable interest rates ranging from 4.097% to 4.610%. These portions of the 1999 series bonds and 2000 series bonds are considered partially refunded; as a result, the portions of each bond series are also considered defeased, and the liability has been removed from the statement of net assets. These new bonds were issued at a premium of \$91,407, which is being amortized over the life of the new debt issue.

As a result of this advance refunding, the Water Authority reduced its total debt service requirements by \$4,391,275 and \$5,642,706 over the life of the 1999 series and 2000 series bonds, respectively, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$500,220.

Prior Years' Defeasance of Debt

In 2001, the Water Authority issued \$26,716,006 in revenue bonds from the New York State Environmental Facilities Corporation (NYSEFC) in connection with the Corporation's issuance of \$84,485,000 State Clean Water and Drinking Water Revolving Fund Revenue Bonds, Series 2001A, to advance refund \$25,110,000 outstanding Series 1996A revenue bonds, with variable interest rates ranging from 4.50%-5.25%. Proceeds from the NYSEFC borrowing and existing funds from the 1996A revenue bond issue were used to purchase \$2,505,518 State and Local Government Securities (SLGS with variable interest rates ranging from 4.72%-5.08%, after paying issuance costs of \$805,438. These securities were placed in an escrow account with a trustee to provide debt service payments until the 1996A revenue bonds mature on October 1, 2026.

As a result of this advance refunding, the Water Authority reduced its total debt service requirements by \$8,705,008 over the life of the bonds, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$4,417,043.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

Bond Covenants

The financing agreements relating to all the current and future bonding contain various covenants pertaining to the use and maintenance of the trust funds established from the proceeds of each bonding. At March 31, 2012 and 2011, the Board was in compliance with the loan covenants. The following is a summary of the covenants:

- i The Board is required to establish and collect rates, fees and charges sufficient to be at least equal to the sum of:
 - a. 115% of the estimated aggregate debt service and projected debt service payable in that fiscal year; and
 - b. 100% of operating expenses, accrued promissory note payments, PILOT payments, Finance Authority expenses and any other required deposits for the year.
- i The Board has reviewed the adequacy of fees, rates and charges at least annually.
- i The Board has enforced the payment of any and all amounts owed for the use of the regional system. The Board has enforced those amounts delinquent at fiscal year-end as a lien against the property.
- i The Board has not furnished or supplied any product, use or service of the regional system free of charge or at nominal charge to any person, firm or corporation, public or private, except any municipality in pursuit of its governmental function.
- i The Water Authority's expenses for the month of March were covered and there were no shortfalls.
- i The debt service reserve fund includes separate amounts for each series of bonds issued. The required amount maintained in the fund equals the debt service reserve requirement.
 - a. The debt service reserve requirement is the lesser of the maximum annual debt service over the bond's life or 125% of the average annual debt service or the maximum amount allowed without jeopardizing the tax-exempt status of the bonds.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 8 – LONG-TERM DEBT – CONTINUED

Bond Covenants – Continued

- i Initial funding for the repair and improvement fund in the amount of \$500,000 was received from the purchase of the water system. These funds can be used for the following:
 - a. to pay all or any part of the cost of constructing, acquiring, completing or restoring projects;
 - b. to pay the cost of renewals to or replacements of projects or to pay the cost of extraordinary maintenance or repairs or repay all or any part of the temporary loans;
 - c. to pay for the cost incurred for the purpose of acquiring or constructing projects, renewals and replacements or extraordinary maintenance and repairs; and
 - d. to pay other debts and liabilities of the regional system not otherwise provided for, any PILOT payments and payment of debt service requirements.
- i The debt service and sinking fund balance is equal to the accrued debt service.
- i The promissory note fund is at least equal to the accrued promissory note payment.
- i The PILOT payments fund is at least equal to the required PILOT payments and any shortfall from previous months.
- i The repair and improvement fund deposit amounts, if any, are specified in the annual budget to meet monthly requirements including any shortfalls from preceding months.
- i The Board transferred the amount, if any, remaining in the general account, to the bond redemption and accumulated surplus fund at the end of the fiscal year.
- i The Board will make available funds to pay all required subordinated indebtedness.

NOTE 9 – OTHER LONG-TERM LIABILITIES

Compensated absences represent unused vacation and compensatory time payable in the future. The balance at March 31, 2012 and 2011 were \$403,150 and \$390,198, respectively.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 10 – NET ASSETS

The basic financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets, net of related debt—This component of net assets reflects the portion of net assets that is associated with non-liquid, capital assets less outstanding capital asset related debt. If there are significant unspent related debt proceeds at year-end, this portion is not included in the calculation of invested in capital, net of related debt.

Restricted Net Assets—This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, debt covenants, grantors, enabling legislation or regulation of other governments imposed by law.

Unrestricted Net Assets—This component of net assets does not meet the definition of the two categories above.

The Board of Directors of the Water Authority has segregated portions of unrestricted net assets to indicate tentative plans for future financial commitment and resource use. The strategy by the Board of Directors is to annually fund these programs to meet budgeted commitments. The use of these resources is determined by the Board based upon pre-determined occurrences or actions. The following is a list of these commitments:

	<u>2012</u>	<u>2011</u>
Internal Commitments:		
Debt Service Covenant	\$ 766,869	\$ 766,869
Repair, Replacement and Renewal Reserve	924,043	895,946
Operating & Maintenance Reserve	618,987	596,743
Capital Maintenance Reserve	1,315,387	1,603,740
Reserve For Board Projects	147,638	147,638
	<hr/>	<hr/>
Total	<u>\$ 3,772,924</u>	<u>\$ 4,010,936</u>

NOTE 11 – EMPLOYEES' PENSION PLAN

General Information

The Water Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a defined benefit, cost sharing multiple public employer-employee retirement plan overseen by the Comptroller of the State of New York. The ERS offers a wide range of benefits that are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 11 – EMPLOYEES' PENSION PLAN-CONTINUED

Plan Description

The Water Authority participates in the New York State and Local Employees' Retirement System (ERS) cost-sharing, multiple-employer retirement systems and the Public Employees' Group Life Insurance Plan (Systems). The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12207.

Funding Policies

The ERS is noncontributory except for employees who joined the System after July 27, 1976, and have less than 10 years of eligible service, who contribute 3% of their salary. Under the authority of the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of members' payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Water Authority is required to contribute at an actuarially determined rate. The required and actual contributions and percentage of covered payroll for the current year and four preceding years are as follows:

	<u>Actual Contributions</u>	<u>Percentage of Covered Payroll</u>
2012	\$ 665,564	14.4%
2011	\$ 532,857	12.3%
2010	\$ 339,758	7.6%
2009	\$ 367,569	9.7%
2008	\$ 418,865	11.0%

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 11 – EMPLOYEES' PENSION PLAN – CONTINUED

Since 1989, the ERS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989, over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The City of Utica, on behalf of the Water Fund, elected to make the full payment on December 27, 1993.

NOTE 12 – DEFERRED COMPENSATION PLAN

In fiscal 2007, The Water Authority entered into an agreement with the New York Deferred Compensation Board to provide a Deferred Compensation Plan in accordance with the Internal Revenue Code, Section 457, on a voluntary basis to full-time employees. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement or for an unforeseen emergency. The Authority makes no contributions to the plan. In accordance with federal law, a trust fund was established for deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Authority but are held in trust, the deferred compensation assets and related liabilities are not reported in the Water Authority's financial statements. The Water Authority's fiduciary responsibilities are to submit participant payroll deductions and enrollment changes to the plan administrator. Investments are managed by the plan's trustee with various investment options available. The choice of the investment option is made by the employee.

Twenty-one (21) employees contributed to the plan during fiscal year 2012.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the retirement benefits described in Notes 11 and 12, the Water Authority provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the Board and its employee groups. Substantially all of employees may become eligible for these benefits if they reach normal retirement age while working for the Water Authority.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended March 31, 2009, the Authority recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Authority's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the fiscal year 2009 liability.

Plan Description

Post-employment health insurance coverage is afforded to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the Board and its employee groups. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Water Authority.

More specifically, a small group of retirees and their survivors are afforded health insurance as a supplement to Medicare for life. All other retirees and their survivors are provided a number of years of health insurance premium payments based on their years of service to the Organization.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
CONTINUED**

The Water Authority pays 100% of the cost of premiums to insurance companies that provide the health care coverage. Healthcare benefits for non-bargaining employees are similar to those of union employees.

The number of participants as of April 1, 2011, the effective date of the annual OPEB valuation, follows:

Active Employees	90
Retired Employees	12
Dependents	6
Disabled	0
Total	<u>108</u>

Funding Policy

The Authority currently pays for postemployment health care benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost

For the year ended March 31, 2012, the Authority's annual OPEB cost (expense) of \$735,947 is equal to the Annual Required Contribution. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$156,469 for retirees and their beneficiaries, and the interest earned on the net OPEB obligations of \$57,408, the result was a increase in the Net OPEB Obligation of \$547,704 for the year ended March 31, 2012.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
CONTINUED**

The Water Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and 2011 were as follows:

Annual OPEB Cost and Net OPEB Obligation	FY 2012	FY 2011
Annual Required Contribution	\$735,947	\$657,581
Interest on Net OPEB Obligation	57,408	40,910
Adjustment to Annual Required Contribution	<u>(89,182)</u>	<u>(63,552)</u>
Annual OPEB Cost	704,173	634,939
Contributions made	<u>(156,469)</u>	<u>(168,274)</u>
Increase in Net OPEB Obligation	547,704	466,665
Net OPEB Obligation - beginning of year	<u>1,635,509</u>	<u>1,168,844</u>
Net OPEB Obligation - end of year	<u>\$2,183,213</u>	<u>\$1,635,509</u>
Percentage of Annual OPEB Cost contributed	22.22%	26.50%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Included coverages are "fully-insured community rated" and annual premiums for fully-insured community rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

Funded Status	FY 2012	FY 2011
Actuarial Accrued Liability (AAL)	\$7,333,745	\$6,704,266
Actuarial Value of Assets	0	0
Unfunded Actuarial Accrued Liability (UAAL)	7,333,745	6,704,266
Funded Ratio (Assets as a percentage of AAL)	0.00%	0.00%
Annual Covered Payroll	4,625,825	\$4,475,200
UAAL as a Percentage of Covered Payroll	158.54%	149.81%

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
CONTINUED**

Actuarial Methods and Assumptions-continued

Measurement Date	March 31, 2012	March 31, 2011
Investment Rate of Return	3.50%	3.50%
Expected Return on Plan Assets	N/A	N/A
Expected Return on Employer's Assets	3.50%	3.50%
Rate of compensation increase	N/A	N/A
Inflation Rate	3.00%	3.00%

Assumed pre-65 medical trend rates at March 31

Health care cost trend rate assumed for next fiscal year	9.00%
Assumed cost trend rate to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2021

Assumed post-65 medical trend rates at March 31

Health care cost trend rate assumed for next fiscal year	8.50%
Assumed cost trend rate to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2021

Assumed prescription drug trend rates at March 31

Health care cost trend rate assumed for next fiscal year	8.50%
Assumed cost trend rate to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2021

Additional Information

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	Single Amortization Period
Amortization Period (in years)	30.00
Amortization Period Status	Open

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 (HCERA), which amends certain aspects of PPACA was signed into law. The new laws are expected to have a financial impact on employers who sponsor postretirement health care benefits plans and therefore may affect the GASB 45 valuation. As of the date of this exhibit, Mohawk Valley Water Authority and Harbridge could not reasonably conclude which provisions would impact the financial accounting of the plan. Upon release of further regulatory guidance, the impact of PPACA and HCERA will be appropriately reflected in the valuation.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of operations, the Water Authority is subject to claims for damages. When all information regarding the claim has been received, the Board members determine whether to settle or allow a lawsuit. The Water Authority maintains a policy of recording damages when they are probable and able to be estimated.

The following are significant lawsuits currently being adjudicated:

Mohawk Valley Water Authority vs. Erie Boulevard Hydropower, LP and New York State Canal Corporation—On April 25, 2005, the Water Authority commenced litigation in New York State Supreme Court for Oneida County seeking a judicial declaration that the Water Authority has the right to continue to use water from the West Canada Creek at Hinckley Reservoir for water supply purposes without providing compensation in the form of money or replacement flows.

On May 15, 2009, Oneida County Supreme Court rendered decision concerning the Water Authority's summons and complaint consisting of 17 causes of action against the State of New York and/or Erie Boulevard Hydropower, L.P. (Erie). The court granted summary judgment in favor of the Water Authority against Erie Hydropower, holding the Water Authority has no obligation to compensate Erie Hydropower for any water it withdraws from Hinckley Reservoir.

The Court also affirmed the Water Authority's claim that the Gray Reservoir was never used as a compensating reservoir for Hinckley Reservoir and that the Gray Reservoir had no influence on the water levels at Hinckley. No monetary amounts were awarded to any party nor will the Water Authority's current operation be affected.

The Court further partially granted the Water Authority a summary judgment against New York State and the NYS Canal Corporation finding the state was barred against enforcing the compensation provisions of the 1917 agreement; however, the Court limited the extent of the State's waiver to the historic maximum amount of water withdrawn, which it determined was 35 cubic feet per second (cfs). All parties appealed the decision.

On October 18, 2010, the Appellate Division issued a decision on the appeals affirming the court's decision to grant summary judgment in the Water Authority's favor against Erie Hydropower and dismissal of Erie Hydropower's counterclaims. The Appellate Division modified the Court's decision with respect to limiting the Water Authority's withdrawal to 35 cfs on the basis of incomplete evidence.

The Water Authority's final claim that it can withdraw water from Hinckley Reservoir free from compensation obligation to the State and the State's counterclaim that the Water Authority is obligated to comply with the 1917 agreement, will be tried before the Oneida County Supreme Court. The date for trial has not been determined.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 14 – COMMITMENTS AND CONTINGENCIES-CONTINUED

Litigation-continued

On or about May 17, 2010, the Water Authority served notice in Albany, NY Court of Claims to intervene in the matter of Erie Boulevard Hydropower, LP, the New York State Canal Corporation and the New York State Thruway Authority to protect its rights in this litigation concerning the interpretation of the 1921 agreement. This 1921 agreement governs the operation of the Hinckley Reservoir and the protocol in maintaining the reservoir under drought and emergency conditions.

The motion to intervene by the Water Authority was denied by the New York State Court of Claims in Albany.

Subsequently, the Court ruled in favor of New York State against Erie Boulevard Hydropower holding that the State would not be responsible for monetary compensation nor compensating water flows to Erie Boulevard Hydropower as the result of diversions necessary to maintain levels and function of the Hinckley Reservoir.

Risk Management

The Water Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the organization carries commercial insurance. The Water Authority participates in a risk management pool for workers' compensation. Premiums are paid to the carrier based upon the percent of associated risk within the pool and is used to pay claims, claim reserves and administrative costs of the program.

Settlements for insurance claims and workers' compensation claims have not exceeded coverage.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2012 and 2011

NOTE 14 – COMMITMENTS AND CONTINGENCIES-CONTINUED

Commitments

The Water Authority entered into a noncancellable 30-year operating lease for office space.

