

MOHAWK VALLEY WATER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
March 31, 2013 and 2012

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MOHAWK VALLEY WATER AUTHORITY

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INTRODUCTORY SECTION

Mohawk Valley Water Authority
One Kennedy Plaza
Utica, New York 13502
Telephone: (315) 792-0343



July 29, 2013

CHAIRMAN'S MESSAGE:

For almost 100 years, our region has had the right to draw water from Hinckley Reservoir without payment to another party. We are very pleased that an agreement is in place between the Mohawk Valley Water Authority, the Canal Corporation, and New York State that secures access — without monetary compensation — to this water source for future generations.

The most notable outcome of the agreement is the MVWA has the right to use up to 48.5 million gallons per day from Hinckley Reservoir — its legally established allowance for nearly 100 years. All parties agree that Hinckley Reservoir has adequate capacity as long as it is diligently and scientifically managed.

Over the past several months, the MVWA has assisted the Canal Corporation, the state, and third-party experts at the Upstate Freshwater Institute and Barton & Loguidice Engineers to study the operation and management of the reservoir. As a result, an operational support tool (OST) and improved operating diagram have been developed. The OST is a modeling program that allows water levels to be predicted and managed based on scientific data and engineering. The improved operating diagram incorporates nearly a century of data and new technologies. Together, these tools provide more effective reservoir management that meets the needs of its various users.

This agreement lays an improved foundation for safe and responsible management of the reservoir that will ensure plentiful water for public health, the environment, economic development, and a variety of recreational activities in Oneida and Herkimer counties.

While this agreement does ensure prudent management of reservoir levels, it is important to note that neither the MVWA nor the Canal Corporation controls the flow of water into the West Canada Creek below the reservoir. The operations of a privately-owned hydroelectric plant determine how much water will be released and when.

The MVWA would like to take this moment of celebration to thank our customers for their continued support throughout this long, oftentimes arduous, legal battle. We also wish to acknowledge the efforts of the Governor and his administration for working cooperatively with us to protect the interests of the Mohawk Valley region, and for bringing balance to this important public policy issue.

While litigation can be costly, the MVWA determined that it was necessary to secure our water rights. The court's affirmation of these rights helped lead to productive settlement discussions and a solution that respects all parties' interests. Our goal at all times has been to ensure that our customers were not burdened with long-term costs that would have a crippling effect on regional economic development.

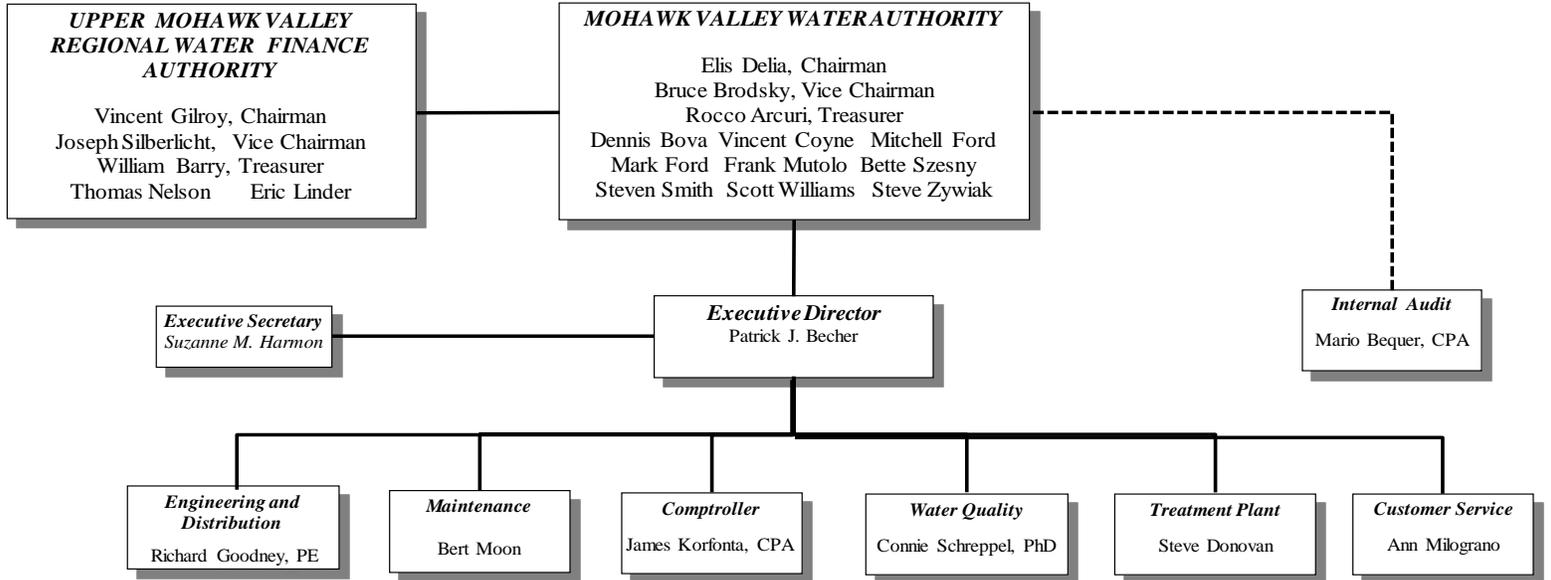
As always, the rate our customers pay for water covers the cost to convey it from the reservoir, ensure its purity (which meets or exceeds all federal standards), and maintain the many miles of pipeline between the reservoir and our homes or businesses.

Elis DeLia
Chairman of the Board

MOHAWK VALLEY WATER AUTHORITY

ORGANIZATIONAL CHART

As of March 31, 2013





July 29, 2013

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, 2013 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 by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. 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 combined financial statements of the Water Authority for the year ended March 31, 2013 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 unmodified opinion and that the Water Authority’s financial statements for the year ended March 31, 2013 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.

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:

- Two City of Utica residents appointed by the City Council;
- Two City of Utica residents appointed by the Mayor;
- Two City of Utica residents appointed by Oneida County Legislature;
- 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;
- One member appointed by the Town of New Hartford;
- One member appointed by the Town of Whitestown;
- One member appointed alternately by the Town boards of Marcy, Schuyler and Kirkland;
- 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:

- One City of Utica resident appointed by the City Council;
- One City of Utica resident appointed by the Mayor;
- 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;
- One member appointed alternately by the town Boards of New Hartford and Whitestown;
- 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. The Water Authority's right to draw water from Hinckley Reservoir was affirmed recently with the signing of a tri-party agreement between the State of New York, the Canal Corporation and the Water Authority. Please see the commitments and contingencies note in the Notes to the Combined Financial Statements for more detail on this tri-party agreement.

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 945 customers since fiscal year 2004. 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 in terms of consumption were the City of Utica, the towns of Marcy, and Whitestown. Revenue from these towns has increased due in part to this growth.

Since fiscal year 2004, annual consumption has dropped 55 million cubic feet. During fiscal year 2013, water consumption increased 6.9 million cubic feet to 486.5 million cubic feet. Both monthly and quarterly billed customers experienced increases with quarterly customer's increases being more significant. Water production increased in 2013 compared to the prior year primarily due to the installation and continued testing of the granulated activated charcoal (GAC). Production should taper off as the use of GAC becomes a more standard of filtration.

During fiscal year 2013, water main projects were completed in several towns and the City of Utica. The more significant main projects included: 552 linear feet of 6 inch and 8 inch main replacement on Kernan Avenue in Utica; approximately 644 linear feet of 24 inch and 30 inch main replacement at the Canal Crossing in the Town of Marcy; and 580 linear feet of 8 inch main replacement on Winner Avenue in Utica.

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 2013 IN REVIEW

Water Production, Consumption and Water Sales

For fiscal year 2013, 7.3 billion gallons of water were treated at the filtration plant to meet customer demands. This is an increase of 229 million gallons from the previous year. Customers used 3.6 billion gallons of treated water, representing an increase of 51 million gallons compared to the previous fiscal year; however, a decrease in consumption of 414 million gallons since fiscal 2004. The average production by the water treatment plant ranged from 17.5 million gallons per day to 24.3 million gallons, the water system’s peak production for the fiscal year reached on June 21, 2012. Customers used an average of 10.0 million gallons per day of water during fiscal year 2013, consistent with the prior year.

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 2013 increased \$591,000 to \$21.0 million compared to the previous year. Specifically, water sales in fiscal year 2013 increased 2.4% to 19.5 million dollars. Other revenue sources increased \$124,000 to \$1.5 million.

Operating expenses increased \$732,000 to \$14.4 million in fiscal year 2013. The most significant dollar change was in general services expenses which increased \$511,000 primarily due to bond closing costs totaling \$357,000 incurred in connection with the issuance of the 2012 Bonds. Other significant increases in operating expenses were incurred at the Water Treatment Plant where expenses increased by \$190,000 due to higher granulated active carbon (GAC) costs used in treatment. The GAC is a filtration process which replaces the sand-based material used in the four filtration beds at the treatment plant. This filtration process, which began implementation in fiscal year 2010, is the result of more stringent drinking water standards. The annual operating expense for GAC is projected to range between \$800,000 and \$1 million. Also, administration costs were higher in fiscal year 2013 by \$155,000 due to litigation costs.

LETTER OF TRANSMITTAL-CONTINUED

FISCAL YEAR 2013 IN REVIEW-continued

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, settled 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, were tentatively scheduled to be tried before the Oneida County Supreme Court commencing in March 2012. Both parties agreed to a temporary stay in order to conduct settlement discussions.

An Interim Agreement was reached on July 3, 2012 that provided permanent and irrevocable rights to MVWA to withdraw up to 35 cfs free from any obligation to provide compensation either through financial payments or water flows. The stay on litigation was extended to allow the parties to continue negotiations regarding MVWA withdrawals above 35 cfs up to its historical limit of 75 cfs.

LETTER OF TRANSMITTAL-CONTINUED

FISCAL YEAR 2013 IN REVIEW-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. 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.

Agreement

On February 1, 2013, an agreement was reached between the Mohawk Valley Water Authority, the Canal Corporation, and New York State securing water rights for the Water Authority. In the agreement, a new analytical tool was developed to ensure that water is available for drinking purposes into the foreseeable future. This analytical software program, known as the operational support tool (OST), was the result of an operations and water management study prepared by the Upstate Freshwater Institute and Barton & Loguidice Engineers with assistance from the Water Authority, Canal Corporation, and the State of New York.

Please see Note 16 for more details of the new tri-party agreement between the Water Authority, the Canal Corporation, and New York State. This agreement ensures the reservoir will have adequate water for public health, the environment, economic development, and a variety of recreational activities in Oneida and Herkimer counties.

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 \$60 million in projects over the next 15 years. These projects have been categorized into "priority type" and "project level".

LETTER OF TRANSMITTAL-CONTINUED

CAPITAL CONSTRUCTION-continued

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.

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:

Construction of Water Tanks throughout the Water System

Marcy

Construction of two (2) 6 million gallon water storage tanks built on Toby Road in Marcy. The cost of these tanks was \$9.0 million.

Construction of one (1) 3 million gallon water storage tank built at the Marcy Reservoir. The cost of this tank was \$4.2 million.

LETTER OF TRANSMITTAL-CONTINUED

CAPITAL CONSTRUCTION-continued

In addition to projects completed there are several projects that remained in process as of March 31, 2013 with accumulated costs of \$6.3 million. The following are the more significant projects still in process:

Water Main Replacements

Marcy

Replacement of two (2) 24 inch cast iron transmission pipes at the Canal Crossing. The pipes replaced were over 90 years old and were showing signs of failure. The accumulated cost of this project as of March 31, 2013 is \$999,000.

Construction of a Water Tank

Utica

Construction of one (1) 6 million gallon water storage tank in the Southern Reservoir. The accumulated cost of this project as of March 31, 2013 is \$2.6 million.

Water Consumption Monitoring Upgrade

System-Wide

The Advanced Meter Infrastructure (AMI) is currently being implemented to replace the current meter-reading system. The AMI system, when fully implemented, will benefit the customer by providing Water Authority staff instant consumption data as a tool to monitor fluctuations in water consumption, not only on a customer-basis, but from a system-wide monitoring level. The project-to-date cost as of March 31, 2013 is \$723,000.

The Water Authority facilities are constantly under renovation and improvement. These projects include roof replacements at various facilities, security fencing, building upgrades (i.e. Maintenance Department facility at Kemble Street), and pump station improvements. As of March 31, 2013, the accumulated cost of this category of projects is approximately \$2.0 million.

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 2013:

- 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 effect 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.

- Annual Rate Adjustments – Through the use of the Water Authority's comprehensive water rate model, water rates were raised 2.0% for fiscal year 2013. 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 2013, the Water Authority continued its multi-year capital project program. Bonding for major projects continued during the fiscal year with the Finance Authority's sale of \$15.6 million in revenue bonds. Both the fiscal 2013 and 2014 approved budgets incorporated portions of the debt service related to the new bonds into the water rate structure.

LETTER OF TRANSMITTAL-CONTINUED

- 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 the past several years, the Board has committed to setting-aside funds to meet the annual capital maintenance costs currently estimated at between \$750,000 and \$1 million annually. In March of 2013, the Board funded this reserve an additional \$750,000. The current accumulated balance is \$2.1 million. No other reserves were funded.
- Operating Cash Surplus – The Water Authority experienced a small increase in operating cash during fiscal year 2013 of \$26,000. Over the past several years, operating cash has experienced healthy increases. In addition, the funding of capital reserves and maintenance of the required bond covenant known as the “debt covenant reserve” has been maintained. Operating surpluses will allow flexibility to fund unforeseen operating costs and emergency repairs.
- Debt Service Coverage – Continued strong fiscal management resulted in debt service coverage of 1.37 (See the debt service coverage schedule in the Statistical Section). The coverage is less than the rate consultant’s fiscal year 2013 cash coverage projection of 2.44. 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 3.45, far beyond the consultant’s projection. This will strengthen the Water Authority’s prospects for raising its future bond rating.
- Bond Rating – The Water Authority is currently the recipient of favorable credit ratings from both Standard and Poor’s Ratings Services and Moody’s Investors Service.

In August 2012, the Water Authority sold \$15.6 million in revenue bonds. This included the refinancing of a majority of bonds remaining on the 2003 series bonds. At that time, ratings were assigned by both Standard and Poor’s Ratings Services and Moody’s Investors Service.

Standard and Poor’s Rating Services maintained the Water Authority’s rating of **A+**. The rating assigned to the Water Authority’s 2012 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 maintained the Water Authority’s rating of **A₁**. The **A₁** rating is considered “upper-medium grade and the obligations are subject to low credit risk”. The rating assigned to the Water Authority’s 2012 revenue bonds indicated a “well managed utility with good long-term planning” and a “growing cash position”.

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

During previous years, the Water Authority has implemented improvement to its various technology platforms. These include Supervisory Control and Data Acquisition (SCADA) system, water modeling software, work order system to improve the water monitoring and improve operational efficiencies. While these systems continue to undergo changes and upgrades on an on-going basis, additional technology programs were launched in fiscal year 2013. These programs include:

Advanced Meter Infrastructure – The Water Authority will be deploying a new technology over the next 12 to 24 months used primarily for the gathering of consumption data from approximately water meters throughout the service area. The software and infrastructure will consist of a fixed-network radio system comprised of radio towers and/or collectors, repeaters, and electronic meters equipped with radio modems commonly referred to as meter interface units (MIU's). The new system will provide the ability to receive up to four meter readings per day from each meter in the service area using a specialized software package, data base, and server. The meter readings will be transmitted directly to the operating software at the central office.

The automated radio network will provide the ability to compare water supply production, quantities pumped, and the measured consumption on a near real time basis for intervals as short as six hours throughout the entire distribution system. This data will also allow staff to detect water main leaks before they break the surface and cause costly property damage. Other signals that can be transmitted can indicate customer tampering, reverse flow situations, and continuous usage indicating a possible internal leak of customer plumbing or fixtures.

Vehicle Maintenance Program – Vehicle information is now documented in a database to keep track of required service intervals, service repairs and mileage. This is used to maximize the efficiency of the vehicles in our fleet and their utilization, and to increase the life cycle of the vehicles. Management has implemented a vehicle safety checklist to ensure the safety of the operators and the safety of the crews assisting them. Going forward, the Vehicle Maintenance Program and the GPS equipment previously installed on each vehicle will be integrated. As a result, routine maintenance work orders will be generated at precise intervals so that required maintenance can be performed in accordance with the manufacturer's specifications.

Water Billing System Upgrades – Several efficiency enhancements were made during the year. The following are some of the changes made: 1) streamlined meter change records of customers. Going forward, further enhancements are expected. New meters will be barcoded by the installer which will automatically update the customer records with the new meter information; 2) streamlined the special billing charges process (i.e. turn-on charges; shut-off charges; tampering fees, etc.) by inputting the information on the customer record using a drop down menu as opposed to entering the information manually on several records; 3) purchased a customer address verification software which formats customers addresses in a manner consistent with the postal office requirements. As a result, mail returns and unnecessary costs are minimized.

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—

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

Other budgetary controls include:

- Developing multi-year budgets by department function based upon long-range activities and capital project planning.
- Establishing and monitoring cost control center budgets for labor, materials and services for each of the operational plans (departments) and capital projects cost centers.
- 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 2013 amounted to \$13.3 million compared to \$7.2 million in the previous fiscal year. Construction projects currently underway in the amount of \$6.3 million will be completed over the next several years. These projects consist primarily of water tanks, water main repairs and replacements, and other infrastructure repairs. When complete, these repairs and improvements will increase 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 2013 or 2012. Please see Note 5 – Utility Plant and Depreciation for further discussion on this topic.

DEBT ADMINISTRATION

On July 25, 2012, the Water Authority issued \$15.6 million of revenue bonds, to provide funds for a continuation of the Water Authority’s capital project program. In addition, the majority of the Series 2003 bonds were advanced refunded through the purchase of State and Local Government securities (SLGS), when placed into an escrow, will generating resources for paying the future debt service on \$6.8 million of 2003 series bonds. The 2003 series bonds are considered partially refunded. As a result, the debt is also considered defeased, and the liability has been removed from the Water Authority’s statement of net position. These new 2012 bonds were issued at a premium of \$310,350, 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 \$731,773 over the life of the 2003 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 \$539,639.

At the time of the sale of the bonds, the Water Authority’s ratings from both Moody’s Investors Service and Standard and Poor’s were confirmed at *A₁* and *A+*, respectively. Both ratings remain in the upper-medium grade scale and its revenue bonds are considered low credit risk. See “bond rating” under the Financial Stability section above.

At March 31, 2013, bonds totaling \$65.1 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 long-term debt note in the Notes to the Combined Financial Statements for more details.

LETTER OF TRANSMITTAL-CONTINUED

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 payments 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.

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

LETTER OF TRANSMITTAL-CONTINUED

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. Other short-term investment options are also being explored.

An on-going slow recovery in the market during fiscal year 2013 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%.

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 2.07% to 2.37%.

Please see the restricted assets note in the Notes to the Combined Financial Statements for a more detailed reporting.

LETTER OF TRANSMITTAL-CONTINUED

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 \$53 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.

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 2013 audit is the first 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, 2012. This is the tenth 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 2013 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.

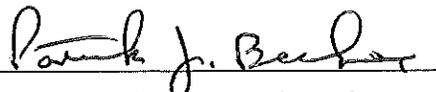
LETTER OF TRANSMITTAL-CONTINUED

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	Personnel Committee Chair and Operations Committee	December 31, 2013
MITCHELL FORD	Operations Committee Chair; Capital Projects	December 31, 2015
FRANK MUTOLO	Operations Committee	December 31, 2015
STEVEN SMITH	Personnel Committee	December 31, 2013
BETTE SZESNY	Personnel, Operations and Governance	December 31, 2000*
STEVE ZYWIAK	Capital Projects Committee	December 31, 2015
SCOTT WILLIAMS	Operations Committee	December 31, 2013

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

MOHAWK VALLEY WATER AUTHORITY**FINANCE AUTHORITY BOARD MEMBERS
AND PRINCIPAL OFFICERS**

Member	Committees	Board Term Ending
VINCENT GILROY, CHAIRMAN OF THE BOARD	Audit Committee	December 31, 2015
JOSEPH SILBERLICHT, VICE CHAIRMAN		December 31, 2015
WILLIAM BARRY, TREASURER		December 31, 2007*
THOMAS NELSON	Audit Committee	December 31, 2015
ERIC LINDER	Audit Committee	December 31, 2015

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

Principal Officers	Function
PATRICK BECHER	Executive Director
JAMES KORFONTA	Comptroller and Chief Financial Officer
RICHARD GOODNEY	Principal Engineer and Capital Projects
CONNIE SCHREPPPEL	Director of Water Quality
SUZANNE HARMON	Executive Secretary

CERTIFICATE OF ACHIEVEMENT

For the tenth 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.



Government Finance Officers Association

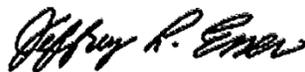
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Mohawk Valley Water Authority
New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

March 31, 2012



Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Kevin J. McCoy, CPA

Thomas W. Donovan, CPA

Frank S. Venezia, CPA

James E. Amell, CPA

Carol A. Hausamann, CPA

Benjamin R. Lasher, CPA

Daniel J. Litz, CPA

Karl F. Newton, CPA

Kevin P. O'Leary, CPA

Timothy A. Reynolds, CPA

Leo A. Rigby, CPA

Thomas J. Ross, CPA

Heather D. Patten, CPA

11 British American Blvd.

Latham, NY 12110

Ph: 518-785-0134

Fx: 518-785-0299

111 Everts Avenue

Queensbury, NY 12804

Ph: 518-792-6596

Fx: 518-792-6635

Email:

webmaster@marvincpa.com

Web:

<http://www.marvincpa.com>

Board of Directors
Mohawk Valley Water Authority

Report of the Financial Statements

We have audited the accompanying combined statements of net position, the related combined statements of revenue, expenses and changes in net position, and cash flows of Mohawk Valley Water Authority (Authority) as of and for the years ended March 31, 2013 and 2012, and the related notes to the combined financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of Mohawk Valley Water Authority, as of March 31, 2013 and 2012, and the respective changes in their net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, to the combined financial statements, the Authority implemented Statement of Governmental Accounting Standards (GASB Statement) No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and early implemented GASB No. 65 *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Correction of Error

As described in Note 15, to the combined financial statements, errors in the calculation of prepaid interest and interest expense were discovered by management of the Authority during the current year. These errors resulted in the overstatement of amounts previously reported as prepaid expenses and understatement of interest expense as of March 31, 2012. Accordingly, amounts reported for prepaid expenses and interest expense have been restated in the March 31, 2012 financial statements now presented, and an adjustment has been made to net position as of March 31, 2011 to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 35 through 56 and the Schedule of Funding Progress for Retiree Health Plan on page 108 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the combined financial statements of Mohawk Valley Water Authority as a whole. The introductory section on pages 5 through 30 and the statistical section on pages 120 through 154 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary schedules on

pages 110 through 119 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 auditing standards generally accepted in the United States. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2013, 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.

Marvin and Company, P.C.

Latham, New York
August 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the Mohawk Valley Water Authority (hereafter referred as the Water Authority) 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 Water Authority for the fiscal year ended March 31, 2013. 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 combined financial statements of the Water Authority together with the notes thereto, which are essential to a full understanding of the data contained in the combined financial statements. In addition to the combined 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, and PILOT payments to other governments as part of the regionalization agreements.