Future minimum rental payments required under the operating lease, that has initial or remaining noncancellable lease terms in excess of one year as of March 31, 2012, are as follows:

2013	\$ 108,000
2014	108,000
2015	108,000
2016	108,000
2017	108,000
Thereafter	<u>1,079,070</u>
Total	<u>\$ 1,619,070</u>

The above lease is based upon a rate per square footage. Presently, the Water Authority is paying the landlord \$104,870 per year for occupying approximately 12,800 square feet.

Expense for all rental space amounted to \$109,685 and \$104,870 for the years ending March 31, 2012 and 2011, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB LIABILITY

For Fiscal Year Ended March 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
April 1, 2012	\$ -	\$ 7,333,745	\$ 7,333,745	0.00%	\$ 4,625,825	158.54%
April 1, 2011	\$ -	\$ 6,704,266	\$ 6,704,266	0.00%	\$ 4,625,825	144.93%
April 1, 2010	\$ -	\$ 6,704,266	\$ 6,704,266	0.00%	\$ 4,475,200	149.81%

SUPPLEMENTARY INFORMATION

MOHAWK VALLEY WATER AUTHORITY

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – BUDGET
AND ACTUAL**

Year Ended March 31, 2012

	Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUE				
Metered Water Sales	\$ 19,023,278	\$ 18,262,335	\$ 760,943	4.17%
Delinquency Charges	854,927	720,700	134,227	18.62%
Fees and Ancillary Charges	218,970	210,200	8,770	4.17%
Other Services	<u>332,325</u>	<u>357,130</u>	<u>(24,805)</u>	<u>(6.95%)</u>
Total Operating Revenue	20,429,500	19,550,365	879,135	4.50%
OPERATING EXPENSES				
Administrative	647,543	801,456	153,913	19.20%
Finance & Accounting	989,175	926,145	(63,030)	(6.81%)
Customer Services	367,778	380,791	13,013	3.42%
Engineering	498,373	785,440	287,067	36.55%
Water Distribution	314,460	542,162	227,702	42.00%
Information Technology	656,214	636,646	(19,568)	(3.07%)
Water Quality Maintenance	703,536	748,631	45,095	6.02%
Treatment	2,386,367	2,585,337	198,970	7.70%
System Repair & Maintenance	3,846,903	4,281,748	434,845	10.16%
General Services	1,418,606	1,648,805	230,199	13.96%
Amortization of Bond Expenses	288,235	0	(288,235)	0.00%
Depreciation	1,605,926	0	(1,605,926)	0.00%
Long-Term Asset Purchases	<u>0</u>	<u>340,000</u>	<u>340,000</u>	<u>100.00%</u>
Total Operating Expenses	<u>13,723,116</u>	<u>13,677,161</u>	<u>(45,955)</u>	<u>(0.34%)</u>
OPERATING INCOME	6,706,384	5,873,204	833,180	14.19%
NONOPERATING REVENUES (EXPENSES)				
Investment Income	225,341	275,727	(50,386)	(18.27%)
Interest Expense	(2,665,824)	(5,690,247)	3,024,423	53.15%
PILOT Payments	(1,445,725)	(1,447,575)	1,850	(0.13%)
Independent Lab Services, Net	88,214	100,000	(11,786)	(11.79%)
Lab Grants	0	0	0	0.00%
Consulting Income, Net	0	0	0	0.00%
State and Federal Grants	0	0	0	0.00%
Other Income, Net	80,958	87,003	(6,045)	(6.95%)
Timber Harvest	0	0	0	0.00%
Realized Gain/ (Loss) on Investments	292,476	0	292,476	0.00%
Funding of Reserves	0	(750,000)	750,000	(100.00%)
Post Employment Health Benefits	(547,704)	0	(547,704)	0.00%
Cash Carried Forward/ Use of Reserves	<u>0</u>	<u>1,551,888</u>	<u>(1,551,888)</u>	<u>(100.00%)</u>
Total Nonoperating Expenses	<u>(3,972,264)</u>	<u>(5,873,204)</u>	<u>1,900,940</u>	<u>32.37%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,734,120	\$ <u>0</u>		
Capital Contributions	<u>0</u>			
Increase in Net Assets	2,734,120			
NET ASSETS				
Beginning of Year	<u>31,631,066</u>			
End of Year	\$ <u>34,365,186</u>			

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL

Year Ended March 31, 2011

	Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUE				
Metered Water Sales	\$ 18,855,703	\$ 17,903,552	\$ 952,151	5.32%
Delinquency Charges	843,693	731,500	112,193	15.34%
Fees and Ancillary Charges	229,040	228,500	540	0.24%
Other Services	<u>354,258</u>	<u>310,038</u>	<u>44,220</u>	<u>14.26%</u>
Total Operating Revenue	20,282,694	19,173,590	1,109,104	5.78%
OPERATING EXPENSES				
Administrative	881,765	577,173	(304,592)	(52.77%)
Finance & Accounting	882,848	863,853	(18,995)	(2.20%)
Customer Services	431,190	384,468	(46,722)	(12.15%)
Engineering	359,085	536,160	177,075	33.03%
Capital Projects	26,394	210,463	184,069	87.46%
Water Distribution	322,426	487,832	165,406	33.91%
Information Technology	604,205	602,634	(1,571)	(0.26%)
Water Quality Maintenance	738,464	903,636	165,172	18.28%
Treatment	1,592,493	2,107,217	514,724	24.43%
System Repair & Maintenance	3,538,455	4,074,192	535,737	13.15%
General Services	1,402,513	1,525,971	123,458	8.09%
Amortization of Bond Expenses	285,184	0	(285,184)	0.00%
Depreciation	1,405,655	0	(1,405,655)	0.00%
Long-Term Asset Purchases	<u>0</u>	<u>392,000</u>	<u>392,000</u>	<u>100.00%</u>
Total Operating Expenses	<u>12,470,677</u>	<u>12,665,599</u>	<u>194,922</u>	<u>1.54%</u>
OPERATING INCOME	7,812,017	6,507,991	1,304,026	20.04%
NONOPERATING REVENUES (EXPENSES)				
Investment Income	286,169	441,103	(154,934)	(35.12%)
Interest Expense	(2,965,973)	(5,593,168)	2,627,195	46.97%
PILOT Payments	(1,471,913)	(1,468,379)	(3,534)	0.24%
Independent Lab Services, Net	63,090	184,000	(120,910)	(65.71%)
Lab Grants	0	6,000	(6,000)	(100.00%)
Other Income, Net	77,698	81,656	(3,958)	(4.85%)
Timber Harvest	0	105,000	(105,000)	(100.00%)
Realized Gain/ (Loss) on Investments	(58,613)	0	(58,613)	0.00%
Funding of Reserves	0	(697,203)	697,203	(100.00%)
Post Employment Health Benefits	(466,665)	0	(466,665)	0.00%
Cash Carried Forward	<u>0</u>	<u>433,000</u>	<u>(433,000)</u>	<u>(100.00%)</u>
Total Nonoperating Expenses	<u>(4,536,207)</u>	<u>(6,507,991)</u>	<u>1,971,784</u>	<u>30.30%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	3,275,810	\$ <u>0</u>		
Capital Contributions	<u>0</u>			
Increase in Net Assets	3,275,810			
NET ASSETS				
Beginning of Year	<u>28,355,256</u>			
End of Year	\$ <u>31,631,066</u>			

UTILITY PLANT

For Fiscal Year Ended March 31, 2012

Capital Accounts	Life (Years)	COST			
		Balance 3/31/2011	Additions	Retirements	Balance 3/31/2012
WATER RIGHTS & OTHER INTANGIBLE ASSETS					
		\$ 800,000	\$ 0	\$ 0	\$ 800,000
		250,000	0	0	250,000
G/L 1750-00		1,050,000	0	0	1,050,000
LAND					
		400,000	0	0	400,000
311-1		9,712	0	0	9,712
311-2		487,501	0	0	487,501
311-3		27,200	0	0	27,200
311-4		1,588	0	0	1,588
311-5		31,344	0	0	31,344
311-6		5,901	0	0	5,901
311-8		18,708	0	148	18,560
G/L 1751-00		981,954	0	148	981,806
WATER TRANSMISSION & STORAGE					
312-2	20-100	1,933,337	0	0	1,933,337
312-3	20-100	214,208	0	0	214,208
312-5	20-100	7,635,338	6,393,802	0	14,029,140
312-8	20-100	653,686	0	0	653,686
312-9	20-100	3,595	0	0	3,595
312-11	100	177,736	0	0	177,736
312-12	100	281,743	0	0	281,743
336-TR	20	77,924	0	0	77,924
G/L 1752-00		10,977,567	6,393,802	0	17,371,369
DISTRIBUTION					
		1,758,656	0	0	1,758,656
316	100	665,951	0	0	665,951
320	25-100	1,124,691	0	0	1,124,691
321	25-100	3,967,704	0	0	3,967,704
322	25-100	20,609,018	131,507	0	20,740,525
324	15	1,197,416	0	0	1,197,416
325	15	614	0	0	614
326	15	742,280	0	0	742,280
336-D	25	920,651	0	0	920,651
G/L 1754-00		30,986,981	131,507	0	31,118,488
VEHICLES & MAINTENANCE EQUIPMENT					
329-1	5	1,695,982	116,947	76,304	1,736,625
329-2	5	568,672	0	0	568,672
G/L 1757-00		2,264,654	116,947	76,304	2,305,297
OFFICE & LAB EQUIPMENT					
328	5	581,660	20,593	0	602,253
332	5	926,338	33,763	0	960,101
333	5	336,629	71,867	0	408,496
334	5	100,481	0	0	100,481
336	5	22,455	0	0	22,455
337	5	58,083	0	0	58,083
G/L 1756-00		2,025,646	126,223	0	2,151,869
WATER TREATMENT					
320-1	25-75	21,040,010	563,960	0	21,603,970
320-2	25	286,301	0	0	286,301
G/L 1753-00		21,326,311	563,960	0	21,890,271
CONSTRUCTION IN PROGRESS					
		19,373,646	2,213,940	7,163,777	14,423,809
TOTAL PROPERTY, PLANT & EQUIPMENT		\$ 88,986,759	\$ 9,546,379	\$ 7,240,229	\$ 91,292,909

MOHAWK VALLEY WATER AUTHORITY

ACCUMULATED DEPRECIATION AND AMORTIZATION

Balance 3/31/2011	Depreciation	Asset Retirements	Balance 3/31/2012	Net Asset Value 3/31/2012
\$ 0	\$ 0	\$ 0	\$ 0	\$ 800,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,050,000</u>
0	0	0	0	400,000
0	0	0	0	9,712
0	0	0	0	487,501
0	0	0	0	27,200
0	0	0	0	1,588
0	0	0	0	31,344
0	0	0	0	5,901
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,560</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>981,806</u>
399,894	45,061	0	444,955	1,488,382
42,657	4,396	0	47,053	167,155
1,140,656	130,340	0	1,270,996	12,758,144
105,920	13,973	0	119,893	533,793
2,700	130	0	2,830	765
38,054	3,658	0	41,712	136,024
43,907	6,284	0	50,191	231,552
<u>77,924</u>	<u>0</u>	<u>0</u>	<u>77,924</u>	<u>0</u>
<u>1,851,712</u>	<u>203,842</u>	<u>0</u>	<u>2,055,554</u>	<u>15,315,815</u>
306,788	23,449	0	330,237	1,428,419
278,387	31,857	0	310,244	355,707
392,109	23,115	0	415,224	709,467
772,434	79,543	0	851,977	3,115,727
3,653,242	416,367	0	4,069,609	16,670,916
860,234	72,536	0	932,770	264,646
583	31	0	614	0
352,831	14,423	0	367,254	375,026
<u>192,676</u>	<u>65,196</u>	<u>0</u>	<u>257,872</u>	<u>662,779</u>
<u>6,809,284</u>	<u>726,517</u>	<u>0</u>	<u>7,535,801</u>	<u>23,582,687</u>
1,066,099	187,514	76,175	1,177,438	559,187
<u>383,146</u>	<u>40,044</u>	<u>0</u>	<u>423,190</u>	<u>145,482</u>
<u>1,449,245</u>	<u>227,558</u>	<u>76,175</u>	<u>1,600,628</u>	<u>704,669</u>
512,387	26,580	0	538,967	63,286
675,250	82,568	0	757,818	202,283
321,191	11,987	0	333,178	75,318
96,693	663	0	97,356	3,125
22,455	0	0	22,455	0
<u>22,251</u>	<u>6,218</u>	<u>0</u>	<u>28,469</u>	<u>29,614</u>
<u>1,650,227</u>	<u>128,016</u>	<u>0</u>	<u>1,778,243</u>	<u>373,626</u>
3,127,084	348,938	0	3,476,022	18,127,948
<u>163,191</u>	<u>11,452</u>	<u>0</u>	<u>174,643</u>	<u>111,658</u>
<u>3,290,275</u>	<u>360,390</u>	<u>0</u>	<u>3,650,665</u>	<u>18,239,606</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,423,809</u>
<u>\$ 15,050,743</u>	<u>\$ 1,646,323</u>	<u>\$ 76,175</u>	<u>\$ 16,620,891</u>	<u>\$ 74,672,018</u>

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF GOVERNMENTAL PILOT PAYMENTS

Fiscal Years 2013 - 2037

FISCAL YEAR ENDING	TOWNS ^{(1) **}	CITY OF UTICA ^{(2) **}	SCHOOL DISTRICTS ^{(3) ***}	AUDITORIUM AUTHORITY VIA ONEIDA COUNTY ^{(4) **}	TOTAL
2013	86,517	455,000	349,733	665,500	1,556,750
2014	86,517	455,000	307,342	665,500	1,514,359
2015	86,517	455,000	264,951	665,500	1,471,968
2016	86,517	455,000	222,560	665,500	1,429,577
2017	86,517	455,000	180,169	665,500	1,387,186
2018	90,843	375,000	137,778	732,050	1,335,671
2019	90,843	375,000	95,386	732,050	1,293,279
2020	90,843	375,000	52,996	732,050	1,250,889
2021	90,843	375,000	11,605	732,050	1,209,498
2022	90,843	375,000	-	732,050	1,197,893
2023	95,385	425,000	-	805,255	1,325,640
2024	95,385	425,000	-	805,255	1,325,640
2025	95,385	425,000	-	805,255	1,325,640
2026	95,385	425,000	-	805,255	1,325,640
2027	95,385	425,000	-	805,255	1,325,640
2028-2032	500,774	2,375,000	-	4,428,903	7,304,676
2033-2037	515,813	2,625,000	-	4,871,793	8,012,606
TOTAL	\$ 2,380,318	\$ 11,275,000	\$ 1,622,518	\$ 20,314,721	\$ 35,592,557

⁽¹⁾ - In accordance with enabling legislation enacted on December 19, 1996, the Water Authority is scheduled to make annual payments to designated towns for a forty year (40) period starting the first calendar year after enactment of the enabling legislation (Fiscal Year 1998 to Fiscal Year 2037). The payments to each town will receive a 5% increase every 6th year. Following the forty year period, the Water Authority will determine payments, if any, to the designated towns.