WATER SYSTEM HIGHLIGHTS

- Capital projects in the amount of \$13.3 million were completed and another \$6.3 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. A tank under construction at the Southern Reservoir and the Advanced Meter Infrastructure (AMI) being installed throughout the service area account for the largest share of Work In Progress.
- This past fiscal year, two large water tanks with storage capacity of 6 million gallons each were completed at Toby Road in the amount of \$9.0 million and at Marcy Reservoir in the amount of \$4.2 million.
- With the completion of the water tank at Southern Reservoir, the Water Authority's two-phase capital plan to eliminate all open reservoirs from the distribution system will be complete. In fiscal 2012, all reservoirs were taken off-line from daily use and replaced with a series of newly-constructed tanks as part of the Water Authority's effort to comply with the open storage requirements for water systems serving populations over 100,000, promulgated by the United States Environmental Protection Agency (EPA).

The first phase of the tank construction capital plan consisted of constructing a 10 million gallon tank at Deerfield reservoir completed in 2010 and officially placed on-line fiscal year 2012. In addition, the clearwell tank at the water treatment plant was completed in fiscal year 2009 and went on-line in fiscal year 2010. This additional clearwell allows the raw water to have more contact time with chemicals during the treatment process.

The second phase of the \$25 million capital project started in the summer of 2009 and included constructing five additional smaller tanks to eliminate a second reservoir at Marcy and to provide additional storage at the southern reservoir area.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

WATER SYSTEM HIGHLIGHTS-continued

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

- At the end of fiscal year 2013, an agreement was reached between the Mohawk Valley Water Authority, the Canal Corporation, and New York State securing water rights for customers of the Water Authority. In the agreement, a new analytical tool was developed to ensure that water is available for drinking purposes throughout and extending beyond the service area into the foreseeable future.

The new analytical tool, referred to as the Operating Support Tool (OST), is a modeling program that allows water levels to be predicted and managed based on scientific data and engineering. The tool incorporates nearly a century of data and new technologies allowing for effective management of Hinckley Reservoir.

As part of the new agreement, no compensating water storage, such as Gray Reservoir, is required. Water reserves for Herkimer County are preserved with the Water Authority's ability to expand. During extreme conditions such as drought or flood, the Canal Corporation will use the OST to determine the most appropriate manner to maintain reasonable reservoir levels at Hinckley reservoir.

- In August 2012, the Water Authority sold \$15.6 million in revenue bonds to fund future capital projects. This bonding also included the refinancing of a majority of bonds remaining on the 2003 series bonds. At that time, ratings were assigned by both Standard and Poor's Ratings Services and Moody's Investors Service.

Standard and Poor's Rating Services maintained the Water Authority's rating of A+. The rating assigned to the Water Authority's 2012 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 maintained the Water Authority's rating of A₁. The rating is considered "upper-medium grade and the obligations are subject to low credit risk". The rating assigned to the Water Authority's 2012 revenue bonds indicated a "well managed utility with good long-term planning" and a "growing cash position".

- For fiscal 2013, annual consumption increased 7 million cubic feet (MCF) from 480 MCF to 487 MCF. This is the first time that consumption has increased since fiscal year 2008. The service areas comprising approximately 75% of the annual consumption consist of: the City of Utica, 248 MCF or 51%; the Town of New Hartford, 68 MCF or 15%; and the Town of Marcy, 46 MCF or 9%.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

WATER SYSTEM HIGHLIGHTS--continued

- Overall operating revenue exceeded the budget by \$661,000. Specifically, water sales exceeded the budget by \$386,000 to \$19.5 million. This increase is due in part to the 2.0% increase in water rates and additional water consumption realized. In addition, delinquency charges exceeded the budget by \$180,000 or 25.7% primarily due to late penalties charged on delinquent account balances. Fees and ancillary charges were higher than budget by \$126,000 due to additional revenue on backflow and fire line charges. Other Services fell short by \$31,000 as compared to budget due to less revenue realized from power production at the Water Authority's two hydro-electric facilities
- Continued stress from increased operating and debt service costs to fund on-going capital maintenance and improvements to the water system resulted in an increase in water rates to customers of 2.0% for fiscal 2013. Operating expenses increased \$732,000 compared to the prior year. Non-operating expense increased \$364,000 primarily to an increase in debt interest expense, PILOT payments and a reduction in investment gains.

However, operating costs were under budget \$648,000 after removing depreciation and amortization costs. Included in operating costs are bond closing costs of \$357,000 related to the 2012 revenue bonds. New accounting rules require these costs be expensed when incurred rather than capitalized and amortized as an asset. In addition, accumulated legal costs to defend the water customers' right to draw water from the Hinckley Reservoir also attributed to the increase.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2013

This section is intended to serve as an introduction to the Water Authority's financial statements. Water Authority'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 ***Combined Statements of Net Position*** presents information on all of Water Authority's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Water Authority. The ***Combined Statements of Revenue, Expenses and Changes in Net Position*** present information showing how Water Authority's net position changed during the most recent reporting period. All changes in net position 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

FINANCIAL STATEMENTS FOR FISCAL YEAR 2013—continued

The *Combined Statements of Cash Flows* presents information depicting Water Authority's cash flow activities for the reporting period ended and the effect that these activities had on Water Authority's cash and cash equivalent balances. The *Notes to the Combined Financial Statements* present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the combined financial statements can be found following the financial statements section of this report.

Combined Statements of Net Position

During fiscal 2013, the Water Authority adopted GASB statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Accordingly, certain intangible assets have been reclassified to deferred outflow of resources or deferred inflows of resources. Also, during fiscal 2013, the Water Authority early implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The net position (total assets less total liabilities) as of March 31, 2012 has been restated and reduced by \$837,000 as a result of the cumulative effect of the changes in accounting principle. The restated net position balance as of March 31, 2012 is \$32.7 million including the Investment in Capital Assets, Net of Related Debt amount of \$19.7 million and a reserve for debt service of \$2.6 million.

As of March 31, 2013, the Water Authority's Net Position increased to \$35.1 million. The majority of the balance is invested in utility plant, net of related debt at \$21.7 million. In addition, \$660,000 is restricted for the repair and improvement of the water infrastructure as stipulated under the original General Bond Resolution. Also, \$3.3 million is legally restricted for debt service. The remaining Net Position balance of \$9.5 million is considered unrestricted. However, the board of directors has set-aside \$767,000 to meet debt service requirements; \$929,000 for repairs, replacement and renewal of system assets; \$626,000 for operation and maintenance of water system assets; \$2.1 million for capital maintenance; and \$147,000 million to fund specific board projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

Combined Statements of Net Position--continued

COMBINED STATEMENT OF NET POSITION		
	FY 2013	FY 2012
Assets		(restated)
Utility Plant, Net	\$ 78,453,037	\$ 75,324,815
Restricted Assets	20,955,135	13,969,864
Current Assets	11,761,520	11,676,019
Total Assets	<u>111,169,692</u>	<u>100,970,698</u>
Deferred Outflows of Resources	2,413,144	2,340,767
	<u>\$ 113,582,836</u>	<u>\$ 103,311,465</u>
Liabilities		
Long-Term Obligations, Less Current Installments	68,508,257	62,368,274
Current Liabilities	7,031,948	5,988,698
Other Liabilities	2,513,421	2,183,213
Total Liabilities	<u>78,053,626</u>	<u>70,540,185</u>
Deferred Inflows of Resources	<u>389,417</u>	<u>98,967</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	21,674,806	19,704,594
Restricted Debt Service and Repair & Improvements	3,982,611	3,235,307
Unrestricted	9,482,376	9,732,412
Total Net Position	<u>35,139,793</u>	<u>32,672,313</u>
	<u>\$ 113,582,836</u>	<u>\$ 103,311,465</u>

Assets

- Overall assets increased by \$10.3 million as compared to the prior year. These major assets consist of utility plant, restricted assets including bond proceeds and deposits held by a trustee and current assets including cash, water receivables, inventory and prepaid expenses. Deferred outflows of resources consist of deferred amounts from bond refundings, discounts on revenue bonds and unamortized bond costs, primarily bond insurance premiums.
- Utility plant consists of land, equipment, treatment and storage facilities and distribution lines. This utility plant is recorded at cost less related accumulated depreciation. In addition, there are numerous capital projects making up the balance of construction work-in-progress. As of March 31, 2013 and 2012, utility plant is \$78.5 million and \$75.3 million, respectively.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statements of Net Position-continued

- Restricted assets represent proceeds and deposits held by a trustee related to various revenue bond issues. These trust funds are subject to external restrictions as stipulated under applicable bond resolutions. As of March 31, 2013 and 2012, restricted assets are \$21.0 million and \$14.0 million, respectively. The increase is primarily due to proceeds received from the new 2012 series bonds. The proceeds are being used to finance the construction of a water storage tank at the Southern Reservoir, and the implementation of an Advanced Metering Infrastructure (AMI) system throughout the service area. This AMI system when fully implemented will improve customer service by providing instant access to water consumption information.
- Current assets represent operating, restricted and board-designated cash, receivables, inventory, and prepaid expenses. Current assets were approximately \$11.8 million and \$11.7 million as of March 31 2013 and 2012, respectively. Cash represents the largest current asset at \$9.1 million. Water receivables, net, increased by \$129,000 to \$1.9 million. This increase was attributed in part to the downturn in the economy. However, advances in payment systems are providing customers with more options where to pay their monthly/quarterly bills. Inventory decreased by \$158,000 to \$490,000 as products purchased in prior years at bulk rates were placed in service during the current fiscal year.
- Deferred outflow of resources consists of deferred amounts from bond refundings of \$908,362; bond discounts of \$1,307,633 and unamortized bond insurance premiums of \$197,149. These amounts are amortized over the life of their respective bonds.

UTILITY PLANT ASSETS		
	FY 2013	FY 2012 (restated)
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 1,050,000
Water Transmission and Storage	30,673,709	17,406,474
Water Treatment Facilities	21,921,748	21,914,748
Distribution	31,118,488	31,118,488
Office & Lab Equipment	2,221,034	2,151,869
Vehicles & Maintenance Equipment	2,516,783	2,305,297
	<hr/>	<hr/>
	89,501,762	75,946,876
Less: Accumulated Depreciation	(18,304,428)	(16,620,891)
	<hr/>	<hr/>
	71,197,334	59,325,985
Construction Work-in-Process	6,273,897	15,017,024
Land	981,806	981,806
	<hr/>	<hr/>
Net Utility Plant	\$ 78,453,037	\$ 75,324,815
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statements of Net Position-continued

Major construction projects included in work-in-process during the year and moved into one of the major asset categories, once completed, include the following:

- A 6 million gallon water tank on Toby Road in Marcy at a cost of \$9.0 million.
- A 3 million gallon water tank at the Marcy Reservoir at a cost of \$4.2 million.

On-going capital projects currently included in Construction Work-in Progress are as follows:

- Construction of a 6 million gallon water tank at the Southern Reservoir with a current cost of \$2.6 million;
- Advanced Meter Infrastructure to identify unusual consumption trends, and provide an increased response time to customers, among other features. Current cost is \$723,000;
- Piping was installed under the Erie Canal at a cost of \$999,000 through the use of a directional-drilling process;
- 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 \$153,000;
- Installation of a piping system and storage tank at the Oriskany Airport Park with current costs of \$437,000.
- Pump station improvements system-wide at a current cost of \$137,000;
- Water quality improvements system-wide at a current cost of \$364,000;
- 630 linear feet of main replacement on Andes Avenue in Utica at a cost of \$100,000.

Additional information on the Water Authority's utility plant can be found in Utility Plant and Depreciation note in the Notes to the Combined Financial Statements section of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statements of Net Position-continued

Liabilities

- Current liabilities consist of accrued payments to suppliers and construction contractors, amounts owed to municipalities for collection services, and the current portions payable for accrued interest and principal on outstanding debt. The Water Authority had current ratios of 1.67 and 1.95 as of March 31, 2013 and 2012, respectively. A current ratio over 1.0 indicates there are sufficient assets on hand to cover liabilities that will come due in the next year.

Ratio of Current Assets to Current Liabilities			
		FY 2013	FY 2012 (restated)
Current Assets	\$	11,761,520	\$ 11,676,019
Current Liabilities	\$	7,031,948	\$ 5,988,698
Current Ratio		<u>1.67</u>	<u>1.95</u>

- Long-term obligations consist primarily of water revenue bonds acquired to finance the water system’s multi-year capital improvement plan. During fiscal 2013, the Water Authority issued \$15.6 million bonds to finance future capital projects and to refinance \$6.8 million of the existing 2003 revenue bonds. As a general rule, the Board of the Water Authority bundles capital projects together for financing through the Upper Mohawk Valley Regional Water Finance Authority every two-to-three years in order to keep financing costs and other related expenses to a minimum. In addition to revenue bonds, long-term obligations also contain a promissory note payable to the City of Utica, a component of the original purchase of the water system in 1996.
- Other Liabilities consist of the actuarially-determined amount owed to retirees for post-employment health benefits. This liability is affected by amounts paid for retiree health insurance premiums and any funds set-aside to offset future obligations. To date, the Water Authority has not set aside any assets to fund future liabilities. See the Note on Post-Employment Benefits Other Than Pensions in the Notes to the Combined Financial Statements.
- Deferred Inflows of Resources represent bond premiums paid on various revenue bonds obtained to finance capital projects. A bond premium of \$310,000 was paid as part of the 2012 revenue bonds in August 2012.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statements of Net Position-continued

Water Revenue Bonds

As of March 31, 2013, the Water Authority has seven water revenue bond series outstanding totaling \$65.1 million. The Series 1996B bonds, 2001A bonds and the 2001B bonds were 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 1996B bonds were paid in full during fiscal year 2013. 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 fiscal 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 were paid in full during fiscal 2012. During fiscal 2013, \$15.6 million in 2012 series bonds were issued in part to fund on-going capital projects and to advance refund \$6.8 million of existing 2003 series revenue bonds.

Prior to fiscal 2006, annual debt service (principal and interest) was \$3.2 million. The debt service increased to \$4.3 million in fiscal 2009 and \$5.0 million in fiscal 2010. During fiscal 2011 and 2012, EFC refinanced state-backed bonds related to the Water Authority’s series 2001A and 2001B bond issues. Savings from these refinanced bond issues will be passed on to the Water Authority as increased subsidies over the life of the two bond series. Current debt service has increased to \$5.1 million with the issuance of the 2012 series bonds. Rates on these current debt issues range from 2.00% to 6.25%.

Water revenue bond series outstanding as of March 31, 2013 and 2012 follows:

Water Revenue Serial Bonds		Principal Outstanding Balance March 31, 2013		Principal Outstanding Balance March 31, 2012
1996B	\$	0	\$	160,000
2000		4,513,720		4,788,720
2001A		12,860,000		14,240,000
2001B		1,790,000		1,915,000
2003		200,000		7,000,000
2006A		18,345,000		18,765,000
2008A		11,760,000		11,880,000
2012		15,635,000		0
Total	\$	<u>65,103,720</u>	\$	<u>58,748,720</u>

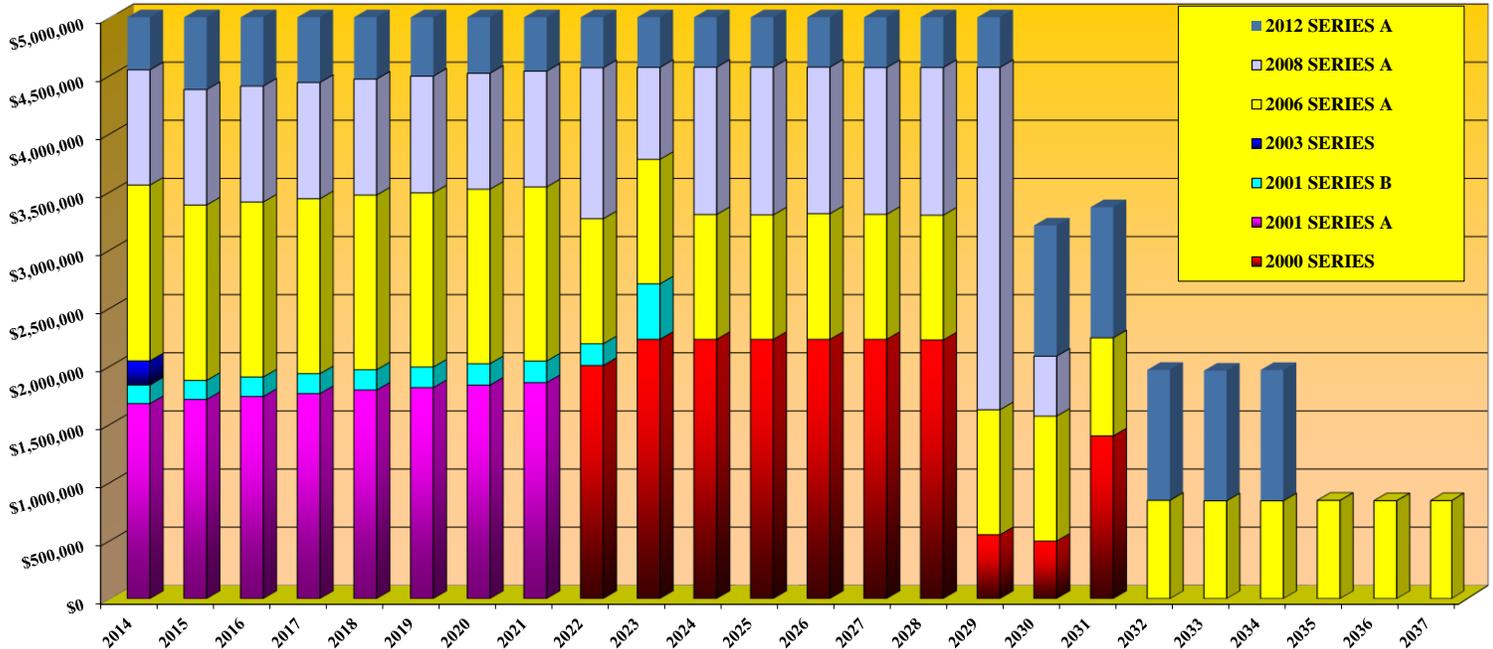
Additional information on the Water Authority’s long-term debt can be found in Note 8 of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statement of Net Position-continued

Annual debt service is the amount of cash that is required each fiscal year to cover the repayment of principal and interest on debt. The Water Authority’s requirement by each bond series is as follows:

**DEBT SERVICE REQUIREMENTS
FISCAL YEARS 2014-2037**



Net Position

The Water Authority’s Net Position as of March 31, 2013 and 2012 was \$35.1 million and \$32.7 million, respectively. Net position is divided into three main categories: Invested in utility plant, net of related debt; Restricted and Unrestricted assets.

- Invested in utility plant, net of related debt consists of the Water Authority’s utility plant less related debt excluding unspent debt proceeds on the outstanding debt. The balance for this category was \$21.7 million and \$19.7 million as of March 31, 2013 and 2012, respectively. The unspent debt proceeds offsetting Invested in Utility Plant, net of Related Debt consist of construction fund amounts of \$7.6 and bond reserve funds of \$5.7 million as of March 31, 2013.
- Restricted assets represents assets that should be reported as restricted when constraints placed on the assets use are externally imposed or imposed by law. The largest portion of restricted assets is amounts funded to a trustee for the retirement of debt. As of March 31, 2013 and 2012, amounts restricted for debt service was \$3.3 million and \$2.6 million, respectively. Also, \$660,000 has been restricted by legislation for the repair and improvement of the water system.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Combined Statements of Net Position-continued

- Unrestricted assets in Statements of Net Position represent residual amounts at the end of each fiscal year. Unrestricted assets are amounts that do not meet the definition of restricted or invested in capital assets, net of related debt. The Board of Directors has segregated portions of unrestricted assets to indicate tentative plans for future financial commitments and resource use. The strategy is to annually fund these programs to meet budgetary commitments. Of the \$9.5 million in unrestricted as of March 31, 2013, approximately \$4.5 million has been designated by the Board of Directors for specific programs. The following funds have been designated by the board to fund future efforts:
 - Water rates and fees are required by covenant to be set at 115% 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. To that end, the Water Authority has set-aside funds equivalent to the 115% of estimated aggregate debt service. As of March 31, 2013, the set-aside amount is \$767,000.
 - A capital maintenance reserve was created during fiscal 2009 to fund the annual maintenance of larger infrastructure assets in the water system. The capital maintenance reserve current balance is \$2.1 million. 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.
 - \$929,000 for the Repair, Renewal and Replacement of utility assets as part of the 2002 Cost of Service Rate Study.
 - \$626,000 as a reserve for operation and maintenance of the system as part of the 2002 Cost of Service Rate Study.
 - \$147,000 designated for future Board of Director's projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses, and in Net Position

In fiscal year 2013, operating revenues increased by \$591,000 from the prior year. Operating expenses incurred for the purpose of producing revenue increased by \$732,000 from the prior year. Net operating income shows the relationship between revenue earned and expenses incurred was \$6.7 million for fiscal year 2013, also down \$141,000 from the prior year. Non-operating expenses, which are considered not directly related to operating income, increased by \$364,000 from the prior year due primarily to interest expense that increased \$196,000 resulting from the issuance of the 2012 bonds. The Water Authority's Net Position increased \$2.5 for fiscal year 2013.

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
	FY 2013	FY 2012 (restated)
Operating Revenues	\$ 21,020,548	\$ 20,429,500
Operating Expenses	<u>14,363,771</u>	<u>13,631,611</u>
Net Operating Revenue	6,656,777	6,797,889
Non-operating Revenues (Expenses):		
Investment Income	221,579	225,341
Interest Expense	(2,714,726)	(2,518,531)
PILOT Payments	(1,556,746)	(1,445,725)
Other	<u>(139,404)</u>	<u>(86,056)</u>
Total Non-operating Expenses	<u>(4,189,297)</u>	<u>(3,824,971)</u>
Increase in Net Position	2,467,480	2,972,918
Net Position		
Net Position, Beginning of Year	32,672,313	31,631,066
Cumulative Effect of Changes in Accounting Principles	0	(837,350)
Prior Period Adjustment	<u>0</u>	<u>(1,094,321)</u>
Net Position, Beginning of Year, Restated	<u>32,672,313</u>	<u>29,699,395</u>
Net Position, End of Year	\$ <u>35,139,793</u>	\$ <u>32,672,313</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

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

Water Rates

The Water Authority sets its rates annually in concurrence with the adoption of its annual operating and capital budget. Enabling legislation dictates that rates and fees are set sufficient to cover all operating costs and 115% of the principal and interest on debt service used for construction and remediation of the existing system. A summary of the rate changes since the Authority began setting rates and adopting budgets is as follows:

RATE HISTORY							
Fiscal Year	Rate Increase		Fiscal Year	Rate Increase		Fiscal Year	Rate Increase
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%
2003	6.00%		2008	8.30%		2013	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).