⁽²⁾ - In accordance with enabling legislation enacted on December 19, 1996, the Water Authority is scheduled to make annual payments to the City of Utica for a (40) year period starting the first calendar year after enactment of the enabling legislation (Fiscal Year 1998 to Fiscal Year 2037). Following the forty year period, the Water Authority will determine payments, if any, to the City of Utica.

⁽³⁾ - As required by the enabling legislation, payments to school districts are reduced \$42,390 each year. Following FY 2021, the Water Authority will determine payments, if any, to the designated school districts.

⁽⁴⁾ - In accordance with enabling legislation enacted on December 19, 1996, the Water Authority is scheduled to make payments to Oneida County for a forty year (40) period starting the first calendar year after enactment of the enabling legislation (Fiscal Year 1998 to Fiscal Year 2037) with 10% increases every sixth year. Following the forty year period, the Water Authority will determine a payment, if any, to Oneida County.

** - These payments may be reduced at any time for any period by resolution of the Board of the Water Authority following a 75% approval by its members. However, the payment reductions, if adopted, shall be uniformly applied, by percent, to each municipality or school district affected by this decision.

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF DETAIL OPERATING REVENUES-BUDGET VS. ACTUAL

For Fiscal Year Ended March 31, 2012

	Annual Budget	Year Ended March 31, 2012	Favorable (Unfavorable) Variance	Percentage Variance
OPERATING REVENUE				
Metered Water Sales:				
Consumption	\$ 12,858,583	\$ 13,577,991	\$ 719,408	5.59%
System Charge	<u>5,403,752</u>	<u>5,445,287</u>	<u>41,535</u>	<u>0.77%</u>
Total Metered Water Sales	18,262,335	19,023,278	760,943	4.17%
Delinquency Charges:				
Settlements & Fines	5,000	20,000	15,000	300.00%
Quarterly -Penalties	400,000	395,608	(4,392)	(1.10%)
Quarterly-Unpaid Bill	210,000	279,885	69,885	33.28%
Monthly-Penalties	45,000	48,322	3,322	7.38%
Monthly-Unpaid Bill	10,000	3,870	(6,130)	(61.30%)
Overdue Charge	15,000	46,287	31,287	208.58%
Missed Appointments	200	25	(175)	(87.50%)
Shut Off/Turn On Fee	35,000	40,040	5,040	14.40%
Building Frontage Fee	0	1,200	1,200	0.00%
Posting of Property Fee	0	18,600	18,600	0.00%
Re-Read Meter	0	1,090	1,090	0.00%
Collection Fee	<u>500</u>	<u>0</u>	<u>(500)</u>	<u>(100.00%)</u>
Total Delinquency Charges	720,700	854,927	134,227	18.62%
Fees and Ancillary Charges:				
Metered Line Charge	30,000	31,469	1,469	4.90%
Private Hydrant Rental	3,000	3,229	229	7.63%
Line Tap Charges	20,000	18,165	(1,835)	(9.18%)
Hydrant Permit Fees	10,000	4,701	(5,299)	(52.99%)
Water Rent Searches	35,000	35,255	255	0.73%
Inspection of New Water Mains	2,000	6,376	4,376	218.80%
Backflow Charges	64,000	70,625	6,625	10.35%
Replacement of Curb Box	400	(975)	(1,375)	(343.75%)
Termination of Services Charge	15,800	2,800	(13,000)	(82.28%)
Installation/Removal Fee	12,000	20,725	8,725	72.71%
Frozen Meter/ Lost Meter Charge	<u>18,000</u>	<u>26,600</u>	<u>8,600</u>	<u>47.78%</u>
Total Fees and Ancillary Charges	210,200	218,970	8,770	4.17%
Other Services:				
Billing and Collection Services	299,402	294,784	(4,618)	(1.54%)
Hydroelectric Power Revenue	105,000	84,813	(20,187)	(19.23%)
Payment of Hydro Plant Debt	<u>(47,272)</u>	<u>(47,272)</u>	<u>0</u>	<u>0.00%</u>
Total Other Services	<u>357,130</u>	<u>332,325</u>	<u>(24,805)</u>	<u>(6.95%)</u>
Total Operating Revenues	\$ <u>19,550,365</u>	\$ <u>20,429,500</u>	\$ <u>879,135</u>	<u>4.50%</u>

SCHEDULE OF OPERATIONAL EXPENSES
For Fiscal Year Ended March 31, 2012

	Administration	Finance & Accounting	Customer Service	Engineering	Water Distribution	Information Technology
OPERATING EXPENSES						
Personnel Costs:						
Salaries	\$ 302,111	\$ 470,229	\$ 221,762	\$ 196,583	\$ 147,158	\$ 280,917
Overtime	304	4,534	588	19,551	15,628	2,380
Wages	-	-	-	37,640	12,715	-
Health Insurance	66,670	144,638	85,890	89,923	40,618	83,194
Social Security	24,481	37,584	15,339	35,722	20,093	21,369
Retirement/ Retirement Incentives	48,953	74,512	35,197	63,076	37,693	39,450
Unemployment	-	-	-	-	-	-
Workman's Compensation	1,097	8,441	792	13,133	8,258	899
Total Personnel Costs	443,616	739,938	359,568	455,628	282,163	428,209
Office Equipment	1,975	242	-	483	-	-
Equipment	-	-	-	1,402	8,936	33,128
Printing	-	-	-	-	-	-
Street Repair Material	-	-	-	-	-	-
Paving	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-
Meters	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Electricity & Gas	-	-	-	-	-	-
Heat	-	-	-	-	-	-
Postage	-	-	-	-	-	-
Gas & Oil	-	-	-	-	-	-
Office Materials	1,533	1,458	-	104	-	-
Membership Dues	15,076	2,175	230	2,553	150	-
Travel	3,028	1,374	5,950	8,549	288	412
Supplies	-	371	1,777	4,845	4,930	20,871
Rent	-	-	-	-	-	-
Equipment Rental	-	-	-	-	-	-
Repairs	-	-	-	-	12,494	2,017
Vehicle Repair	-	-	-	-	-	-
Contracted Services	41,194	240,013	-	20,759	5,333	167,377
Employee Uniforms	-	645	-	527	-	-
Legal Expenses	134,057	-	-	-	-	-
Operational Expenses	4,452	-	-	-	-	-
Training and Education	2,612	2,959	253	3,523	166	4,200
Insurance	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-
Customer Deposits	-	-	-	-	-	-
Miscellaneous Expenses	-	-	-	-	-	-
Permits	-	-	-	-	-	-
Shipping Charges	-	-	-	-	-	-
Customer Claims	-	-	-	-	-	-
Authority Operations	-	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-	-
Vehicles and Equipment Purchases	-	-	-	-	-	-
Amortization of Bond Expenses	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Total Operating Expenses	\$ 647,543	\$ 989,175	\$ 367,778	\$ 498,373	\$ 314,460	\$ 656,214

MOHAWK VALLEY WATER AUTHORITY

Water Quality	Treatment Plant	Maintenance	General Services	Total Operating Expenses	Annual Budget (Cash Basis)	Favorable (Unfavorable) Variance
\$ 322,721	\$ 338,541	\$ 626,515	\$ -	\$ 2,906,537	\$ 3,343,600	\$ 437,063
2,442	52,809	134,677	-	232,913	287,004	54,091
34,671	-	972,262	-	1,057,288	1,150,412	93,124
105,367	88,465	471,226	159,791	1,335,782	1,539,926	204,144
26,559	28,064	127,579	-	336,790	365,747	28,957
68,732	56,396	241,906	-	665,915	746,316	80,401
-	-	-	3,117	3,117	3,000	(117)
3,763	12,021	103,954	-	152,358	111,765	(40,593)
<u>564,255</u>	<u>576,296</u>	<u>2,678,119</u>	<u>162,908</u>	<u>6,690,700</u>	<u>7,547,770</u>	<u>857,070</u>
-	-	1,948	-	4,648	5,100	452
3,679	22,770	20,433	-	90,348	83,200	(7,148)
-	-	-	19,888	19,888	30,000	10,112
-	-	75,265	-	75,265	116,500	41,235
-	-	369,602	-	369,602	427,000	57,398
-	-	84,982	-	84,982	93,000	8,018
-	-	307,230	-	307,230	289,200	(18,030)
-	-	-	147,834	147,834	139,974	(7,860)
-	-	-	392,701	392,701	482,300	89,599
-	-	-	66,743	66,743	53,250	(13,493)
-	-	-	83,324	83,324	82,280	(1,044)
-	-	-	177,379	177,379	162,750	(14,629)
3,690	896	-	9,986	17,667	28,879	11,212
12,557	-	330	-	33,071	32,538	(533)
6,359	1,983	793	-	28,736	37,250	8,514
58,400	1,684,595	48,650	-	1,824,439	2,148,600	324,161
-	-	2,578	109,685	112,263	108,790	(3,473)
-	-	-	-	-	3,000	3,000
7,043	26,380	29,436	-	77,370	85,200	7,830
-	-	100,642	-	100,642	93,000	(7,642)
38,080	66,846	119,137	-	698,739	554,828	(143,911)
208	1,570	1,999	-	4,949	8,900	3,951
-	-	-	-	134,057	257,400	123,343
-	-	665	-	5,117	10,050	4,933
2,601	3,156	5,094	-	24,564	57,409	32,845
-	-	-	147,094	147,094	147,350	256
-	-	-	77,242	77,242	225,000	147,758
-	-	-	1,236	1,236	-	(1,236)
-	-	-	269	269	-	(269)
3,283	1,875	-	-	5,158	5,275	117
3,381	-	-	-	3,381	6,500	3,119
-	-	-	-	-	-	-
-	-	-	22,317	22,317	14,868	(7,449)
-	-	-	-	-	340,000	340,000
-	-	-	-	-	-	-
-	-	-	288,235	288,235	-	(288,235)
-	-	-	1,605,926	1,605,926	-	(1,605,926)
<u>\$ 703,536</u>	<u>\$ 2,386,367</u>	<u>\$ 3,846,903</u>	<u>\$ 3,312,767</u>	<u>\$ 13,723,116</u>	<u>\$ 13,677,161</u>	<u>\$ (45,955)</u>

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF NONOPERATING REVENUES (EXPENSES) – BUDGET VS. ACTUAL

For Fiscal Year Ended March 31, 2012

	Independent Lab Services	Other Nonoperating Activities	Total Nonoperating Activities	Annual Budget (Cash Basis)	Favorable (Unfavorable) Variance
NONOPERATING REVENUE					
Investment Income from Restricted Funds	\$ -	\$ 214,932	\$ 214,932	\$ 260,727	\$ (45,795)
Investment Income from Operating Funds	-	10,409	10,409	15,000	(4,591)
Lab Fees & Grants	92,478	22,505	114,983	100,000	14,983
State and Federal Grants	-	-	-	-	-
Miscellaneous Income, Net	-	54,720	54,720	75,000	(20,280)
Gain on Sale of Scrap and Equipment	-	7,975	7,975	-	7,975
Returned Check Charges	-	6,360	6,360	100	6,260
Rent Income-Cell Tower	-	11,903	11,903	11,902	1
Cash Carried Forward	-	-	-	1,551,889	(1,551,889)
Bond Proceeds	-	-	-	-	-
Timer Harvest Sales	-	-	-	-	-
Realized Gain/ (Loss) on Investments	-	292,476	292,476	-	292,476
Total Nonoperating Revenue	\$ 92,478	\$ -	\$ 713,758	\$ 2,014,618	\$ (1,300,860)
NONOPERATING EXPENSES					
Personnel Costs:					
Post Employment Health Benefits	\$ -	\$ 547,704	547,704	\$ -	\$ (547,704)
Total Personnel Costs	-	547,704	547,704	-	(547,704)
Office Equipment	-	-	-	-	-
Vehicles and Machinery	-	-	-	-	-
Equipment	-	-	-	-	-
Telephone	-	-	-	-	-
Light & Power	-	-	-	-	-
Heat	-	-	-	-	-
Postage	-	-	-	-	-
Gas & Oil	-	-	-	-	-
Office Materials	-	-	-	-	-
Travel	-	-	-	-	-
Supplies	-	-	-	-	-
Rent	-	-	-	-	-
Contracted Services	-	-	-	-	-
Operational Expenses	26,769	-	26,769	-	(26,769)
Insurance	-	-	-	-	-
Shipping Charges	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-
Interest Expense	-	2,665,824	2,665,824	5,690,247	3,024,423
Pilot Payments:					
School Districts	-	392,120	392,120	388,590	(3,530)
Oneida County	-	620,130	620,130	625,172	5,042
Towns	-	83,475	83,475	83,813	338
City of Utica	-	350,000	350,000	350,000	-
O & M Reserve	-	-	-	-	-
Repair, Renewal & Replacement Reserve	-	-	-	-	-
Debt Covenant Reserve	-	-	-	-	-
"Pay-As-You Go" Capital Maintenance Reserve	-	-	-	750,000	750,000
Replenish R&I Fund	-	-	-	-	-
Total Nonoperating Expenses	\$ 26,769	\$ 4,659,253	\$ 4,686,022	\$ 7,887,822	\$ 3,201,800
Nonoperating Income, net	\$ 65,709	\$ (4,659,253)	\$ (3,972,264)	\$ (5,873,204)	\$ 1,900,940

MOHAWK VALLEY WATER AUTHORITY

BOARD-ADOPTED FISCAL 2013 BUDGET

2013

REVENUES

Water Sales	\$ 18,929,573
Delinquency Charges	701,000
Fees and Ancillary Charges	196,500
Other Services	552,900
Cash Carried Forward	731,568
Interest Income and Miscellaneous Items	384,404
Total Revenues	<u>\$ 21,495,945</u>

OPERATING EXPENSES

Administrative	\$ 679,221
Finance and Accounting	1,017,385
Customer Services	364,217
Engineering	504,688
Water Distribution	442,604
Information Technology	507,139
Water Quality Lab--(In-house & Outside Services)	700,818
Treatment Plant	2,669,187
Maintenance	3,733,809
General Services	1,412,887
Long-Term Asset Purchases	117,000
Cash Financed Construction / Equipment	<u>1,192,000</u>

Total Operating Expenses 13,340,955

OTHER EXPENSES

Existing Debt Service & Promissory Note	5,479,872
New Debt Service	323,393
Bond Covenant	48,509
Pilot Payments	1,553,216
"Pay As You Go" Capital Maintenance Reserve	<u>750,000</u>

Total Other Expenses 8,154,990

Total Expenses \$ 21,495,945

STATISTICAL SECTION

Statistical Section— Contents

MOHAWK VALLEY WATER AUTHORITY

Contents	Page
FINANCIAL TRENDS	115
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
REVENUE CAPACITY	121
<i>These schedules contain information to help the reader assess the Authority's most significant revenue source, water sales and other revenue sources.</i>	
DEBT CAPACITY	131
<i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	
DEMOGRAPHIC AND ECONOMIC INFORMATION	134
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
OPERATING INFORMATION	136
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to services the Authority provides and the activities it performs.</i>	

MOHAWK VALLEY WATER AUTHORITY

NET ASSETS BY COMPONENT

Last Ten Fiscal Years

	FISCAL YEAR				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
NET ASSETS					
Invested In Utility Plant, Net of Related Debt	\$ 6,382,862	\$ 7,966,593	\$ 9,640,148	\$ 12,329,769	\$ 14,506,845
Restricted For:					
Repair and Improvement	438,714	598,689	611,772	621,715	652,870
Unspent Construction Proceeds	6,436,408	14,852,834	8,506,163	3,829,810	2,766,952
Other Than Construction Proceeds	7,255,904	8,398,940	9,417,748	8,298,245	7,691,626
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	650,456	710,807	763,948	766,869	766,869
Repair, Replacement and Renewal Reserve	862,944	872,920	886,003	895,946	924,043
Operating & Maintenance Reserve	563,742	573,718	586,801	596,743	618,987
Capital Maintenance Reserve	0	526,280	1,064,987	1,603,740	1,315,387
Reserve For Board Projects	147,638	147,638	147,638	147,638	147,638
Other Unrestricted	<u>(925,846)</u>	<u>(8,983,938)</u>	<u>(3,269,952)</u>	<u>2,540,738</u>	<u>4,973,969</u>
Total Net Assets	<u>\$ 21,812,822</u>	<u>\$ 25,664,481</u>	<u>\$ 28,355,256</u>	<u>\$ 31,631,213</u>	<u>\$ 34,365,186</u>

	FISCAL YEAR				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
NET ASSETS					
Invested In Utility Plant, Net of Related Debt	\$ 11,401,102	\$ 12,110,797	\$ 13,315,775	\$ 13,372,977	\$ 4,454,666
Restricted For:					
Repair and Improvement	508,969	509,767	512,922	527,728	543,387
Unspent Construction Proceeds	0	0	0	0	15,998,066
Other Than Construction Proceeds	0	0	0	0	6,283,039
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	410,650	471,077	487,362	487,362	650,456
Repair, Replacement and Renewal Reserve	229,324	375,996	402,974	321,335	590,306
Operating & Maintenance Reserve	101,356	203,399	232,977	292,133	426,104
Capital Maintenance Reserve	0	0	0	0	0
Reserve For Board Projects	0	0	0	147,638	147,638
Other Unrestricted	<u>(1,204,121)</u>	<u>(1,705,751)</u>	<u>(2,650,071)</u>	<u>(2,171,195)</u>	<u>(10,842,981)</u>
Total Net Assets	<u>\$ 11,447,280</u>	<u>\$ 11,965,285</u>	<u>\$ 12,301,939</u>	<u>\$ 12,977,978</u>	<u>\$ 18,250,681</u>

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CHANGE IN NET ASSETS

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Net Operating Income	Total Nonoperating Revenue/ (Expenses)	Income (Loss) Before Capital Contribution	Capital Contributions	Extraordinary Item	Change in Net Assets
2003	11,642,976	8,895,364	2,747,612	(2,949,177)	(201,565)	815,070	324,401	289,104
2004	12,504,392	9,696,989	2,807,403	(2,999,093)	(191,690)	709,695	-	518,005
2005	12,993,639	10,818,584	2,175,055	(3,043,381)	(868,326)	1,204,980	-	336,654
2006	14,034,397	10,617,185	3,417,212	(2,798,375)	618,837	57,202	-	676,039
2007	15,811,154	11,173,624	4,637,530	(2,130,258)	2,507,272	2,765,431	-	5,272,703
2008	17,258,046	11,929,047	5,328,999	(2,580,279)	2,748,720	813,421	-	3,562,141
2009	17,975,633	11,933,479	6,042,154	(3,906,997)	2,135,157	1,716,502	-	3,851,659
2010	18,829,615	11,958,526	6,871,089	(4,180,314)	2,690,775	-	-	2,690,775
2011	20,282,694	12,470,677	7,812,017	(4,536,207)	3,275,810	-	-	3,275,810
2012	20,429,500	13,723,116	6,706,384	(3,972,264)	2,734,120	-	-	2,734,120

SOURCE: FINANCE & ACCOUNTING

OPERATING REVENUE BY SOURCE

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Delinquency Charges</u>	<u>Fees and Ancillary Charges</u>	<u>Other Services</u>	<u>Total</u>
2003	10,185,892	898,857	212,812	345,415	11,642,976
2004	11,105,797	848,544	197,973	352,078	12,504,392
2005	11,492,475	916,043	230,987	354,134	12,993,639
2006	12,521,307	876,287	278,513	358,290	14,034,397
2007	14,298,975	896,739	242,258	373,182	15,811,154
2008	15,726,802	943,449	225,158	362,637	17,258,046
2009	16,359,906	931,350	290,982	393,395	17,975,633
2010	17,342,710	930,792	235,926	320,187	18,829,615
2011	18,855,703	843,693	229,040	354,258	20,282,694
2012	19,023,278	854,927	218,970	332,325	20,429,500

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

OPERATING EXPENSES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General & Administrative⁽¹⁾</u>	<u>Finance & Accounting</u>	<u>Customer Service</u>	<u>Engineering</u>	<u>Water Distribution⁽²⁾</u>	<u>Information Technology</u>	<u>Water Quality</u>
2003	1,468,609	682,800	206,732	668,583	0	395,332	551,274
2004	1,858,819	708,369	247,799	678,251	0	421,162	550,829
2005	2,120,772	851,808	266,133	782,947	0	457,011	648,929
2006	2,024,689	799,044	290,466	579,537	0	417,376	653,471
2007	2,168,194	780,071	305,187	484,375	0	493,231	661,478
2008	2,564,538	817,450	317,576	478,593	0	540,703	686,389
2009	2,149,756	786,457	331,072	465,117	0	517,798	704,810
2010	2,095,334	831,001	350,214	309,608	245,258	561,268	740,055
2011	2,284,278	882,848	431,190	385,479	322,426	604,205	738,464
2012	2,066,149	989,175	367,778	498,373	314,460	656,214	703,536

<u>Fiscal Year</u>	<u>Water Treatment</u>	<u>Water System Maintenance</u>	<u>Depreciation & Amortization</u>	<u>Total Operating Expenses</u>
2003	970,739	2,635,023	1,316,272	8,895,364
2004	996,059	2,896,242	1,339,459	9,696,989
2005	1,035,643	2,919,663	1,735,678	10,818,584
2006	1,179,651	3,238,153	1,434,798	10,617,185
2007	1,323,379	3,467,588	1,490,121	11,173,624
2008	1,378,908	3,551,980	1,592,910	11,929,047
2009	1,793,749	3,539,849	1,644,871	11,933,479
2010	1,660,728	3,465,778	1,699,282	11,958,526
2011	1,592,493	3,538,455	1,690,839	12,470,677
2012	2,386,367	3,846,903	1,894,161	13,723,115

1. General and Administrative consists of executive administration in addition to organizational expenses including legal, liability insurance, electricity, rent, heating oil, and other organization-wide expenses.
2. This cost center was created during FY 2010. The majority of capital project efforts are capitalized to their respective construction projects during the fiscal year.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY**NON-OPERATING REVENUE AND EXPENSES**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>PILOT Payments</u>	<u>Interest Expense</u>	<u>Interest Income</u>	<u>Lab Fees & Grants</u>	<u>Other Expense</u>	<u>Other Revenue</u>	<u>Total Non-operating Expenses</u>
2003	1,602,752	1,674,043	(385,107)	(182,550)	380,137	(140,098)	2,949,177
2004	1,559,721	1,714,487	(178,485)	(201,961)	188,244	(82,913)	2,999,093
2005	1,517,333	2,006,443	(206,812)	(210,454)	42,511	(105,640)	3,043,381
2006	1,474,939	2,016,393	(342,640)	(194,112)	47,980	(204,185)	2,798,375
2007	1,446,289	1,858,641	(755,746)	(410,071)	48,711	(57,566)	2,130,258
2008	1,599,086	2,332,711	(1,085,977)	(254,178)	46,951	(58,314)	2,580,279
2009	1,553,163	2,380,045	(451,057)	(144,185)	627,332	(58,301)	3,906,997
2010	1,510,885	2,875,515	(411,998)	(143,174)	599,615	(250,530)	4,180,314
2011	1,471,913	2,965,973	(286,169)	(63,090)	466,665	(19,085)	4,536,207
2012	1,445,725	2,665,824	(225,341)	(88,214)	547,704	(373,434)	3,972,264

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

HISTORICAL COLLECTION RATES

Last Ten Fiscal Years

FISCAL YEAR ENDING	HISTORICAL COLLECTION RATES		
	TOTAL BILLING	TOTAL RECEIPTS	PERCENT COLLECTED
2012	\$ 20,429,500	\$ 20,142,896	98.60%
2011	\$ 20,282,694	\$ 20,224,293	99.71%
2010	18,829,615	18,933,230	100.55%
2009	17,975,633	17,494,548	97.32%
2008	17,258,046	17,405,009	100.85%
2007	15,811,154	15,779,921	99.80%
2006	14,034,397	14,323,829	102.06%
2005	12,993,639	13,063,629	100.54%
2004	12,504,392	12,473,855	99.76%
2003	11,642,976	11,374,307	97.69%

Note 1: Total billing consists of water sales, delinquency charges, other fees and charges that may apply.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

WATER PRODUCED AND CONSUMED

Last Ten Fiscal Years

FISCAL YEAR	WATER PRODUCED ⁽¹⁾	WATER CONSUMED ⁽¹⁾	UNBILLED POTABLE WATER ⁽¹⁾	PERCENT UNBILLED	AVERAGE QUARTERLY CHARGE PER CUSTOMER		AVERAGE ANNUAL CHARGE ⁽³⁾
					MAINTENANCE CHARGE ⁽²⁾	CONSUMPTION CHARGE ⁽³⁾ (Per 1,000 gallons)	
2012	947,768,337	479,638,300	468,130,037	49.39%	26.59	3.96	454.64
2011	850,944,655	488,856,400	362,088,255	42.55%	26.07	3.88	445.72
2010	849,447,431	490,113,900	359,333,531	42.30%	24.36	3.59	413.12
2009	877,841,217	507,776,900	370,064,317	42.16%	22.82	3.32	383.68
2008	926,153,431	529,231,400	396,922,031	42.86%	21.31	3.09	357.12
2007	887,479,597	520,453,200	367,026,397	41.36%	20.00	2.86	331.62
2006	903,145,771	537,603,200	365,542,571	40.47%	16.92	2.50	287.68
2005	944,158,962	536,894,900	407,264,062	43.14%	15.56	2.29	263.76
2004	963,716,426	541,913,000	421,803,426	43.77%	14.82	2.18	251.12
2003	970,387,085	559,712,800	410,674,285	42.32%	13.53	1.99	229.24

Note 1: All amounts are stated in cubic feet.

Note 2: Amount represents the charge assessed to a residential customer. Other charges may apply to larger customers or commercial-type accounts.

Note 3: Consumption charge is based on an average household that consumes 2,940 cubic ft. (22,000 gallons) of water per quarter.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

BILLED WATER SALES--BY SERVICE AREA

Last Ten Fiscal Years

Service Area	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004	Fiscal Year 2003
City of Utica	\$ 9,601,733	\$ 9,491,800	\$ 8,674,450	\$ 8,405,598	\$ 7,874,046	\$ 7,154,097	\$ 6,232,632	\$ 5,880,986	\$ 5,781,635	\$ 5,195,642
Town of Deerfield	441,120	442,616	412,550	373,926	375,912	348,161	324,079	273,903	253,330	251,277
Town of Frankfort	225,150	235,868	197,958	192,589	181,810	158,175	138,016	121,729	138,288	112,566
Town of Kirkland	391,233	394,992	329,124	277,295	304,451	254,055	223,909	201,803	184,025	174,987
Town of Marcy	1,374,827	1,379,791	1,287,743	1,184,880	1,176,092	1,036,356	900,329	809,029	794,715	774,207
Town of New Hartford	2,778,467	2,737,046	2,535,455	2,290,200	2,241,366	2,017,970	1,779,129	1,575,660	1,483,780	1,338,159
Town of Schuyler	235,977	234,744	207,957	182,223	180,248	157,752	136,700	130,480	128,517	111,606
Town of Trenton	153,345	158,271	147,261	129,252	147,869	137,149	118,854	94,551	87,766	87,561
Town of Westmoreland	24,701	24,737	23,223	26,650	48,741	35,833	29,125	25,707	25,047	21,834
Town of Whitestown	1,204,222	1,207,508	1,146,534	1,052,600	1,038,191	979,370	861,253	736,040	671,563	614,681
Village of Holland Patent	65,434	69,444	61,136	54,528	53,479	51,423	43,494	42,761	38,516	42,699
Village of New Hartford	365,062	372,572	342,600	369,877	319,306	295,676	271,300	230,202	224,454	214,734
Village of New York Mills	546,276	522,088	501,834	446,174	431,785	407,752	360,102	329,337	325,419	288,681
Village of Oriskany	284,571	283,234	263,944	250,719	249,587	232,724	209,871	210,833	194,387	182,557
Village of Stittville	51,134	50,735	47,371	42,946	43,152	39,032	34,121	32,376	28,746	25,261
Village of Washington Mills	323,604	316,438	284,735	271,939	262,953	243,980	208,207	186,003	175,689	207,341
Village of Whitesboro	546,267	531,738	510,279	472,353	452,620	430,094	373,703	359,246	331,206	320,202
Village of Yorkville	410,155	402,081	368,556	336,155	339,605	319,376	276,483	251,829	238,714	221,897
TOTAL	\$ 19,023,278	\$ 18,855,703	\$ 17,342,710	\$ 16,359,906	\$ 15,721,213	\$ 14,298,975	\$ 12,521,307	\$ 11,492,475	\$ 11,105,797	\$ 10,185,892

SOURCE: FINANCE & ACCOUNTING

NUMBER OF WATER CUSTOMERS—BY TYPE

Last Ten Fiscal Years

FISCAL YEARS	RESIDENTIAL WATER CUSTOMERS ⁽¹⁾	COMMERCIAL/ GOVERNMENTAL WATER CUSTOMERS ^{(1), (2)}	TOTAL CUSTOMERS
2012	35,558	3,311	38,869
2011	35,585	3,348	38,933
2010	35,602	3,352	38,954
2009	35,628	3,332	38,960
2008	35,633	3,311	38,944
2007	35,589	3,288	38,877
2006	35,299	3,291	38,590
2005	35,222	3,226	38,448
2004	34,770	3,094	37,864
2003	35,112	3,047	38,159

Note 1: The billing frequency for these categories vary based upon historical water usage or type of business. As a result, there may be commercial-type or governmental customers that are billed on a quarterly basis; likewise, certain residential-type customers may be billed on a monthly basis.

Note 2: Governmental customers consist of village, town, city and county buildings or other municipal infrastructure.