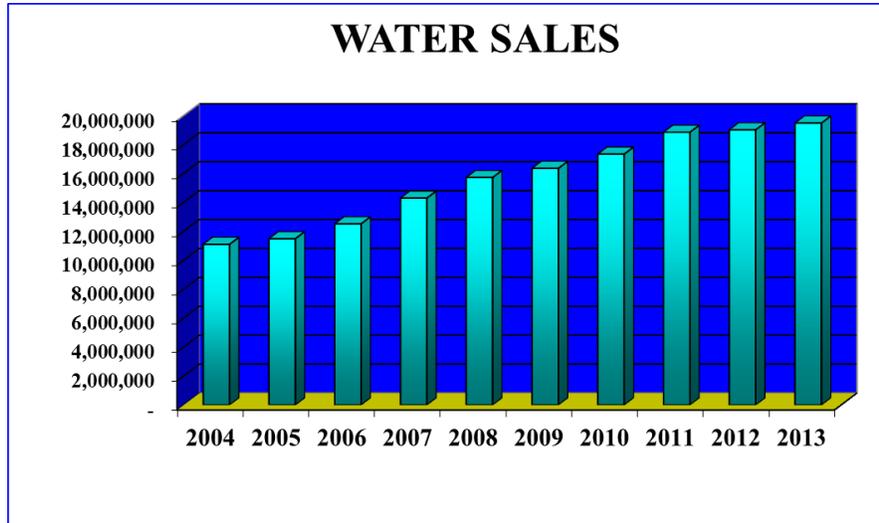
OPERATING REVENUES			
		FY 2013	FY 2012
Water Sales:			
Quarterly Customers	\$	14,804,693	\$ 14,170,697
Monthly Customers		4,685,476	4,852,581
Other Operating Revenue		1,530,379	1,406,222
Total Operating Revenues	\$	<u>21,020,548</u>	\$ <u>20,429,500</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

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

Water Sales, Consumption and Production-continued

For fiscal year 2013, water sales increased by \$467,000 or 2.5% to \$19.5 million. This is due in part to increased consumption compared to the prior year and the two percent increase in water rates. Water consumption increased 6.9 million cubic feet (MCF) compared to the prior year to 487 million cubic feet. This is an average of 1.3 MCF or 10.0 MG consumed



per day. More specifically, both quarterly and monthly customers' water consumption increased from the previous year. Monthly customers increased 5.5 million cubic feet while quarterly customers increased 1.4 million cubic feet. This increase is partially attributed to higher temperatures and dryer conditions throughout the service area during the summer months of 2012.

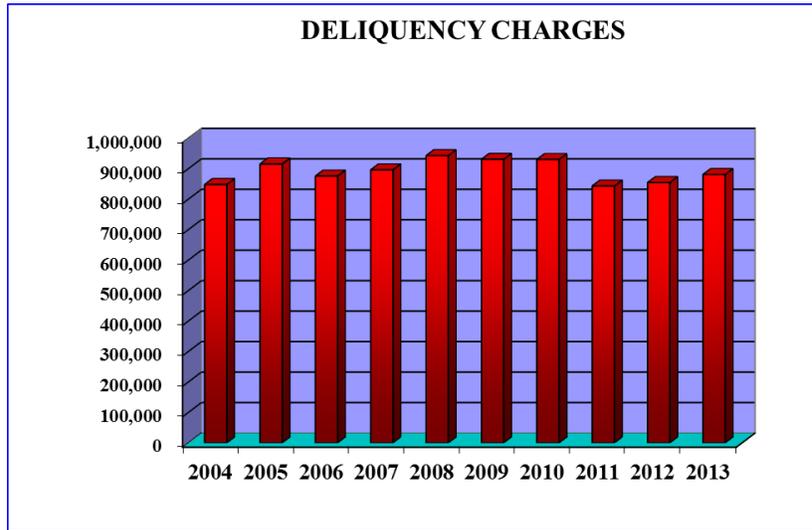
Water production at the treatment plant increased during fiscal year 2013 by 31 MCF (229 million gallons) to a high level of 978 million cubic feet (7.3 billion gallons). This is an average of approximately 2.7 million cubic feet (20.0 million gallons) per day. Customer demand along with the testing and deploying of system upgrades at the treatment and new tanks required significantly higher water production.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses, and Net Position-continued

Delinquency Charges

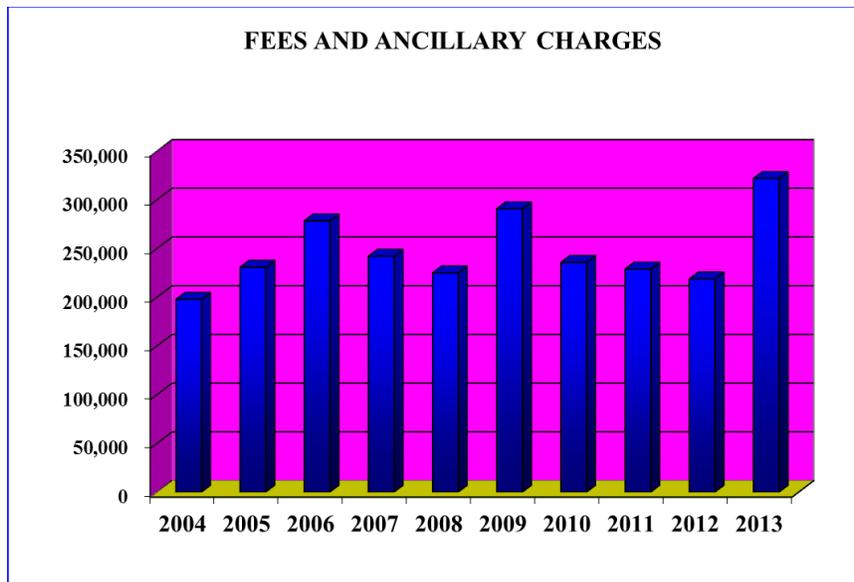
Operating revenue is supplemented by charges on delinquent accounts, ancillary fees and other service charges. Of these amounts, delinquency charges account for over 58% of the total. Penalties, tampering fees and shut-off/turn-on fees were in line with the previous year. Enforcement of delinquent accounts has continued into the current fiscal year. Accounts that are grossly overdue or a high dollar value



have been significantly reduced over the past 10 years. As in past years, the collection of overdue accounts continues to be a focus. Service staff has aggressively targeted accounts overdue by posting notices on properties and terminating water service on accounts that remained unpaid. The results have been positive with greater collection and less delinquencies.

Ancillary Fees

Ancillary-type fees were higher in fiscal 2013 by \$103,000 primarily because of significant increases in fire-line and back flow charges. Compared to budget, these fees were up 63% also in the two areas of fire-line and backflow charges. Hydrant permit fees, water rent searches and replacement of curb boxes also saw healthy increases compared to budget. Reductions in service terminations and line taps offset some of these increases.



MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses, and Net Position-continued

Operating Expenses

The Water Authority’s expenses are budgeted annually and tracked by function. Operations are divided into: Administration, Finance & Accounting, Customer Service, Information Technology, Engineering, Water Distribution, Water Quality, Treatment, and System Repair & Maintenance.

Before amortization and depreciation, operating expenses increased \$657,000 to \$12.5 million from the prior year. Depreciation and amortization increased to \$1.9 million as fixed assets were brought into service.

OPERATING EXPENSES			
	FY 2013		FY 2012 (restated)
Operating Expenses	\$ 12,486,179	\$	11,828,955
Depreciation and Amortization	<u>1,877,592</u>		<u>1,802,656</u>
Total Operating Expenses	<u>\$ 14,363,771</u>	\$	<u>13,631,611</u>

Operating expenses experienced notable changes compared to the previous year in the following areas:

- The majority of the Water Authority’s employees are members of one of two unions, with the exception of a few non-represented employees. 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 the represented employees. The agreements with both the International Brotherhood of Teamsters, Local Union 182, and with the Management Employees Association expired as of March 31, 2013. Discussions are underway with members of both unions for the purpose of reaching new labor agreements.
- Payroll expense remained relatively unchanged during the year at \$4.2 million. While labor rates increased approximately 2.5%, some open positions were being filled in the latter part of the fiscal year resulting in a flattening of overall labor costs.
- Health insurance, retirement benefits and social security are the major portions of employee benefits. Health insurance decreased by \$123,000 in fiscal year 2013 due to the restructuring of the employees’ health insurance program resulting in lower premiums and greater employee contributions, particularly newly hired employees. However, retirees health insurance costs increased by \$32,000 during fiscal year 2013. In addition, state-mandated retirement costs increased 19% to \$897,000 putting an increased burden on the ratepayer.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses, and Net Position-continued

Operating Expenses-continued

- Litigation expenses increased \$89,000 in fiscal 2013 due in part to the continued lawsuit with the Water Authority and New York State over management and water rights of the Hinckley Reservoir. On February 1, 2013, an agreement and new operating protocol was agreed to by New York State and the Water Authority. This ended an eight-year dispute and accumulated litigation cost close to \$1.3 million.
- The purchase of granulated activated carbon (GAC) used at the treatment plant increased by \$183,000 in fiscal year 2013 to \$941,000. GAC is a chemical used in the water filtration process to achieve enhanced water purification and to comply with new drinking water standards.
- Paving costs increased by \$81,000 compared to the prior year caused by the resurfacing of road cuts from water breaks in the previous year.
- Meters expense decreased by \$267,000 in fiscal 2013 as most of the meters purchased during the year were charged to the Advanced Metering Infrastructure (AMI) capital project.
- Operational supplies at the maintenance yard increased \$154,000 with more frequent and larger maintenance projects on existing water lines and related infrastructure.
- Bond closing costs of \$357,000 were recorded in connection with the issuance of the Series 2012 Bonds.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Non-operating Revenues and Expenses

Non-operating revenues expenses are budgeted annually and tracked by category. The following table summarizes non-operating expenses incurred in fiscal years 2013 and 2012:

NON-OPERATING REVENUES AND EXPENSES		
	FY 2013	FY 2012 (restated)
Investment Income	\$ 221,579	\$ 225,341
Interest Expense	(2,714,726)	(2,518,531)
PILOT Payments	(1,556,746)	(1,445,725)
Realized Gains/Loss on Investments	(17,817)	292,476
Other	<u>(121,587)</u>	<u>(378,532)</u>
Total Non-operating Expenses	\$ <u>(4,189,297)</u>	\$ <u>(3,824,971)</u>

Significant changes from the previous year occurred in the above categories:

- Investment income from operating accounts and trust fund proceeds experienced a slight decrease in earnings of \$3,800 as market yields continued to go lower but seem to have stabilized.
- Interest expense consists of interest paid on revenue bonds and to a lesser extent on a promissory note to the City of Utica. Interest expense increased \$196,000 primarily due to the new 2012 revenue bonds that closed in August 2012.
- Payments in lieu of taxes (PILOT payments) were made to schools and other governments in accordance with the Water Authority’s state legislation. The amount paid in fiscal year 2013 was higher by \$111,000 due to an increase in the PILOT payment to the City of Utica by \$105,000.
- Gains and losses on investments are derived from market fluctuations and realized gains and losses when trust fund investments are sold. In fiscal year 2013, a net loss of \$17,800 was realized compared to a \$292,500 net gain in the previous year. Early redemptions and sale of investments during the prior year account for the large gain in the previous year.
- Other net expenses were lower in fiscal year 2013 by \$257,000 due primarily to a lower actuarially determined post-retirement health cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Cash Flows

The following table summarizes the sources and uses of cash during fiscal years 2013 and 2012:

SUMMARY OF CASH FLOW ACTIVITIES		
	FY 2013	FY 2012 (restated)
Cash Flows From:		
Operating Activities	\$ 9,162,835	\$ 7,795,600
Non-Capital Financing Activities	(1,575,094)	(1,362,923)
Investing Activities	(6,702,760)	2,290,399
Capital & Related Financing Activities	<u>(872,037)</u>	<u>(7,730,721)</u>
Net Increase in Cash	12,944	992,355
Cash, Beginning of Year	<u>9,122,544</u>	<u>8,130,189</u>
Cash, End of Year	\$ <u>9,135,488</u>	\$ <u>9,122,544</u>

The Authority's available cash remained unchanged in fiscal year 2013 at \$9.1 million.

Cash-flow generated from operating activities increased due to a combination of increases in water sales and less payments or the timing of payments to suppliers during and at the end of the fiscal year. Also, payments to employees increased slightly.

Cash used for non-capital financing activities consisting primarily of PILOT payments to other municipalities increased slightly during the fiscal year. Particularly, the payment to the City of Utica increased \$105,000 and payments to towns increased slightly.