SOURCE: FINANCE & ACCOUNTING

QUARTERLY BILLED WATER RATES

Last Ten Fiscal Years

Water Rates (Per 1,000 cubic feet)

TIERS	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Block I	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11	\$ 17.57	\$ 16.74	\$ 15.28
Block II	28.44	27.89	25.73	23.91	22.18	20.14	17.53	16.12	15.35	14.01
Block III	28.15	27.61	25.58	23.66	22.45	19.63	16.79	15.44	14.70	13.42
Block IV	19.15	18.79	16.32	15.30	14.18	13.49	11.75	10.80	10.29	9.39
Block V	-	-	-	-	-	10.43	8.52	7.84	7.46	6.81

Previous Year Block Variations: For fiscal years 2003-2007, the consumption level for each block was as follows: Block I: “up to 900 cubic feet”; Block II: “up to 6,000 cubic feet”; Block III: “up to 70,000 cubic feet” and Block IV: over 70,100 cubic feet; Block V was created for consumption levels in excess of 750,000 cubic feet. For fiscal years 2008 - 2012, Blocks I, II, and III remained unchanged. However, in fiscal 2008, Block IV was changed to include all consumption levels in excess of 70,000 cubic feet eliminating Block V.

"Readiness-to-Serve" Maintenance Charge

METER SIZE	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
5/8 inch	\$ 26.59	\$ 26.07	\$ 24.36	\$ 22.82	\$ 21.31	\$ 20.00	\$ 16.92	\$ 15.56	\$ 14.82	\$ 13.53
3/4 inch	29.25	28.68	26.79	25.11	23.44	22.00	18.61	17.12	16.30	14.88
1 inch	66.49	65.17	60.90	57.06	53.27	50.00	42.31	38.91	37.05	33.82
1 1/2 inch	132.97	130.35	121.80	114.12	106.55	99.99	84.61	77.81	74.10	67.65
2 inch	212.75	208.55	194.87	182.60	170.48	159.99	135.38	124.50	118.56	108.24
3 inch	425.51	417.11	389.74	365.20	340.95	319.97	270.76	249.01	237.11	216.47
4 inch	664.86	651.73	608.98	570.62	532.74	499.96	423.06	389.07	370.49	338.24
6 inch	1,329.72	1,303.46	1,217.95	1,141.25	1,065.47	999.92	846.12	778.15	740.98	676.48
8 inch	2,127.55	2,085.54	1,948.72	1,826.00	1,704.76	1,599.87	1,353.80	1,245.04	1,185.57	1,082.36

SOURCE: FINANCE & ACCOUNTING

MONTHLY BILLED WATER RATES

Last Ten Fiscal Years

Water Rates (Per 1,000 cubic feet)

TIERS	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Block I	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11	\$ 17.57	\$ 16.74	\$ 15.28
Block II	28.44	27.89	25.73	23.91	22.18	20.14	17.53	16.12	15.35	14.01
Block III	28.15	27.61	25.58	23.66	22.45	19.63	16.79	15.44	14.70	13.42
Block IV	19.15	18.79	16.32	15.30	14.18	13.49	11.75	10.80	10.29	9.39
Block V	-	-	-	-	-	10.43	8.52	7.84	7.46	6.81

Previous Year Block Variations: For fiscal year 2003-2007, the consumption levels for each Block were as follows: Block I: “up to 300 cubic feet”; Block II: “up to 2,000 cubic feet”; Block III: “up to 23,300 cubic feet”; Block IV: ""up to 250,000 cubic feet" and, Block V: "all consumption levels in excess of 250,000 cubic feet ". For fiscal years 2008 - 2012, Blocks I, II, and III remained unchanged. However, in fiscal 2008, Block IV was changed to include all consumption levels in excess of 70,000 cubic feet eliminating Block V.

"Readiness-to-Serve" Maintenance Charge

METER SIZE	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
5/8 inch	\$ 8.86	\$ 8.69	\$ 8.12	\$ 7.61	\$ 7.10	\$ 6.67	\$ 5.64	\$ 5.19	\$ 4.94	\$ 4.51
3/4 inch	9.75	9.56	8.93	8.37	7.81	7.33	6.20	5.71	5.43	4.96
1 inch	22.16	21.72	20.30	19.02	17.76	16.67	14.10	12.97	12.35	11.27
1 1/2 inch	44.32	43.45	40.60	38.04	35.52	33.33	28.20	25.94	24.7	22.55
2 inch	70.92	69.52	64.96	60.87	56.83	53.33	45.13	41.50	39.52	36.08
3 inch	141.84	139.04	129.91	121.73	113.65	106.66	90.25	83.00	79.04	72.16
4 inch	221.62	217.24	202.99	190.21	177.58	166.65	141.02	129.69	123.5	112.75
6 inch	443.24	434.49	405.98	380.42	355.16	333.31	282.04	259.38	246.99	225.49
8 inch	709.18	695.18	649.57	608.67	568.25	533.29	451.27	415.01	395.19	360.79

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

LARGEST CUSTOMERS

Fiscal Year 2012

Usage Rank	CUSTOMER	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	18,541,200	366,987
2	Midstate Correctional Facility	12,297,400	290,308
3	Matt Brewing Company, Inc.	9,391,800	212,724
4	St. Lukes Hospital	8,366,400	187,432
5	Marcy Correctional	6,842,700	136,732
6	Hamilton College	6,296,800	126,013
7	Masonic Home	5,098,000	121,101
8	Municipal Housing - Armory & Tilden	4,093,000	97,752
9	Utica College	3,886,800	86,556
10	Special Metals	3,427,700	71,601
11	St. Elizabeth Hospital	3,381,000	80,622
12	Marcy Psychiatric Center	2,585,700	54,945
13	Granny's Kitchen	2,548,400	53,805
14	Utica Zoo (see note)	2,495,000	-
15	Con Med Corporation	2,605,900	70,246
16	Tri State Industrial Laundries	2,309,500	50,507
17	Faxton Hospital	2,220,200	55,352
18	Mohawk Valley Community College	2,086,700	58,282
19	Kurt Weiss (Greenhouse)	2,036,500	56,646
20	Wal-Mart Distribution Center	1,906,700	46,956
TOTALS		102,417,400	\$ 2,224,567
% of Monthly Consumption / Revenue		59.39%	45.84%
% of Total Consumption / Revenue		21.44%	11.69%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Utica Alloys, Inc.	1,531,700	32,724
2	Garden Home Mgmt (Millgate Meadows)	1,483,900	36,276
3	Oneida County Correctional Facility	1,398,800	36,336
4	Indium Corporation of America	864,400	19,360
5	Town of Westmoreland	838,400	23,915
6	Dinitto Farms, LLC	783,500	17,811
7	Oneida County Buildings & Grounds	740,400	20,230
8	M. D. Buck Memorial Apartments	437,600	12,845
9	Colonial Laundromat - NY Mills	435,600	11,414
10	Juliano's Laundromat	431,700	11,659
11	Brookside Mobile Park, Chadwicks	428,800	11,603
12	Whitesboro Sr. High School	393,500	13,020
13	AMA Realty	371,600	13,959
14	Fountainhead Group	366,100	10,342
15	Oriskany Lodging Assn.	357,200	10,981
16	Precision Car Wash - Commercial Drive	347,900	9,931
20	BNY Mellon Corp. (A/P Center)	337,800	12,635
21	Bruce Edwards (Dairy Farm-Powell Rd.)	337,200	9,104
22	Precision Car Wash - Oneida Street	324,500	9,393
23	Cransville Block	323,000	9,189
TOTALS		12,533,600	\$ 332,727
% of Quarterly Consumption / Revenue		4.00%	2.27%
% of Total Consumption / Revenue		2.56%	1.92%

1. Under Public Authority Law, the Utica Zoo located at Steele Hill Road, Utica, is exempt from assessment of fees, rates, or any other charges for water consumption.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

LARGEST CUSTOMERS

Fiscal Year 2011

Usage Rank	Monthly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	16,751,700	326,449
2	Midstate Correctional Facility	11,856,400	230,710
3	St. Lukes Hospital	9,763,300	197,184
4	Matt Brewing Company, Inc.	9,266,200	187,179
5	Marcy Correctional	8,243,600	160,479
6	Hamilton College	6,784,800	132,807
7	Municipal Housing - Armory & Tilden	5,904,700	125,001
8	Masonic Home	4,009,700	98,349
9	Utica College	3,914,300	85,407
10	Granny's Kitchen	3,297,400	66,862
11	Special Metals	2,849,600	59,386
12	Marcy Psychiatric Center	2,538,200	61,321
13	Utica Zoo (see note)	2,336,000	-
14	Con Med Corporation	2,296,900	63,185
15	Tri State Industrial Laundries	1,990,200	43,547
16	Mohawk Valley Community College	1,933,900	54,061
17	Municipal Housing - Gilmore Village	1,737,800	37,974
18	Wal-Mart Distribution Center	1,682,600	41,268
19	Faxton Hospital	1,601,400	42,601
20	St. Elizabeth Hospital	1,577,800	46,191
TOTALS		100,336,500	\$ 2,059,961
% of Monthly Consumption / Revenue		57.85%	48.96%
% of Total Consumption / Revenue		20.61%	10.93%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Utica Alloys, Inc.	2,011,100	41,113
2	Garden Home Mgmt (Millgate Meadows)	1,465,300	35,237
3	Oneida County Correctional Facility	1,354,400	34,808
4	Indium Corporation of America	1,010,700	21,742
5	Dinitto Farms, LLC	957,800	19,503
6	Town of Westmoreland	866,200	23,980
7	Oneida County Buildings & Grounds	826,200	21,451
8	Daimler Bus America	721,900	22,294
9	Airport Inn Hotel	494,700	13,847
10	Juliano's Laundromat	439,300	11,578
11	M. D. Buck Memorial Apartments	433,600	12,901
12	Greenscapes Nursery	426,600	10,145
13	Brookside Mobile Park, Chadwicks	418,000	9,933
14	Colonial Laundromat - NY Mills	416,300	10,833
15	Royal Meadows II (Mobil Park)	363,000	10,145
16	Utica Metal Products	351,600	9,931
17	Precision Car Wash - Commercial Drive	347,400	9,630
18	Bruce Edwards (Dairy Farm-Powell Rd.)	345,600	7,843
19	Brook Associates (Apts. Oneida St.)	345,100	10,611
20	BNY Mellon Corp. (A/P Center)	343,000	12,490
TOTALS		13,937,800	\$ 350,015
% of Quarterly Consumption / Revenue		4.45%	2.39%
% of Total Consumption / Revenue		2.84%	2.02%

- Under Public Authority Law, the Utica Zoo located at Steele Hill Road, Utica, is exempt from assessment of fees, rates, or any other charges for water consumption.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

LARGEST CUSTOMERS

Fiscal Year 2010

Usage Rank	Monthly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	16,755,500	284,930
2	Midstate Correctional Facility	13,593,000	222,986
3	St. Lukes Hospital	9,475,600	161,377
4	Marcy Correctional Facility	9,170,000	155,151
5	Municipal Housing - Armory & Tilden	7,940,800	143,802
6	Matt Brewing Company, Inc.	7,740,100	138,910
7	Hamilton College	6,386,500	109,481
8	Masonic Home	3,500,900	79,579
9	Utica College of SU	3,449,300	67,688
10	Granny's Kitchen	2,982,600	53,539
11	Special Metals	2,758,100	50,668
12	Utica Zoo ⁽¹⁾	2,449,000	-
13	Mohawk Valley Community College	2,447,300	57,353
14	Municipal Housing - Gilmore Village	2,298,900	42,771
15	Tri State Industrial Laundries	2,251,100	42,769
16	Marcy Psychiatric Center	2,243,400	51,694
17	Tect Utica Corporation	2,114,200	40,731
18	Con Med Corporation	2,018,300	51,726
19	Faxton Hospital	1,985,100	44,324
20	Heritage Home	1,398,600	28,843
TOTALS		102,958,300	\$ 1,828,322
% of Monthly Consumption / Revenue		58.75%	44.55%
% of Total Consumption / Revenue		21.01%	10.54%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Daimler Bus America (Orion Bus)	1,292,400	29,851
2	Garden Home Mgmt (Millgate Meadows)	1,350,000	29,513
3	Utica Alloys, Inc.	1,195,400	22,898
4	Town of Westmoreland	964,600	23,223
5	Oneida County Correctional Facility	856,100	19,114
6	Dinitto Farms, LLC	827,700	16,361
7	Indium Corporation of America	783,200	15,608
8	Oneida County Buildings & Grounds	719,000	17,532
9	Juliano's Laundromat	488,500	11,334
10	Airport Inn Hotel	440,800	11,362
11	M. D. Buck Memorial Apartments	402,000	11,291
12	Precision Car Wash - Commercial Drive	358,000	9,035
13	Brookside Mobile Park, Chadwicks	357,700	9,227
14	Utica Metal Products	356,300	9,177
15	Brook Associates (Apts. Oneida St.)	352,200	10,017
16	Cranesville Block Company	351,700	8,523
17	Bank of New York- Lease Servicing	339,000	11,530
18	Bruce Edwards (Dairy Farm-Powell Rd.)	336,800	8,183
19	Royal Meadows II (formerly Seneca MTP)	321,000	8,628
20	Precision Car Wash - River Road	317,100	8,532
TOTALS		12,409,500	\$ 290,939
% of Quarterly Consumption / Revenue		3.96%	2.20%
% of Total Consumption / Revenue		2.53%	1.68%

- Under Public Authority Law, the Utica Zoo located at Steele Hill Road, Utica, is exempt from assessment of fees, rates, or any other charges for water consumption.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

LARGEST CUSTOMERS
Fiscal Year 2009

Usage Rank	Monthly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	18,010,000	\$ 282,156
2	Midstate Correctional Facility	16,311,400	250,458
3	St. Lukes Hospital	9,993,600	164,211
4	Marcy Correctional Facility	9,842,600	158,681
5	Matt Brewing Company, Inc.	7,555,700	127,002
6	Hamilton College	6,933,900	111,140
7	Municipal Housing - Armory & Tilden	6,154,800	107,005
8	Masonic Home	4,356,400	87,372
9	Granny's Kitchen	3,688,300	60,897
10	Special Metals	3,397,200	57,242
11	Utica College of SU	3,200,500	59,399
12	Tri State Industrial Laundries	2,644,900	46,028
13	Tect Utica Corporation	2,508,700	43,868
14	Faxton Hospital	2,325,300	46,644
15	Utica Zoo ⁽¹⁾	2,216,000	-
16	Municipal Housing - Gilmore Village	2,136,300	37,517
17	Marcy Psychiatric Center	2,084,800	45,819
18	St. Elizabeth Hospital	1,949,600	46,182
19	Mohawk Valley Community College	1,860,300	44,321
20	Con Med Corporation	1,851,900	45,944
TOTALS		109,022,200	\$ 1,821,886
% of Monthly Consumption / Revenue		58.79%	43.16%
% of Total Consumption / Revenue		21.47%	11.14%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Daimler Bus America (Orion Bus)	1,671,500	33,719
2	Utica Alloys, Inc.	1,571,000	27,858
3	Garden Home Mgmt (Millgate Meadows)	1,344,200	27,322
4	Town of Westmoreland	1,289,300	26,650
5	Oneida County Correctional Facility	1,281,400	28,141
6	Indium Corporation of America	837,600	15,402
7	Dinitto Farms, LLC	771,700	14,393
8	Oneida County Buildings & Grounds	614,100	15,817
9	Utica Metal Products	544,600	11,421
10	Brookside Mobile Park, Chadwicks	515,600	10,877
11	M. D. Buck Memorial Apartments	503,200	11,517
12	Greenscapes Nursery	449,300	8,745
13	Airport Inn Hotel	417,000	10,199
14	Bank of New York- Lease Servicing	373,000	11,432
15	Brook Associates (Apts. Oneida St.)	367,400	9,640
16	Juliano's Laundromat	341,300	7,847
17	Royal Meadows II (Mobil Park)	330,000	8,137
18	Precision Car Wash - Oneida Street	327,100	8,050
19	Precision Car Wash - Commercial Drive	322,200	8,224
20	Bruce Edwards (Dairy Farm-Powell Rd.)	298,700	6,711
TOTALS		14,170,200	\$ 302,102
% of Quarterly Consumption / Revenue		4.52%	2.49%
% of Total Consumption / Revenue		2.79%	1.85%

1. Under Public Authority Law, the Utica Zoo located at Steele Hill Road, Utica, is exempt from assessment of fees, rates, or any other charges for water consumption.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

LARGEST CUSTOMERS

Fiscal Year 2008

Usage Rank	Monthly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	17,506,000	\$ 255,698
2	Midstate Correctional Facility	16,784,300	247,260
3	St. Lukes Hospital	10,775,200	160,582
4	Matt Brewing Company, Inc.	9,361,500	143,303
5	Marcy Correctional Facility	9,172,000	142,352
6	Hamilton College	7,638,200	111,678
7	Municipal Housing - Armory & Tilden	5,679,500	93,033
8	Masonic Home	4,598,400	84,841
9	Granny's Kitchen	3,383,900	52,272
10	Utica College	3,280,400	56,554
11	Special Metals	3,219,500	50,680
12	Tri State Industrial Laundries	2,981,500	47,589
13	Tect Utica Corporation	2,700,300	43,756
14	Con Med Corporation	2,404,700	50,709
15	Faxton Hospital	2,256,300	42,287
16	Utica Zoo ⁽¹⁾	2,197,000	0
17	Mohawk Valley Community College	2,056,200	44,151
18	Marcy Psychiatric Center	1,933,300	40,767
19	Municipal Housing - Gilmore Village	1,932,700	32,035
20	Paradise Mountain (Windsong Mtn.)	1,858,100	30,977
TOTALS		111,719,000	\$ 1,730,524
% of Monthly Consumption / Revenue		56.35%	42.57%
% of Total Consumption / Revenue		21.11%	11.00%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Town of Westmoreland	2,267,900	\$ 48,741
2	Millgate Meadows Trailer Park	1,473,800	27,480
3	Utica Alloys, Inc.	1,417,500	23,102
4	Oneida County Correctional Facility	1,340,600	27,320
5	Orion Bus Industries	1,172,000	24,282
6	Oneida County Buildings & Grounds	963,400	20,925
7	Indium Corporation of America	877,000	14,969
8	Greenscapes Nursery	731,600	12,301
9	Dinitto Farms, LLC	696,500	12,410
10	Cranesville Block Concrete	637,200	12,037
11	Utica Metal Products	516,000	10,319
12	M. D. Buck Memorial Apartments	437,900	10,692
13	Bank of New York- Lease Servicing	431,900	12,421
14	Airport Inn Hotel	390,500	9,179
15	Juliano's Laundromat	370,900	8,261
16	Brook Associates (Apts. Oneida St.)	370,600	9,181
17	Brookside Mobile Park, Chadwicks	370,200	8,251
18	Precision Car Wash - Commercial Drive	360,700	8,117
19	Royal Meadows II (formerly Seneca MTP)	356,000	8,157
20	Bruce Edwards (Dairy Farm-Powell Rd.)	340,200	7,229
TOTALS		15,522,400	\$ 315,374
% of Quarterly Consumption / Revenue		4.69%	2.70%
% of Total Consumption / Revenue		2.93%	2.01%

1. Under Public Authority Law, the Utica Zoo located at Steele Hill Road, Utica, is exempt from assessment of fees, rates, or any other charges for water consumption

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF DEBT SERVICE

Year	1996 SERIES B		2000 SERIES Partially Refunded		2001 SERIES A			2001 SERIES B		
	Principal	Interest	Principal	Interest	Principal	Interest	Administrative/ Subsidy	Principal	Interest	Administrative/ Subsidy
2013	160,000	3,520	275,000	7,906	1,380,000	694,970	(421,872)	125,000	93,137	(57,111)
2014			0	0	1,425,000	632,731	(380,088)	125,000	87,457	(52,415)
2015			0	0	1,475,000	566,896	(329,034)	130,000	81,522	(47,456)
2016			0	0	1,520,000	497,129	(278,600)	135,000	75,222	(42,448)
2017			0	0	1,570,000	423,713	(230,232)	140,000	68,553	(37,379)
2018			0	0	1,630,000	346,940	(182,621)	145,000	61,536	(32,319)
2019			0	0	1,685,000	266,255	(136,048)	150,000	54,176	(27,334)
2020			0	0	1,745,000	181,499	(90,024)	160,000	46,325	(22,324)
2021			0	0	1,810,000	92,852	(44,827)	165,000	37,990	(17,263)
2022			628,026	1,376,974				170,000	29,357	(12,240)
2023			658,318	1,571,682				470,000	12,493	(4,661)
2024			620,319	1,609,681						
2025			584,416	1,645,584						
2026			550,476	1,679,525						
2027			518,408	1,711,592						
2028			487,008	1,737,992						
2029			113,630	436,370						
2030			96,263	398,737						
2031			256,856	1,143,044						
2032										
2033										
2034										
2035										
2036										
2037										
	<u>\$ 160,000</u>	<u>\$ 3,520</u>	<u>\$ 4,788,720</u>	<u>\$ 13,319,087</u>	<u>\$ 14,240,000</u>	<u>\$ 3,702,985</u>	<u>\$ (2,093,346)</u>	<u>\$ 1,915,000</u>	<u>\$ 647,768</u>	<u>\$ (352,950)</u>

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF DEBT SERVICE

<u>Year</u>	2003 SERIES		2006 SERIES A		2008 SERIES A		<u>TOTAL</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	190,000	318,925	420,000	810,275	120,000	709,375	4,829,125
2014	200,000	311,975	725,000	787,375	290,000	701,175	4,853,210
2015	205,000	303,994	755,000	754,000	305,000	687,750	4,887,672
2016	215,000	295,069	790,000	715,375	325,000	672,000	4,918,747
2017	225,000	285,719	830,000	674,875	345,000	655,250	4,950,499
2018	235,000	275,944	870,000	632,375	360,000	637,625	4,979,480
2019	245,000	265,744	910,000	587,875	385,000	619,000	5,004,668
2020	255,000	254,481	955,000	546,025	400,000	596,875	5,027,857
2021	270,000	242,013	990,000	507,125	425,000	571,094	5,048,984
2022	280,000	228,950	600,000	475,325	765,000	533,906	5,075,298
2023	295,000	215,294	620,000	450,538	290,000	500,938	5,079,602
2024	310,000	200,925	650,000	423,938	800,000	466,875	5,081,738
2025	325,000	185,844	675,000	395,781	855,000	415,156	5,081,781
2026	340,000	170,050	715,000	366,244	900,000	360,313	5,081,608
2027	360,000	153,425	740,000	335,325	960,000	302,188	5,080,938
2028	375,000	135,969	770,000	303,237	1,030,000	240,000	5,079,206
2029	395,000	117,681	805,000	269,769	2,825,000	119,531	5,081,981
2030	415,000	98,444	840,000	234,812	500,000	15,625	2,598,881
2031	435,000	78,256	640,000	203,362			2,756,518
2032	455,000	57,119	670,000	175,525			1,357,644
2033	475,000	35,031	695,000	146,519			1,351,550
2034	500,000	11,875	725,000	116,344			1,353,219
2035			760,000	84,787			844,787
2036			790,000	51,850			841,850
2037			825,000	17,531			842,531
	<u>\$ 7,000,000</u>	<u>\$ 4,242,727</u>	<u>\$ 18,765,000</u>	<u>\$ 10,066,187</u>	<u>\$ 11,880,000</u>	<u>\$ 8,804,675</u>	<u>\$ 97,089,373</u>

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

DEBT SERVICE COVERAGE

Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUE										
Operating Revenue	\$ 11,642,976	\$ 12,504,392	\$ 12,993,639	\$ 14,034,397	\$ 15,811,154	\$ 17,258,046	\$ 17,975,633	\$ 18,829,615	\$ 20,282,694	\$ 20,429,500
Non-Operating Revenue	707,755	463,359	522,906	740,937	1,223,386	1,398,469	641,607	845,027	395,607	713,758
	12,350,731	12,967,751	13,516,545	14,775,334	17,034,540	18,656,515	18,617,240	19,674,642	20,678,301	21,143,258
EXPENSES										
Operating Expenses less depreciation, amortization, bad debts and expenses paid from bond proceeds	6,696,486	7,102,100	7,989,381	8,376,422	9,569,948	10,143,320	10,476,462	10,183,806	10,700,799	11,751,713
Non-Operating Expenses	380,137	188,244	42,511	47,980	48,711	46,951	58,103	39,326	27,263	26,769
	7,076,623	7,290,344	8,031,892	8,424,402	9,618,659	10,190,271	10,534,565	10,223,132	10,728,062	11,778,482
Net Revenue, before PILOTS and Promissory Note	5,274,108	5,677,407	5,484,653	6,350,932	7,415,881	8,466,244	8,082,675	9,451,510	9,950,239	9,364,776
PILOTS Promissory Note, Net	1,602,752	1,559,721	1,517,333	1,474,939	1,446,289	1,599,086	1,553,163	1,510,885	1,471,913	1,445,725
	348,036	380,715	380,715	380,715	380,715	480,715	480,715	480,715	480,715	480,715
	1,950,788	1,940,436	1,898,048	1,855,654	1,827,004	2,079,801	2,033,878	1,991,600	1,952,628	1,926,440
Net Revenue	\$ 3,323,320	\$ 3,736,971	\$ 3,586,605	\$ 4,495,278	\$ 5,588,877	\$ 6,386,443	\$ 6,048,797	\$ 7,459,910	\$ 7,997,611	\$ 7,438,336
Debt Service	\$ 2,748,986	\$ 3,079,113	\$ 3,121,125	\$ 3,262,411	\$ 3,449,670	\$ 4,248,694	\$ 4,296,845	\$ 4,951,060	\$ 5,112,362	\$ 4,854,129
Debt Service Coverage	1.21	1.21	1.15	1.38	1.62	1.50	1.41	1.51	1.56	1.53
Debt Service Requirement	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

Required Debt Service Coverage—1.15.

Bond Covenant--The financing agreement creating the Water Authority stipulates that revenue be generated and collected through establishing rates, fees and charges sufficient to cover 100% of all operating expenses, promissory note payments, PILOT payments, Water Finance Authority expenses and any other required deposits for the year; and 115% of the estimated aggregate debt service and projected debt service payable in each fiscal year.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CENSUS DATA-BY SERVICE AREA

As of Fiscal year 2012

	2010 Population Per Census	2000 Population Per Census	Estimated Total Area Income	Housing Units Occupied	Labor Force	Per Capita Income	Median Household Income	Median Age	EDUCATION LEVEL			Unemployment Rate
									High School +	Under Graduate	Advanced Degree	
Oneida County:	234,878	235,469	8,117,162,000	92,058	113,436	23,458	58,017	40	79.5%	20.2%	7.5%	8.00%
City of Utica	62,235	60,651	1,104,920,190	24,636	26,609	17,754	40,817	38	81.4%	20.8%	7.2%	9.10%
Town of New Hartford	22,166	21,172	676,528,486	8,262	10,151	30,521	79,019	45	85.3%	19.6%	14.5%	8.50%
Whitestown	18,667	18,635	467,813,687	7,662	18,476	25,061	66,969	42	86.0%	24.1%	8.5%	8.50%
Kirkland	10,315	10,138	262,661,160	3,584	8,738	25,464	56,855	37	93.9%	31.1%	20.0%	8.50%
Marcy	8,982	9,469	180,735,804	1,995	5,262	20,122	60,011	35	61.9%	16.1%	4.6%	8.50%
Westmoreland	6,138	6,207	150,890,454	2,352	3,013	24,583	60,698	40	92.3%	25.0%	4.5%	8.50%
Trenton	4,498	4,670	149,630,468	1,832	3,309	33,266	69,221	40	93.8%	30.0%	11.7%	8.50%
Deerfield	4,273	3,906	112,721,740	1,520	2,487	26,380	68,302	43	93.1%	31.1%	8.8%	8.50%
Whitesboro	3,772	3,943	85,069,916	1,798	1,938	22,553	42,300	40	90.6%	25.6%	7.9%	8.50%
New York Mills	3,327	3,191	83,121,768	1,769	2,061	24,984	40,500	43	88.0%	26.8%	6.2%	8.50%
Yorkville	2,689	2,675	58,332,477	1,111	1,474	21,693	39,500	40	89.4%	25.5%	4.7%	8.50%
Village of New Hartford	1,847	1,886	55,452,481	823	1,384	30,023	57,600	43	95.0%	37.9%	15.5%	8.50%
Oriskany	1,400	1,459	33,252,800	558	973	23,752	57,600	43	91.1%	22.3%	5.5%	8.50%
Clark Mills	1,905	1,424	44,106,465	594	687	23,153	58,200	40	90.8%	19.6%	3.6%	8.50%
Holland Patent	458	461	16,206,788	194	760	35,386	58,500	39	92.7%	24.5%	14.7%	8.50%
Herkimer County:	64,519	64,427	2,068,688,000	25,626	31,641	32,082	53,288	40	86.4%	18.2%	5.8%	9.10%
Frankfort	7,636	7,478	166,037,184	3,185	3,741	21,744	54,479	41	80.9%	16.0%	4.3%	9.70%
Schuyler	3,420	3,385	72,982,800	1,456	1,682	21,340	65,914	42	86.3%	27.3%	4.6%	9.70%

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CENSUS DATA—LARGEST AREA EMPLOYERS

Fiscal Year 2012

	Business	Industry	No. of Employees	Percentage of County Employment
1	Oneida Indian Nation Enterprises	Resort and Casino	4,777	13.26% *
2	CNY Developmental Center	Not-For-Profit Agency	3,000	2.64%
3	NYS Department of Corrections	Correctional Facilities	2,738	2.41%
4	Mohawk Valley Network	Medical Facilities	2,131	1.88%
5	Upstate Cerebral Palsy	Human Services / Education	1,900	1.67%
6	St. Elizabeth Medical Center	Medical Facilities	1,761	1.55%
7	Oneida County	County Government	1,560	1.38%
8	Mohawk Valley Handicapped Services	Medical Facilities	1,414	1.25%
9	Resource Center for Independent Living	Independent Living Facility	1,400	1.23%
10	Utica National Insurance Group	Finance/Insurance	1,325	1.17%
11	Air Force Research Lab - Rome	Government	1,274	1.12%
12	Remington Arms	Gun manufacturer	1,100	3.48% **
13	Wal-Mart Distribution Center	Retail Distribution Center	1,083	0.95%
14	Defense Finance and Accounting Service	Back Office Accounting	1,075	0.95%
15	Metropolitan Life Insurance	Insurance Company	1,000	0.88%
16	Rome Memorial Hospital	Medical Facility	992	0.87%
17	ACS	Data Processing	900	0.79%
18	Masonic Cafre Community	Nursing Home & Research	835	0.74%
19	Bank of New York	Black Office	808	0.71%
20	ARC Oneida-Lewis Chapter	Not for Profit	775	0.68%

*--Madison County

**--Herkimer County

Note 1: Information obtained from Mohawk Valley Economic Development Growth Enterprises Corporation (EDGE), (February, 2009).