Cash used for investing activities consisted of amounts invested following the deposit of construction and reserve funds from the series 2012 bonds. Also, to a lesser extent, deposits are made to sinking funds and other related funds for the extinguishment of debt and other obligations.

Cash from capital and related financing activities experienced a large change as a result of proceeds and use of construction fund deposits received from the issuance of the series 2012 bonds.

The \$9.1 million cash at year-end consists of \$6.9 million available from unrestricted operations; \$1.3 million set aside to pay municipalities for sewer and outside water collections; \$767,000 is set aside to fund the bond covenant reserve, and \$148,000 for board-designated projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR FISCAL 2014

Infrastructure

Capital construction, customer service and enhanced technology are some of the goals established for fiscal year 2014. The second phase of water tank construction began in 2009 and has continued over the last four years. The construction of the Deerfield tank and the additional tanks in Marcy, NY (Marcy Reservoir and Toby Road tanks) are completed and in service. A final 6 million gallon tank is currently being constructed at the Southern Reservoir that will accompany a 3 million gallon tank completed in 2003. This final tank will be used to provide additional water storage in addition for the high zones of the water system. The Southern Reservoir along with all other reservoirs throughout the water system have been removed from daily service and are in perpetual "stand-by" mode for use in fire-fighting or extraordinary circumstances. The completion of the southern tank ends an approximate \$30 million, multi-phase capital project designed to enhance the existing water system while complying with newly-enacted water storage regulations.

Starting in fiscal 2013 and continuing into the fiscal 2014 year is the development of an Advanced Metering Infrastructure (AMI) system, estimated at \$5.3 million. The project upgrades all existing water meters making them electronically-suited to emit meter readings that will be available for use by the Water Authority for proactive maintenance of the water system. This AMI system will expedite the collection of consumption data for billing, review and reporting to customers and other stakeholders of the water system.

Litigation and Agreement

Since April, 2005, the Water Authority had been in litigation against New York State, the Canal Corporation of New York State and Erie Boulevard Hydropower, L.P. over water rights and management of the Hinckley Reservoir. On February 1, 2013, an agreement was reached between the Mohawk Valley Water Authority, the Canal Corporation, and New York State securing water rights for the Water Authority. In the agreement, a new analytical tool was developed to ensure that water is available for drinking purposes into the foreseeable future. This analytical software program, known as the operational support tool (OST), was the result of an operations and water management study prepared by the Upstate Freshwater Institute and Barton & Loguidice Engineers with assistance from the Water Authority, Canal Corporation, and the State of New York.

The agreement ensures the reservoir will have adequate water for public health, the environment, economic development, and a variety of recreational activities in Oneida and Herkimer counties.

Other highlights of the agreement include modification of the 1917 agreement by eliminating the requirement for the Water Authority to maintain compensating water storage and flows such as the Grey Reservoir. Also, the agreement affirms the Water Authority's right to use up to 48.5 million gallons per day from the Hinckley Reservoir and unimpeded ability to expand the service area, when practical. As a result, the Water Authority is now free to expand beyond its current service territory which would help stabilize water rates to all users of the system.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR FISCAL 2014-continued

Financial Operations

For fiscal year 2014, operating expenses were budgeted lower by \$168,000 or 1.1% when compared to the actual operating expenses in fiscal year 2013. However, the fiscal year 2014 budget includes a 1.9% water rate increase, following a 2.0% water rate increase in fiscal year 2013. For fiscal year 2013, water consumption increased by 6.9 million cubic feet. However, rates for fiscal year 2014 have been set with the projection of stable or mild reductions in water consumption. Staff monitors consumption on a monthly basis and reports to the Board as part of their financial reporting.

The use of granulated activated carbon (GAC) as part of the filtration process has been incorporated into the budget. The amount budgeted for fiscal 2014 is \$1.0 million. This will be the third year of GAC use at the treatment plant.

Both budgeted operating and non-operating costs are scheduled to increase compared to fiscal 2013 actual costs.

The following are revenue and expense changes included in the 2014 budget:

1. mild increase in water sales due to the 1.9% rate increase and stable consumption;
2. penalties charged on unpaid bills are expected to increase \$55,000;
3. no revenue from timber sales being an off year for harvest of lumber;
4. interest earned from investments scheduled to go down \$55,000;
5. use of \$746,000 of surpluses accumulated from prior years to balance the budget;
6. salaries and wages increases of \$189,000;
7. reduction in legal fees of \$119,000 reflect the conclusion of the litigation with New York State;
8. reduction in gas and electricity use by \$78,000 due to less usage anticipated;
9. retirement costs increases of 26.0%;
10. health insurance premiums expected to increase 8.0%;
11. chemical costs at the treatment plant decreasing \$95,000;
12. debt service will decrease approximately \$100,00 due to refinancing of several debt issues over the past two years;
13. PILOT payments to other governments reduced \$44,000;
14. continued funding of capital maintenance reserve in the amount of \$750,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR FISCAL 2014-continued

The 2014 budget was prepared using the following assumptions:

- water sales remain stagnant as substantial growth is not anticipated
- water consumption will remain the same as it was during fiscal year 2013;
- overall operations will remain relatively consistent;
- operating costs remaining consistent with the prior year;
- other fees and charges are anticipated to generate revenue consistent with the prior year;
- increases in personnel costs and benefits (health insurance and retirement);
- chemical costs due to price increases.

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 August 2012, the Water Authority sold \$15.6 million in revenue bonds. This included the refinancing of a majority of bonds remaining on the 2003 series bonds. At that time, ratings were assigned by both Standard and Poor's Ratings Services and Moody's Investors Service.

Standard and Poor's Rating Services maintained the Water Authority's rating of A+. The rating assigned to the Water Authority's 2012 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 maintained the Water Authority's rating of A₁. The A₁ rating is considered "upper-medium grade and the obligations are subject to low credit risk". The rating assigned to the Water Authority's 2012 revenue bonds indicated a "well managed utility with good long-term planning" and a "growing cash position".

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

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.Water Authority.us.

AUDITED FINANCIAL STATEMENTS

COMBINED STATEMENTS OF NET POSITION

March 31, 2013 and 2012

ASSETS		
	2013	(Restated) 2012
UTILITY PLANT, AT COST		
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 1,050,000
Water Transmission and Storage	30,673,709	17,406,474
Treatment	21,921,748	21,914,748
Distribution	31,118,488	31,118,488
Office & Lab Equipment	2,221,034	2,151,869
Vehicles & Maintenance Equipment	2,516,783	2,305,297
	<u>89,501,762</u>	<u>75,946,876</u>
Accumulated Depreciation	(18,304,428)	(16,620,891)
	71,197,334	59,325,985
Construction Work in Process	6,273,897	15,017,024
Land	981,806	981,806
Net Utility Plant, at Cost	<u>78,453,037</u>	<u>75,324,815</u>
RESTRICTED ASSETS		
Serial Bond Funds	16,502,834	10,328,729
Repair and Improvement Fund	4,282,357	3,511,286
Promissory Note Fund	169,944	129,849
Net Restricted Funds	<u>20,955,135</u>	<u>13,969,864</u>
CURRENT ASSETS		
Cash:		
Unrestricted/ Undesignated	6,941,400	6,915,326
Board Designated Funds:		
Debt Covenant Reserve	766,869	766,869
Proceeds From Timber Sales	147,638	147,638
Sewer Charges Collected	1,279,582	1,292,711
Billed Water Receivables, Net of Allowance of \$371,378 in 2013 and \$412,416 in 2012	1,868,874	1,739,657
Grants Receivable	13,800	13,800
Lab Fees Receivable	15,528	717
Interest Receivable	38,756	33,900
Miscellaneous Receivables	8,136	7,655
Materials Inventory	490,716	648,452
Prepaid Expenses	190,221	109,294
Total Current Assets	<u>11,761,520</u>	<u>11,676,019</u>
TOTAL ASSETS	<u>111,169,692</u>	<u>100,970,698</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,413,144</u>	<u>2,340,767</u>
	<u>\$ 113,582,836</u>	<u>\$ 103,311,465</u>

MOHAWK VALLEY WATER AUTHORITY

LIABILITIES AND NET ASSETS

	2013	(Restated) 2012
LONG-TERM OBLIGATIONS, LESS CURRENT INSTALLMENTS	\$ 68,508,257	\$ 62,368,274
CURRENT LIABILITIES		
Accounts Payable	753,448	312,525
Construction Contracts (Includes retainages of \$112,153 in 2013 and \$62,699 in 2012)	291,299	108,996
Accrued Liabilities	206,439	182,673
Lease Payable	17,685	28,365
Accrued Interest	1,328,621	1,010,327
Compensated Absences	268,000	268,000
Sewer Service Collections Due to Municipalities	1,279,582	1,292,711
Current Portion of Promissory Note	121,874	115,101
Current Portion of Revenue Bonds Payable	2,765,000	2,670,000
Total Current Liabilities	7,031,948	5,988,698
OTHER LIABILITIES		
Postemployment Benefits Other Than Pension	2,513,421	2,183,213
TOTAL LIABILITIES	78,053,626	70,540,185
DEFERRED INFLOWS OF RESOURCES	389,417	98,967
NET POSITION		
Invested In Capital Assets, Net of Related Debt	21,674,806	19,704,594
Restricted For:		
Repair and Improvement	659,763	652,870
Debt Service	3,322,848	2,582,437
Unrestricted	9,482,376	9,732,412
Total Net Position	35,139,793	32,672,313
	\$ 113,582,836	\$ 103,311,465

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended March 31, 2013 and 2012

	2013	(Restated) 2012
OPERATING REVENUE		
Metered Water Sales	19,490,169	\$ 19,023,278
Delinquency Charges	881,430	854,927
Fees and Ancillary Charges	322,044	218,970
Other Services	326,905	332,325
Total Operating Revenue	<u>21,020,548</u>	<u>20,429,500</u>
OPERATING EXPENSES		
Administrative	802,224	647,543
Finance & Accounting	1,010,453	989,175
Customer Service	393,419	367,778
Engineering	518,226	498,373
Water Distribution	265,624	314,460
Information Technology	664,554	656,214
Water Quality Maintenance	730,000	703,536
Treatment	2,575,892	2,386,367
System Repair & Maintenance	3,595,942	3,846,903
General Services	1,929,845	1,418,606
Amortization of Bond Expenses	208,494	196,730
Depreciation	1,669,098	1,605,926
Total Operating Expenses	<u>14,363,771</u>	<u>13,631,611</u>
NET OPERATING REVENUE	6,656,777	6,797,889
NONOPERATING REVENUE (EXPENSE)		
Investment Income	221,579	225,341
Interest Expense	(2,714,726)	(2,518,531)
PILOT Payments	(1,556,746)	(1,445,725)
Independent Lab Services, Net	81,956	88,214
Realized Gain/ (Loss) on Investments	(17,817)	292,476
Post Employment Health Benefits	(330,208)	(547,704)
Other Income, Net	126,665	80,958
Total Nonoperating Expense	<u>(4,189,297)</u>	<u>(3,824,971)</u>
Increase in Net Position	2,467,480	2,972,918
NET POSITION		
Net Position, Beginning of Year	<u>32,672,313</u>	<u>31,631,066</u>
Cumulative Effect of Changes in Accounting Principles	<u>0</u>	<u>(837,350)</u>
Prior Period Adjustment	<u>0</u>	<u>(1,094,321)</u>
Net Position, Beginning of Year, Restated	<u>32,672,313</u>	<u>29,699,395</u>
Net Position, End of Year	<u><u>35,139,793</u></u>	<u><u>\$ 32,672,313</u></u>

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2013 and 2012

	2013	(restated) 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 20,800,008	\$ 20,435,558
Payments to Suppliers	(8,435,854)	(8,599,339)
Payments to Employees	(4,683,613)	(4,501,114)
Other Receipts	<u>1,482,294</u>	<u>460,495</u>
Net Cash Provided By Operating Activities	9,162,835	7,795,600
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to Other Governments	<u>(1,575,094)</u>	<u>(1,362,923)</u>
Net Cash Used In Noncapital Financing Activities	(1,575,094)	(1,362,923)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(7,735,271)	(750,000)
Proceeds from Sale of Investments and Maturities of Investment Securities	<u>1,032,511</u>	<u>3,040,399</u>
Net Cash Provided (Used) By Investing Activities	(6,702,760)	2,290,399
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(4,894,060)	(2,839,076)
Proceeds from Issuance of Revenue Bonds	8,825,000	0
Other Nonoperating Revenue and Expense, net	330,208	0
Principal Payments on Long-Term Bonds	(2,470,000)	(2,580,000)
Principal Payments on Promissory Note	(115,101)	(108,704)
Capital Contributions	182,303	443,200
Interest Paid	<u>(2,730,387)</u>	<u>(2,646,141)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(872,037)</u>	<u>(7,730,721)</u>
Net Increase (Decrease) in Cash	12,944	992,355
Cash, Beginning of Year	<u>9,122,544</u>	<u>8,130,189</u>
Cash, End of Year	<u>\$ 9,135,488</u>	<u>\$ 9,122,544</u>

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS-CONTINUED

Years Ended March 31, 2013 and 2012

	2013	(restated) 2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 6,656,777	\$ 6,797,889
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	1,669,098	1,605,926
Amortization of Bond Expenses	208,494	196,730
Use of Equipment for Utility Plant Improvements	96,740	40,397
Disposition of Assets	0	0
(Increase) Decrease in Operating Assets:		
Billed Water Receivables & Other Receivables	(129,698)	(291,482)
Materials Inventory	157,736	(377,244)
Prepaid Expenses	47,823	1,368
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	440,922	(38,783)
Accrued Liabilities	(4,599)	(152,153)
Post Employment Benefits Other than Pension	0	0
Compensated Absences	19,542	12,952
Net Cash Provided By Operating Activities	<u>\$ 9,162,835</u>	<u>\$ 7,795,600</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Disposition of Assets	<u>\$ (88,300)</u>	<u>\$ (76,323)</u>
Change in Fair Value of Investments	<u>\$ (17,817)</u>	<u>\$ 292,476</u>
Post Employment Benefits Other than Pension	<u>\$ 330,208</u>	<u>\$ 547,704</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

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, 2013 and 2012

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 17.5 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 42.8 miles and 558.9 miles, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

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, 2013 and 2012

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 position and contributed capital, if any. Proprietary operating statements present increases (revenues) and decreases (expenses) in total net position.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

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.

Effective April 1, 2012 the Authority implemented the provisions of Governmental Accounting Standards Board Statement Number 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Implementation of this statement required restatement of the cost of capital assets regarding capitalized interest on the Combined Statements of Net Position and the Combined Statements of Revenues, Expenses and Changes in Net Position. In particular, \$564,089 of bond interest costs incurred to acquire capital projects during their construction period were added to the respective capital projects. This amount is reported in the Combined Statements of Revenues, Expenses and Changes in Net Position under the caption "Cumulative Effect of Changes in Accounting Principles". Also, modification to the disclosure in the Summary of Significant Accounting Policies was required.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting Changes-continued

During fiscal year 2013, the Authority adopted Governmental Accounting Standards Board Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The new statement resulted in the replacement of the Authority's Statement of Net Assets with a Statement of Net Position which now reports deferred resource outflow and deferred resource inflows separately from Assets and Liabilities.

Also, during fiscal year 2013, the Authority implemented Governmental Accounting Standards Board Statement Number 65 – *Items Previously Reported as Assets and Liabilities*. This new statement required restatement of certain items previously reported as assets or liabilities. For the Water Authority, the items requiring restatement were limited to deferred bond issuance costs. Deferred bond issuance costs were restated to exclude all bond costs, other than premiums paid for bond insurance. This required restatement of the previously reported beginning net position to reflect the expense of certain previously deferred bond issuance costs. In particular, bond issuance costs of \$1,401,439 incurred in prior years to obtain various series revenue bonds and previously deferred in the Water Authority's Statements of Net Position are now expensed as incurred. This amount is reported in the Combined Statements of Revenues, Expenses and Changes in Net Position under the caption "Cumulative Effect of Changes in Accounting Principles". Also, modification to the disclosure in the Summary of Significant Accounting Policies was required.

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.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 the Notes to Combined Financial Statements—Employees' Pension Plan for more detail.

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.

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 and property/liability insurance.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 Position. 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

Capitalization of Interest

Interest costs incurred that relate to the acquisition or construction of capital assets acquired with tax-exempt debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

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 2012 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. Water Authority 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.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 2 – CASH – CONTINUED

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 2013 and 2012, interest earnings on capital investments have been in the range of .01%-5.13%.

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 2013		Fiscal 2012	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand Deposits	\$ 9,014,478	\$ 9,135,488	\$ 9,033,211	\$ 9,122,544

Investments

	Credit Rating	Fiscal 2013	Fiscal 2012
Cash and Accrued Income		\$ 2,313,410	\$ 6,642
U.S. Treasury Bills		0	0
Federated U.S. Treasury Cash Reserves #632	Aaa*	4,241,571	5,100,175
Dreyfus Government Prime Cash Management	Aaa*	3,061,251	0
BNY Cash Reserves	A1*	161,179	121,085
State and Local Government Series (SLGS)		0	0
SLGS, 2.375%, due 11/15/2020	Aaa*	1,710,000	1,710,000
SLGS, 2.07%, due 05/15/2022	Aaa*	287,700	287,700
Certificates of Deposit		8,129,143	5,693,381
Master Repurchase Agreements	Aaa*	1,050,881	1,050,881
Total Investments		<u>\$ 20,955,135</u>	<u>\$ 13,969,864</u>

*-Moody's Investors Service

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

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.

As of January 1, 2013, all accounts at an insured depository institution, including all noninterest-bearing transaction accounts and 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, 2013. 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, 2013 and 2012

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, 2013, 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, 2013 and 2012

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, 2013 and 2012 (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, 2013 and 2012

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	2013	
	<u>Carrying Amount</u>	<u>Fair Value</u>
1996B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	32,951	32,951
Certificates of Deposit	<u>200,000</u>	<u>205,988</u>
Value of 1996B Bonds	232,951	238,939
 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	27,105	27,105
Cash Equivalents – Fed. US Treasury Cash Reserves	86,814	86,869
Master Repurchase Investment 5.13%, 04/01/2030	<u>787,219</u>	<u>787,219</u>
Value of 2000 Series Bonds	901,138	901,193
 2001A Series Bonds		
Cash	160,109	160,109
Cash Equivalents – Fed. US Treasury Cash Reserves	561,880	561,880
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	2,431,990	2,431,990
 2001B Series Bonds		
Cash	13,366	13,366
Cash Equivalents – Fed. US Treasury Cash Reserves	119,983	119,983
US Treasury Notes-SLGS 2.07% 5/15/2022	<u>287,700</u>	<u>287,700</u>
Value of 2001 B Series Bonds	421,049	421,049

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	2013	
	Carrying Amount	Fair Value
	<u> </u>	<u> </u>
2003 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	689,427	689,427
Certificates of Deposit	1,146,971	1,147,094
Value of 2003 Series Bonds	<u>1,836,398</u>	<u>1,836,521</u>
2006A Series Bonds		
Cash	710,239	710,239
Cash Equivalents – Fed. US Treasury Cash Reserves	1,142,979	1,142,979
Certificates of Deposit	400,000	409,477
Value of 2006A Series Bonds	<u>2,253,218</u>	<u>2,262,695</u>
2008A Series Bonds		
Cash	171,916	171,916
Cash Equivalents – Fed. US Treasury Cash Reserves	671,779	671,779
Certificates of Deposit	598,000	605,887
Value of 2008A Series Bonds	<u>1,441,695</u>	<u>1,449,582</u>
2012 Series Bonds		
Cash	476,888	476,888
Cash Equivalents – Dreyfus Gov Cast Prime Cash	3,061,251	3,061,251
Certificates of Deposit	3,136,379	3,145,411
Value of 2012 Series Bonds	<u>6,674,518</u>	<u>6,683,550</u>
R & I Fund, Pilot Fund, Promissory Note		
Cash	753,788	753,788
Bank of New York Cash Reserves	161,179	161,179
Cash Equivalents – Fed. US Treasury Cash Reserves	922,475	922,475
Certificates of Deposit	2,578,000	2,614,859
Value of R&I Fund, Pilot Fund, and Promissory Note	<u>4,415,442</u>	<u>4,452,301</u>
Total Value of All Restricted Investments	<u>\$ 20,885,714</u>	<u>\$ 20,955,135</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 3 – RESTRICTED ASSETS – CONTINUED

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

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	2012	
	<u>Carrying Amount</u>	<u>Fair Value</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>

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

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, the unpaid balance remains on the account until 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 20% to 85%, depending on their maturity. Generally, 98% of accounts billed are eventually collected. At March 31, 2013 and 2012, an allowance for uncollectible accounts of water sales has been established in the amount of \$371,378 and \$412,416, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

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, 2013 and 2012.

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 2013 and 2012, accrued interest receivable on these investments was recorded in the amount of \$38,756 and \$33,900, 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 2013 and 2012, 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, 2013 and 2012

NOTE 4 – ACCOUNTS RECEIVABLE – CONTINUED

Miscellaneous Receivables

The receivable balance consists primarily of hydrant permits and usage fees associated with private fire protection apparatus. In addition, fees may be 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 2013 and 2012, 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, 2013 and 2012

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 2013 or 2012.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

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

	(restated) Balance 3/31/2012	Increases	Decreases	Balance 3/31/2013
Utility Plant, not being depreciated				
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 0	\$ 0	\$ 1,050,000
Land	981,806	0	0	981,806
Work In Progress	15,017,024	4,551,227	13,294,354	6,273,897
Total Utility Plant, not being depreciated	17,048,830	4,551,227	13,294,354	8,305,703
Utility Plant, being depreciated				
Water Transmission and Storage	17,406,474	13,267,235	0	30,673,709
Distribution	31,118,488	0	0	31,118,488
Vehicle and Maintenance Equipment	2,305,297	293,922	82,436	2,516,783
Office and Lab Equipment	2,151,869	69,165	0	2,221,034
Water Treatment	21,914,748	7,000	0	21,921,748
Total Utility Plant, being depreciated	74,896,876	13,637,322	82,436	88,451,762
Less Accumulated Depreciation for:				
Water Transmission and Storage	(2,055,554)	(333,108)	0	(2,388,662)
Distribution	(7,535,801)	(721,556)	0	(8,257,357)
Vehicle and Maintenance Equipment	(1,600,629)	(202,921)	(82,300)	(1,721,250)
Office and Lab Equipment	(1,778,242)	(124,054)	0	(1,902,296)
Water Treatment	(3,650,665)	(384,198)	0	(4,034,863)
Total Accumulated Depreciation	(16,620,891)	(1,765,837)	(82,300)	(18,304,428)
Total Utility Plant, being depreciated, net	58,275,985	11,871,485	136	70,147,334
Total Utility Plant, net	\$ 75,324,815	\$ 16,422,712	\$ 13,294,490	\$ 78,453,037

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

	(restated) Balance 3/31/2011	Increases	Decreases	(restated) 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	19,937,735	2,243,066	7,163,777	15,017,024
Total Utility Plant, not being depreciated	21,969,689	2,243,066	7,163,925	17,048,830
Utility Plant, being depreciated				
Water Transmission and Storage	10,977,567	6,428,907	0	17,406,474
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	21,326,311	588,437	0	21,914,748
Total Utility Plant, being depreciated	67,581,159	7,392,021	76,304	74,896,876
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)	(235,893)	(76,175)	(1,600,629)
Office and Lab Equipment	(1,658,561)	(119,681)	0	(1,778,242)
Water Treatment	(3,290,275)	(360,390)	0	(3,650,665)
Total Accumulated Depreciation	(15,050,743)	(1,646,323)	(76,175)	(16,620,891)
Total Utility Plant, being depreciated, net	52,530,416	5,745,698	129	58,275,985
Total Utility Plant, net	\$ 74,500,105	\$ 7,988,764	\$ 7,164,054	\$ 75,324,815

Depreciation charged to expense at March 31, 2013 and 2012 was \$1,669,098 and \$1,605,926, respectively. Use of company-owned equipment to improve infrastructure was charged to the respective capital project.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 6 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of bond premiums paid on various bond issues. These bond issuance costs are deferred and amortized over the life of the respective issue using a straight-line method. Bond premiums being deferred and amortized consist of the following bond series:

	<u>FY 2013</u>	<u>FY 2012</u>
Premiums on Bonds:		
2012 Series Bonds	\$ 294,831	\$ 0
2006 Series Bonds	71,876	75,001
2000 Series Bonds	22,710	23,966
	<u>\$ 389,417</u>	<u>\$ 98,967</u>

For fiscal year 2013 and 2012, respectively, amortization of \$19,926 and \$4,409 were charged to operations. Estimated future amortization is \$19,926 over the next five fiscal years.