Note 2: Census information for previous years is not available from government or other official sources.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

STATISTICAL SUMMARY AND FLASH REPORT
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Estimated Population Served	130,000	126,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees Headcount	97	100	93	94	96	95	97	97	94	93
Billed Consumption (in million gallons)	3,588	3,657	3,666	3,798	3,959	3,893	4,039	4,016	4,129	4,187
Average Daily Consumption (in million gallons)	9.8	10.0	10.0	10.4	10.8	10.7	11.1	11.0	11.3	11.5
Average Daily Peak Consumption (in million gallons)	12	11	11	12	12	12	13	13	14	14
Average Daily Consumption per Person (in gallons)	82	83	84	87	90	89	92	107	96	96
Operating Information										
Treatment Plant Capacity in MGD ⁽²⁾	32	32	32	32	32	32	32	32	32	32
Treated Water Reservoir Capacity in Million Gallons ⁽⁴⁾	442.0	442.0	427.0	427.0	417.0	417.0	417.0	417.0	417.0	417.0
Supply Mains in Miles ⁽¹⁾	107	107	107	107	107	107	107	107	107	107
Transmission & Distribution Mains in Miles ⁽¹⁾	597	597	597	597	592	592	592	592	592	592
Active Taps-End of Year ⁽¹⁾	37,470	38,433	38,406	38,375	38,334	38,280	38,159	38,013	37,867	38,440
Fire Hydrants Operated & Maintained ⁽¹⁾	4,119	4,115	4,100	4,094	4,063	4,039	3,945	3,895	3,851	3,600
Financial Information										
Gross Property, Plant & Equipment ⁽³⁾	\$ 91.3	\$ 89.0	\$ 82.5	\$ 75.9	\$ 71.3	\$ 60.5	\$ 55.9	\$ 54.8	\$ 52.5	\$ 50.6
Net Property, Plant & Equipment after depreciation ⁽³⁾	\$ 74.7	\$ 73.9	\$ 68.9	\$ 63.6	\$ 60.4	\$ 50.9	\$ 47.5	\$ 47.9	\$ 46.8	\$ 45.7
Additions to Property, Plant & Equipment ⁽³⁾	\$ 2.3	\$ 12.2	\$ 7.0	\$ 5.3	\$ 10.7	\$ 4.7	\$ 1.1	\$ 2.3	\$ 2.2	\$ 6.7
Restricted Assets ⁽³⁾	\$ 15.5	\$ 17.5	\$ 22.8	\$ 27.7	\$ 17.0	\$ 25.4	\$ 11.6	\$ 12.9	\$ 13.0	\$ 7.4
Total Long-Term Debt ⁽³⁾	\$ 54.2	\$ 56.7	\$ 59.1	\$ 61.3	\$ 51.7	\$ 53.8	\$ 41.5	\$ 43.0	\$ 44.6	\$ 37.8
Rate Increases	2.00%	7.90%	5.60%	7.10%	8.30%	13.50%	8.74%	5.00%	9.50%	6.00%
Operating Revenues ⁽³⁾	\$ 20.4	\$ 20.3	\$ 18.8	\$ 18.0	\$ 17.3	\$ 15.8	\$ 14.0	\$ 13.0	\$ 12.5	\$ 12.0
Operating Expenses ⁽³⁾	\$ 13.7	\$ 12.5	\$ 12.0	\$ 11.9	\$ 11.9	\$ 11.2	\$ 10.6	\$ 10.7	\$ 9.7	\$ 8.9
Operating Income ⁽³⁾	\$ 6.7	\$ 7.8	\$ 6.8	\$ 6.1	\$ 5.4	\$ 4.6	\$ 3.4	\$ 2.2	\$ 2.8	\$ 2.7
Debt Service & Promissory Note ⁽³⁾	\$ 5.3	\$ 5.6	\$ 5.4	\$ 5.7	\$ 4.7	\$ 2.2	\$ 1.7	\$ 2.0	\$ 1.7	\$ 1.7
Amortization & Depreciation Expense ⁽³⁾	\$ 1.9	\$ 1.7	\$ 1.7	\$ 1.6	\$ 1.6	\$ 1.5	\$ 1.4	\$ 1.5	\$ 1.4	\$ 1.3
Net Increase (Decrease) In Net Assets ⁽³⁾	\$ 2.7	\$ 3.3	\$ 2.7	\$ 3.9	\$ 3.6	\$ 5.3	\$ 0.7	\$ 0.3	\$ 0.5	\$ 0.3

(1) Estimates
(2) MGD = Million Gallons per Day

(3) In Millions of Dollars
(4) Includes Emergency Reservoirs Southern # 4, Deerfield, and Marcy

MOHAWK VALLEY WATER AUTHORITY

WATER PRODUCTION

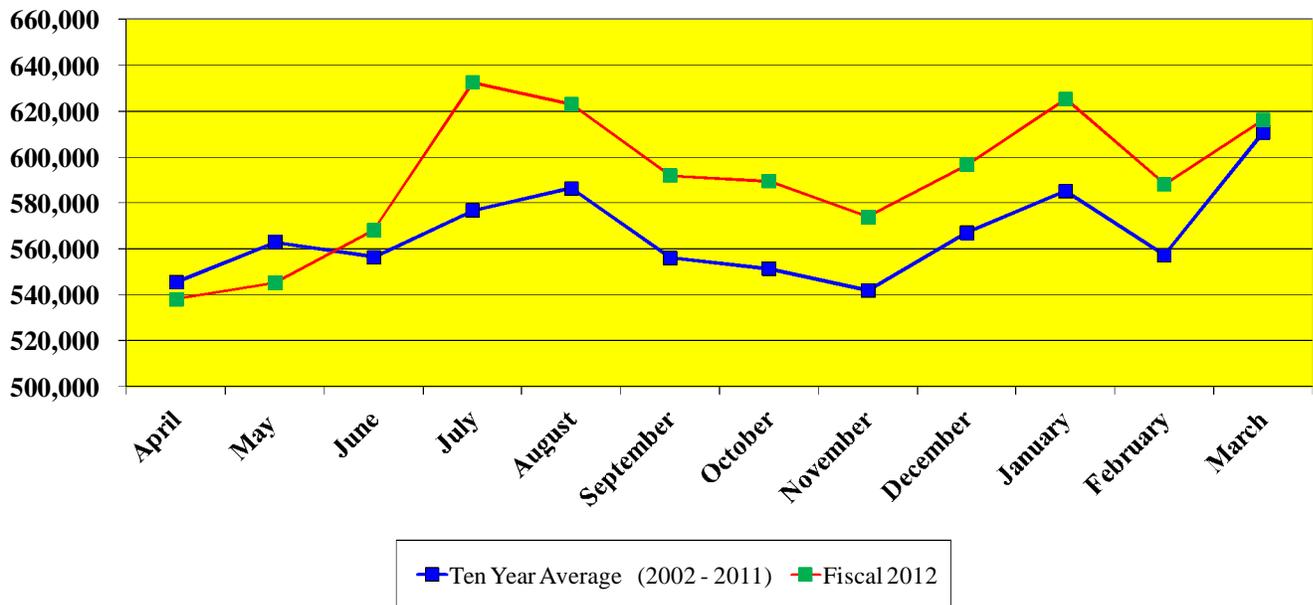
Last Ten Fiscal Years

PER 1,000 GALLONS

	Fiscal 2012	Ten Year Average (2002 - 2011)
April	538,100	545,540
May	545,400	562,860
June	568,200	556,460
July	632,700	576,930
August	623,100	586,410
September	592,100	556,130
October	589,600	551,390
November	574,000	541,980
December	596,700	567,090
January	625,400	585,280
February	588,200	557,280
March	616,300	610,860
Total	7,089,800	6,798,210

PER 1,000 GALLONS

MONTHLY WATER PRODUCTION



SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ANNUAL CONSUMPTION (IN CUBIC FEET) – BY SERVICE AREA
Last Ten Fiscal Years

Service Area	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
City of Utica	244,963,800	246,179,300	245,657,500	252,629,200	261,495,500	259,993,800	267,081,100	277,776,100	283,025,900	288,379,400
Town of Deerfield	8,744,800	9,084,900	9,110,400	9,535,600	9,721,200	9,739,600	11,445,900	9,682,500	9,280,600	10,337,300
Town of Frankfort	6,992,900	7,825,300	6,841,900	7,823,600	7,469,000	6,744,000	6,839,000	6,297,600	8,492,500	7,039,300
Town of Kirkland	13,122,600	13,681,800	12,378,900	13,159,800	13,769,000	12,339,300	13,003,800	12,671,200	11,653,300	12,829,200
Town of Marcy	43,539,400	44,831,800	46,089,500	49,867,900	51,276,400	50,267,800	51,315,000	50,147,100	53,674,800	60,980,100
Town of New Hartford	67,707,400	68,900,800	70,388,800	71,769,900	73,515,300	70,099,500	73,376,100	69,291,000	69,566,100	65,568,900
Town of Schuylar	5,876,800	6,135,900	5,390,000	5,200,100	5,608,200	5,167,600	5,236,700	5,646,600	6,154,800	5,585,300
Town of Trenton	6,698,500	7,183,600	7,595,200	7,260,700	9,749,200	10,286,700	9,713,200	7,123,600	4,953,300	7,991,800
Town of Westmoreland	857,600	884,900	982,500	1,289,300	2,267,900	2,304,400	2,067,900	1,969,100	2,023,400	1,914,200
Town of Whitestown	25,370,400	27,498,200	29,926,800	32,100,500	34,345,200	32,871,700	35,311,700	33,489,200	30,579,800	31,919,100
Village of Holland Patent	1,272,200	1,485,200	1,354,600	1,329,900	1,358,900	1,438,500	1,414,600	1,617,500	1,469,800	1,783,600
Village of New Hartford	8,383,100	9,036,200	8,852,000	7,074,800	9,427,300	9,007,300	9,312,700	8,876,500	9,327,700	10,196,200
Village of New York Mills	11,209,900	11,250,500	11,468,400	12,436,400	11,704,400	12,171,400	12,297,100	12,247,700	13,136,900	12,885,500
Village of Oriskany	6,685,500	6,413,100	6,442,600	6,610,900	7,074,600	7,266,700	7,643,600	7,517,200	7,170,300	7,285,400
Village of Stittville	1,041,200	1,105,700	1,087,100	1,101,200	1,216,300	1,127,800	1,178,600	1,243,900	1,092,400	1,065,900
Village of Washington Mills	7,300,200	7,490,000	6,508,600	7,224,800	7,523,300	7,350,900	7,796,100	7,571,900	7,560,000	9,506,500
Village of Whitesboro	11,255,200	11,252,500	11,669,200	12,708,700	12,374,900	12,810,400	12,962,700	14,205,700	13,200,100	14,591,000
Village of Yorkville	8,616,800	8,616,700	8,369,900	8,653,600	9,334,800	9,465,800	9,607,400	9,520,500	9,551,300	9,854,100
TOTAL	479,638,300	488,856,400	490,113,900	507,776,900	529,231,400	520,453,200	537,603,200	536,894,900	541,913,000	559,712,800

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ANNUAL CONSUMPTION (IN CUBIC FEET) – BY MONTH

Last Ten Fiscal Years

Month	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
April	37,998,200	39,530,900	39,528,800	37,897,600	43,291,600	41,992,600	42,115,800	43,687,400	43,808,200	44,817,600
May	37,672,600	39,770,400	40,616,100	45,773,800	42,691,500	41,221,000	43,316,900	43,373,200	43,713,300	36,924,500
June	38,631,100	39,950,300	40,616,700	43,013,800	44,380,400	43,997,600	46,307,100	43,243,100	43,093,600	43,332,200
July	42,528,000	42,436,700	42,184,250	40,389,900	44,165,900	43,477,700	47,780,500	47,603,800	44,331,000	44,926,000
August	44,530,000	45,979,600	44,646,750	47,622,200	50,987,200	47,531,500	51,488,300	46,987,300	44,087,600	55,286,100
September	46,256,500	45,006,600	44,157,100	44,308,900	49,035,000	48,171,400	50,746,100	44,923,300	54,636,500	54,759,500
October	40,563,000	42,548,600	42,941,600	44,528,100	44,283,200	43,378,800	46,937,500	52,994,200	47,758,400	48,649,100
November	39,872,500	40,785,000	43,014,600	46,569,200	45,322,800	47,244,100	47,312,700	42,424,700	45,896,200	45,880,800
December	37,194,100	38,061,600	35,274,800	38,266,600	39,672,900	40,571,400	40,893,800	42,679,600	41,694,100	42,684,900
January	39,092,700	39,550,100	40,668,600	41,704,100	41,407,400	38,350,000	40,794,900	40,941,500	46,397,700	45,974,900
February	36,259,700	38,160,200	38,223,700	38,884,600	42,683,300	43,482,200	39,857,900	45,249,400	42,883,600	48,589,100
March	39,039,900	37,076,400	38,240,900	38,818,100	41,310,200	41,034,900	40,051,700	42,787,400	43,612,800	47,888,100
TOTAL	479,638,300	488,856,400	490,113,900	507,776,900	529,231,400	520,453,200	537,603,200	536,894,900	541,913,000	559,712,800

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ACTIVE METERS – BY SIZE

Last Ten Fiscal Years

METER SIZE	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
5/8"	36,562	36,613	36,641	36,645	36,640	36,605	36,310	36,196	35,635	35,932
3/4"	563	568	570	568	558	551	559	553	551	552
1"	514	526	523	517	520	514	513	509	518	516
1 1/4"	0									
1 1/2"	241	236	232	232	227	227	226	227	218	220
2"	224	221	224	230	231	231	242	245	240	237
3"	61	59	56	56	58	57	59	62	62	60
4"	56	59	60	63	66	63	63	64	65	68
6"	23	22	22	23	25	24	25	27	27	27
8"	1	1	1	1	1	1	0	1	1	1
Combined	50	51	48	48	51	52	49	43	41	40
Fire	578	577	577	577	567	552	544	521	506	506
TOTAL	38,873	38,933	38,954	38,960	38,944	38,877	38,590	38,448	37,864	38,159

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ACTIVE METERS – BY LOCATION

Last Ten Fiscal Years

SERVICE AREA	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
City of Utica	19,136	19,167	19,213	19,275	19,346	19,422	19,367	19,398	19,042	19,455
Town of Deerfield	1,259	1,258	1,251	1,252	1,233	1,225	1,211	1,187	1,164	1,152
Town of Frankfort	285	285	286	286	287	286	283	284	279	278
Town of Kirkland	479	481	482	481	481	481	472	471	468	466
Town of Marcy	2,092	2,099	2,072	2,052	2,033	2,004	1,989	1,953	1,917	1,911
Town of New Hartford	5,534	5,514	5,521	5,506	5,474	5,437	5,355	5,317	5,251	5,166
Town of Schuyler	375	378	377	376	371	360	357	351	346	345
Town of Trenton	253	253	258	252	251	244	204	201	190	189
Town of Westmoreland	1	1	1	1	1	1	1	1	1	1
Town of Whitestown	3,024	3,018	3,013	2,999	2,999	2,969	2,948	2,906	2,818	2,812
Village of Holland Patent	174	181	182	181	181	181	180	179	177	176
Village of New Hartford	785	786	787	786	785	791	790	788	798	803
Village of New York Mills	1,285	1,293	1,293	1,300	1,303	1,293	1,286	1,288	1,297	1,296
Village of Oriskany	667	668	668	663	660	660	662	646	647	645
Village of Stittville	155	159	154	155	151	151	151	150	155	154
Village of Washington Mills	801	807	805	804	801	782	742	737	727	727
Village of Whitesboro	1,474	1,485	1,490	1,493	1,488	1,486	1,490	1,492	1,497	1,494
Village of Yorkville	1,094	1,100	1,101	1,098	1,099	1,104	1,102	1,099	1,090	1,089
TOTAL	38,873	38,933	38,954	38,960	38,944	38,877	38,590	38,448	37,864	38,159

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ANNUAL METER INSTALLATION – BY SERVICE AREA

Last Ten Fiscal Years

SERVICE AREA	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
City of Utica	1,428	1,600	1,920	1,811	1,756	1,174	1,455	1,742	1,457	1,155
Town of Deerfield	72	107	126	85	111	69	94	91	88	70
Town of Frankfort	20	47	28	30	20	12	15	20	21	17
Town of Kirkland	49	19	13	14	18	29	20	25	270	214
Town of Marcy	145	242	195	126	262	122	151	115	104	82
Town of New Hartford	497	846	537	308	516	381	359	452	333	264
Town of Schuyler	25	23	48	37	36	21	33	28	12	10
Town of Trenton	20	10	13	35	31	55	14	14	11	9
Town of Westmoreland	-	-	1	-	-	-	-	-	-	-
Town of Whitestown	351	294	239	265	233	152	193	238	168	133
Village of Holland Patent	3	11	26	80	17	9	11	20	4	3
Village of New Hartford	64	131	57	49	68	38	51	84	75	59
Village of New York Mills	90	233	144	71	135	100	62	72	22	17
Village of Oriskany	84	44	75	46	61	46	53	45	46	36
Village of Stittville	11	43	15	13	47	65	14	19	21	17
Village of Washington Mills	30	37	232	174	88	56	37	43	97	77
Village of Whitesboro	77	147	138	100	116	92	112	155	108	86
Village of Yorkville	71	175	74	59	93	57	65	125	105	83
TOTAL	<u>3,037</u>	<u>4,009</u>	<u>3,881</u>	<u>3,303</u>	<u>3,608</u>	<u>2,478</u>	<u>2,739</u>	<u>3,288</u>	<u>2,942</u>	<u>2,333</u>

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CAPITAL PROJECT ACTIVITY

For Fiscal Year 2012

CAPITAL PROJECT	LOCATION	MARCH 31, 2011	ADDITIONS	SUBTRACTIONS	MARCH 31, 2012
Toby Road Tank	Marcy	\$ 7,912,080	\$ 560,209	\$ 0	\$ 8,472,289
New Tank--Pre-Design	Airport Industrial Park	85,395	0	0	85,395
Airport Tank & Mains	Oriskany Airport Park	315,318	41,884	0	357,202
Emergency Generator	Administrative Offices	6,439	4,313	0	10,752
SCADA System	System Wide	137,827	0	0	137,827
Deerfield Tank	Deerfield	6,393,801	0	6,393,801	0
Water Quality Improvement	System Wide	131,124	114,797	0	245,921
Water Tank	Deerfield (Smith Hill)	13,739	0	0	13,739
Water Tank	Marcy Reservoir	4,018,981	20,034	0	4,039,015
Canal Crossing	Marcy	104,800	612,177	0	716,977
Safety/Security	System Wide	0	0	0	0
Security Surveillance	System Wide	5,919	13,146	0	19,065
Leak Detection-Phases IV-VI	System Wide	74,364	81	74,445	0
Third Water Intake Line	Water Treatment Plant	24,376	0	0	24,376
Main Replacement	Scott Street, Utica	2,423	0	0	2,423
Pump Station Improvements	System Wide	7,142	124,851	0	131,993
Main Replacement	Ridge Rd., Utica	10,723	25,947	36,670	0
Roof Replacement	Water Treatment Plant	6,717	547,112	553,829	0
Security Fencing	System Wide	19,212	0	0	19,212
Storage Building	Kemble Street Maintenance Yard	5,902	201	0	6,103
Main Replacement	Ferguson Rd., Frankfort	94,902	0	94,902	0
Health & Safety Improvements	System Wide	2,462	0	0	2,462
Transition Main Improvements	System Wide	0	8,185	0	8,185
Main Replacement	Andes Ave	0	93,209	0	93,209
Small Roof Project		0	27,842	0	27,842
Water Tank	Southern Reservoir--Low Zone	0	9,822	0	9,822
Boiler Upgrades	Water Treatment Plant	0	10,130	10,130	0
Total Construction In Progress		\$ 19,373,646	\$ 2,213,940	7,163,777	\$ 14,423,809

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

STAFFING STATISTICS

Last Ten Fiscal Years

	MARCH ^{31ST}									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ADMINISTRATION:										
Executive Director	1	1	1	1	1	1	1	1	1	1
Comptroller / Deputy Comptroller	2	2	2	1	1	1	1	1	1	1
Internal Auditor	1	1	1	1	1	1	1	1	1	1
Personnel Director	1	1	1	1	1	1	1	1	1	1
Customer Service	6	6	6	6	6	6	6	6	5	5
Meter Reading	6	6	6	6	6	5	6	6	6	6
Information Technology	5	5	5	5	5	5	5	5	5	5
Accounting/Billing	3	4	4	5	4	4	4	4	5	5
Public Relations	0	0	0	0	0	0	1	1	1	0
Administrative Support Staff	1	1	1	1	1	1	1	1	1	1
ADMINISTRATION - SUBTOTAL	26	27	27	27	26	25	27	27	27	26
SYSTEM MAINTENANCE:										
Water System Maintenance	37	38	36	36	36	36	36	36	35	36
Meter Service Shop	5	4	5	5	5	5	5	5	5	5
Engineering	6	5	6	10	10	10	10	10	10	10
Capital Projects	0	2	2	0	0	0	0	0	0	0
Water Distribution	4	4	4	0	0	0	0	0	0	0
Water Treatment	9	9	9	9	9	9	9	9	9	9
Lab Operations and System Monitoring	8	8	7	7	7	7	7	7	7	7
Maintenance Support Staff	2	3	3	3	3	3	3	3	3	3
SYSTEM MAINTENANCE - SUBTOTAL	71	73	72	70	70	70	70	70	69	70
TOTAL EMPLOYEES	97	100	99	97	96	95	97	97	96	96

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

OPERATING CAPACITY

Last Ten Fiscal Years

	MARCH 31 ST									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water Capacity :										
Treatment Plant	32	32	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD
Treated Water Reservoirs	442 MGD	442 MGD	427 MGD	427 MGD	417 MGD	417 MGD	417 MGD	417 MGD	417 MGD	417 MGD
Facilities :										
Transmission Mains	42.8	42.8	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles
Distribution Mains	558.9	558.9	554.5 Miles	554.5 Miles	617 Miles	606 Miles	658 Miles	658 Miles	658 Miles	658 Miles
Supply Mains	107	107	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles
Pump Stations	21	21	21	21	22	21	19	20	19	19
Pressure Regulators	129	126	123	123	123	105	92	50	65	65
Altitude Valves	19	19	19	19	19	18	27	27	26	26
Meter Stations	14	14	14	14	14	14	13	13	12	12
Storage Tanks (Active)	28	25	25	25	24	23	27	27	27	27
Pump Control Valves	5	5	5	5	5	5	4	5	5	5
Other Facilities ⁽¹⁾	24	24	22	22	21	14	14	15	14	14

(1) Includes Hinckley Intake, two pipe bridges, free-standing hydroelectric station, maintenance facility, Hinman Road storage building, two reservoir keepers' houses, an interconnection station and others.

SOURCE: FINANCE & ACCOUNTING

SCHEDULE OF INSURANCE IN FORCE

For Fiscal Year Ended March 31, 2012

TYPE	PREMIUM	CONTRACTS	COVERAGE
I. Property & Liability Protection			
General Liability	\$113,128	Praetorian Insurance Company Policy No. H633-000184-04 01/01/2012 - 01/01/2013	Operations of Water Authority-Govt. Subdivision Budget
Property	Included in General Liability	Praetorian Insurance Company Policy No. H633-000184-04 01/01/2012 - 01/01/2013	Building and Personal Property
Municipal Boiler & Machinery	Included in General Liability	Praetorian Insurance Company Policy No. H633-000184-04 01/01/2012 - 01/01/2013	Equipment Breakdown
Equipment Floater	Included in General Liability	Praetorian Insurance Company Policy No. H633-000184-04 01/01/2012 - 01/01/2013	Scheduled Property
Owner's & Contractor's Protective for NYS DOT - General Liability	\$500	Praetorian Insurance Company Policy No. H631-000075-04 01/01/2012 - 01/01/2013	General Liability
II. Casualty			
Automobile Policy	Included in General Liability	Praetorian Insurance Company Policy No. H633-000184-04 01/01/2012 - 01/01/2013	List of Declared Vehicles and Equipment
Excess Catastrophic Liability Coverage (Umbrella)	\$25,220	W.H. Greene & Associates Policy No. CXG2800168 01/01/2012 - 01/01/2013	Bodily Injury and Property Damage Personal Injury and Advertising Injury Public Officials Acts of Terrorism
III. Employee Protection			
Public Officials' Liability Policy	\$6,041	Praetorian Insurance Company Policy No. H631-000075-04 01/01/2012 - 01/01/2013	Written Claims For Damages
Crime Policy	Included in General Liability	Praetorian Insurance Company Policy No. H633-000184-04 01/01/2012 - 01/01/2013	All employees including Executive Director, Comptroller and Treasurer.
Workers Compensation	\$152,987	New York Statge Insurance Fund Policy No. S 2177 543-2 01/01/2012 - 01/01/2013	Statutory Coverage
TOTAL PREMIUM	\$297,876		

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

MAJOR COVERAGE LIMITS	DEDUCTIBLE
\$ 1,000,000 Each Occurrence / \$3,000,000 General Aggregate	\$0 Deductible
\$ 1,000,000 Products-Completed Operations Aggregate	\$0 Deductible
\$ 1,000,000 Personal Injury & Advertising Injury Aggregate	\$0 Deductible
\$ 50,000 Fire Damage Limits	\$0 Deductible
\$ 5,000 Medical Expense	\$0 Deductible
\$ 50,000 Pollutant clean-up	\$ 25,000 Mold deductible per occurrence
\$ 50,000 damage to rented premises	
\$ 51,444,610 Building Blanket & Contents (B & C)	\$ 0 Deductible
\$ 250,000 Ordinance B & C Combination (Limit 1)	\$ 5,000 Deductible
\$ 250,000 Business Income with Extra Expense	\$ 0 Deductible
\$ 1,000,000 Flood & Earthquake	\$ 25,000 Deductible
\$ 100,000 Excavation Coverage (Limit 1)	\$ 0 Deductible
\$ 250,000 Equipment Hardware Owned	\$ 1,000 Deductible
\$ 25,000 Equipment Hardware In-Transit	\$ 1,000 Deductible
\$ 25,000,000 Property Damage	\$5,000 Deductible
\$ 1,413,844 Auto Physical Damage	\$ 500 Deductible
\$ 716,238 Contractor Equipment	\$ 1,000 deductible
\$ 10,000 Unscheduled Miscell. Tools & Equipment	\$ 1,000 deductible
\$ 50,000 Leased / Rented Equipment	\$ 0 Deductible
\$ 25,000 Valuable Papers	\$ 1,000 Deductible
\$ 7,250 Watercraft	\$ 1,000 Deductible
Accounts Receivable:	
* In premise = \$250,000	\$ 0 Deductible
* In transit = \$25,000	\$ 0 Deductible
\$ 1,000,000 Each Occurrence / \$2,000,000 General Aggregate	\$ 0 Deductible
Per Accident :	
\$ 1,000,000 Liability Combined Single Limit	\$ 0 Deductible
\$ 1,000,000 Mutual Aid	\$ 0 Deductible
\$ 150,000 Personal Injury Protection - per person	\$ 0 Deductible
\$ 50,000 Aggregate-No fault benefit available	\$ 0 Deductible
\$ 10,000 Medical Payments/ Per Accident or Loss	\$ 0 Deductible
\$ 500,000 Supplemental Underinsured Motorist	\$ 0 Deductible
\$ 500,000 Supplemental Uninsured Motorist	\$ 0 Deductible
\$ 35,000 Hired Car Physical Damage	\$ 1,000 Deductible
	\$ 250 Comprehensive Deductible
	\$ 250 Collision Deductible
<u>Limits of Insurance:</u>	\$ 10,000 Retained Limit
\$ 10,000,000 Each Occurrence and Limit Aggregate	
Loss Limits:	
\$ 1,000,000 Each Loss Limit	\$0 Deductible
\$ 500,000 Employee Dishonesty	\$5,000 Deductible
\$ 10,000 Forgery or Alteration	\$500 Deductible
\$ 5,000 Money & Securities	\$500 Deductible
Inside / Outside Premises	
\$ 1,000,000 Each Accident / Disease Policy Limit /	\$0 Deductible
Disease Each Employee	

COMPLIANCE SECTION



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

Kevin J. McCoy

Thomas W. Donovan

Frank S. Venezia

James E. Amell

Carol A. Hausamann

Benjamin R. Lasher

Daniel J. Litz

Karl F. Newton

Kevin P. O'Leary

Timothy A. Reynolds

Board of Directors
Mohawk Valley Water Authority

We have audited the combined financial statements of Mohawk Valley Water Authority (the Authority) as of and for the year ended March 31, 2012, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Mohawk Valle Water Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Mohawk Valley Water Authority in a separate letter dated June 29, 2012.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board and others within the entity, and is not intended to be and should not be used by anyone other than those specified parties.

Marwin and Company, P.C.

June 29, 2012

**MOHAWK VALLEY WATER AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2012**

Findings - Financial Statement Audit

2012-01

Finding

Our procedures disclosed that the Comptroller is responsible for completion of the bank reconciliation for the operating checking accounts and has administrative rights within the accounting software system.

Effect

A segregation of duties issue exists where the Comptroller is reconciling the operating checking accounts and has access to all modules within the accounting software system.

Cause

The Comptroller is completing incompatible duties within the cash disbursement cycle.

Recommendation

We recommend that another individual within the finance department be trained and assumes the responsibility of preparing the monthly bank reconciliation of operating checking accounts.

Management's Response

The Comptroller is in the process of transferring this duty to the Deputy Comptroller or his designee.

In addition, administrative rights to the accounting software will be reviewed to determine who can best manage accounting changes, updated software capabilities and evolving roles.