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, billing and collection of water service charges assessed by the Village of Bridgewater (outside the Water Authority's service area) are 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	2013	2012
Oneida County	\$ 1,098,570	\$ 1,148,301
City of Utica	169,798	126,301
Village of Holland Patent	1,987	2,343
Town of Marcy	7,563	14,304
Village of Bridgewater	1,663	1,462
Total	<u>\$ 1,279,581</u>	<u>\$ 1,292,711</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT

The revenue bonds and promissory note outstanding at March 31, 2013 and 2012 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>2013</u>	<u>2012</u>
REVENUE BONDS:							
1996 Series B	System Improvement	Baa3	2013	2.20%	\$ 2,725,000	\$ 0	\$ 160,000
Less: Current Maturities						0	160,000
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	\$ 4,513,720	\$ 4,788,720
Less: Current Maturities						0	275,000
Add: Bond Premium						22,682	23,966
Total Long-Term						<u>\$ 4,536,402</u>	<u>\$ 4,537,686</u>
2001 Series A** (Advanced Refunding)	Refunding of 1996A Bonds	Baa1	2020	3.43%-5.13%	\$26,716,006	\$ 12,860,000	\$ 14,240,000
Less: Current Maturities						1,425,000	1,380,000
Less: Bond Discount						1,116,224	1,261,819
Total Long-Term						<u>\$ 10,318,776</u>	<u>\$ 11,598,181</u>
2001 Series B** (Advanced Refunding)	System Improvement	Baa1	2022	3.02%-5.31%	\$ 2,876,300	\$ 1,790,000	\$ 1,915,000
Less: Current Maturities						125,000	125,000
Total Long-Term						<u>\$ 1,665,000</u>	<u>\$ 1,790,000</u>
2003 Series (Advanced Refunding)	System Improvement	A3	2034	2.00%-4.75%	\$ 8,385,000	\$ 200,000	\$ 7,000,000
Less: Current Maturities						200,000	190,000
Less: Bond Discount						0	161,659
Total Long-Term						<u>\$ 0</u>	<u>\$ 6,648,341</u>
2006 Series A	System Improvement/ Partial Refunding-1999 & 2000 Series	A3	2036	4.00%-5.00%	\$20,325,000	\$ 18,345,000	\$ 18,765,000
Less: Current Maturities						725,000	420,000
Add: Bond Premium						71,876	75,001
Less: Deferred Amount						480,648	501,546
Total Long-Term						<u>\$ 17,211,228</u>	<u>\$ 17,918,455</u>
2008 Series A	System Improvement	A3	2030	3.00%-6.25%	\$12,220,000	\$ 11,760,000	\$ 11,880,000
Less: Current Maturities						290,000	120,000
Less: Bond Discount						191,409	203,562
Total Long-Term						<u>\$ 11,278,591</u>	<u>\$ 11,556,438</u>
2012 Series	System Improvement/ Partial Refunding-2003 Series	A1/A+	2033	3.00%-4.00%	\$15,635,000	\$ 15,635,000	\$ 0
Less: Current Maturities						0	0
Add: Bond Premium						294,831	0
Less: Deferred Amount						427,713	0
Total Long-Term						<u>\$ 15,502,118</u>	<u>\$ 0</u>
PROMISSORY NOTE:							
City of Utica Note	Water System Purchase Agreement	N/A	2036	Approx. 5.8%	\$ 7,000,000	\$ 6,098,071	\$ 6,213,172
Less: Current Maturities						121,874	115,101
Total Long-Term						<u>\$ 5,976,197</u>	<u>\$ 6,098,071</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 passed 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, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

2012 SERIES BONDS			
	Principal	Interest	Total
2014	\$ 0	\$ 551,981	\$ 551,981
2015	285,000	547,706	832,706
2016	435,000	536,906	971,906
2017	600,000	521,381	1,121,381
2018	620,000	503,081	1,123,081
2019-2020	1,300,000	935,962	2,235,962
2021-2025	3,755,000	1,856,656	5,611,656
2026-2030	4,460,000	1,158,103	5,618,103
2031-2034	4,180,000	309,937	4,489,937
	<u>15,635,000</u>	<u>6,921,713</u>	<u>22,556,713</u>
Less: Current Portion	0	0	0
Add: Bond Premium	294,831	0	294,831
Less: Deferred Amount	427,713	0	427,713
	<u>\$ 15,502,118</u>	<u>\$ 6,921,713</u>	<u>\$ 21,834,169</u>

2008 A SERIES BONDS			
	Principal	Interest	Total
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	360,000	637,625	997,625
2019-2020	785,000	1,215,875	2,000,875
2021-2025	3,135,000	2,487,969	5,622,969
2026-2030	6,215,000	1,037,656	7,252,656
	<u>11,760,000</u>	<u>8,095,300</u>	<u>19,855,300</u>
Less: Current Portion	290,000	0	290,000
Less: Bond Discount	191,409	0	191,409
	<u>\$ 11,278,591</u>	<u>\$ 8,095,300</u>	<u>\$ 19,373,891</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

	2006 A SERIES BONDS		
	Principal	Interest	Total
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	870,000	632,375	1,502,375
2019-2020	1,865,000	1,133,900	2,998,900
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	1,615,000	69,381	1,684,381
	<u>18,345,000</u>	<u>9,255,912</u>	<u>27,600,912</u>
Less: Current Portion	725,000	0	725,000
Add: Bond Premium	71,876	0	71,876
Less: Deferred Amount	<u>480,648</u>	<u>0</u>	<u>480,648</u>
	<u>\$ 17,211,228</u>	<u>\$ 9,255,912</u>	<u>\$ 26,467,140</u>

	2003 SERIES BONDS (Partially Refunded)		
	Principal	Interest	Total
2014	<u>\$ 200,000</u>	<u>\$ 7,250</u>	<u>\$ 207,250</u>
	200,000	7,250	207,250
Less: Current Portion	<u>200,000</u>	<u>0</u>	<u>200,000</u>
	<u>\$ -</u>	<u>\$ 7,250</u>	<u>\$ 7,250</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

2001 B SERIES BONDS

	Principal	Interest	Total
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	145,000	61,536	206,536
2019	150,000	54,176	204,176
2020-2023	965,000	126,165	1,091,165
	<u>1,790,000</u>	<u>554,631</u>	<u>2,344,631</u>
Less: Current Portion	<u>125,000</u>	<u>0</u>	<u>125,000</u>
	<u>\$ 1,665,000</u>	<u>\$ 554,631</u>	<u>\$ 2,219,631</u>

2001 A SERIES BONDS

	Principal	Interest	Total
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	1,630,000	346,940	1,976,940
2019	1,685,000	266,255	1,951,255
2020-2021	3,555,000	274,351	3,829,351
	<u>12,860,000</u>	<u>3,008,014</u>	<u>15,868,014</u>
Less: Current Portion	<u>1,425,000</u>	<u>0</u>	<u>1,425,000</u>
Less: Bond Discount	<u>1,116,224</u>	<u>0</u>	<u>1,116,224</u>
	<u>\$ 10,318,776</u>	<u>\$ 3,008,014</u>	<u>\$ 13,326,790</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

2000 SERIES BONDS (Partially Refunded)

	Principal	Interest	Total
2014	\$ 0	\$ 0	\$ 0
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
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	353,119	1,541,781	1,894,900
	4,513,720	13,311,181	17,824,901
Less: Current Portion	-	0	-
Add: Bond Premium	22,682	0	22,682
	\$ 4,536,402	\$ 13,311,181	\$ 17,847,583

PROMISSORY NOTE

	Principal	Interest	Total
2014	\$ 121,874	\$ 358,841	\$ 480,715
2015	129,045	351,670	480,715
2016	136,639	344,076	480,715
2017	144,679	336,036	480,715
2018	153,193	327,522	480,715
2019	162,208	318,507	480,715
2020-2024	965,958	1,437,618	2,403,576
2025-2029	1,285,642	1,117,933	2,403,575
2030-2034	1,711,128	692,449	2,403,577
2035-2037	1,287,705	154,437	1,442,142
	6,098,071	5,439,089	11,537,160
Less: Current Portion	121,874	0	121,874
	\$ 5,976,197	\$ 5,439,089	\$ 11,415,286

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

Long-term liability activity for the fiscal year ended March 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 56,078,720	\$ 15,635,000	\$ (9,375,000)	\$ 62,338,720	\$ 2,765,000
Promissory Note	6,098,071	-	(121,874)	5,976,197	121,874
Capital Leases	56,333	-	(17,685)	38,648	17,685
Compensated Absences	135,150	324,131	304,589	154,692	268,000
Total Liabilities	<u>\$ 62,368,274</u>	<u>\$ 15,959,131</u>	<u>\$ (9,209,970)</u>	<u>\$ 68,508,257</u>	<u>\$ 3,172,559</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

Advance Refundings

On July 25, 2012, the Water Authority issued \$15,635,000 of Series 2012 revenue bonds, 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 the future debt service on \$6,860,000 of 2003 series bonds. The SLGS purchased have variable interest rates ranging from .08% to .16%. Portions of the 2003 series bonds are considered partially refunded; as a result, the portions the bond series are also considered defeased, and the liability has been removed from the statement of net position. These new bonds were issued at a premium of \$310,350, 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 \$731,773 over the life of the 2003 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 \$539,639.

Prior Years' Defeasance of Debt

On November 2, 2006, the Water Authority issued \$20,335,000 of Series 2006A revenue bonds, 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 position. 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

Prior Years' Defeasance of Debt--continued

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.

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, 2013 and 2012, the Board was in compliance with the loan covenants. The following is a summary of the covenants:

- 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.
- The Board has reviewed the adequacy of fees, rates and charges at least annually.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

Bond Covenants-continued

- 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.
- 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.
- The Water Authority's expenses for the month of March were covered and there were no shortfalls.
- 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.
- Initial funding for the repair and improvement fund in the amount of \$500,000 (currently \$660,000) 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.
- The debt service and sinking fund balance is equal to the accrued debt service.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 8 – LONG-TERM DEBT – CONTINUED

Bond Covenants – Continued

- The promissory note fund is at least equal to the accrued promissory note payment.
- The PILOT payments fund is at least equal to the required PILOT payments and any shortfall from previous months.
- 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.
- 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.
- The Board will make available funds to pay all required subordinated indebtedness.

NOTE 9 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources consist of bond discounts, bond insurance premiums and amounts deferred from the defeasance of prior debt issues. Original issue discounts and deferred losses on refundings of long-term indebtedness are amortized over the life of the respective bond using the straight-line method. A summary of deferred outflows of resources outstanding at year-end is as follows:

	2013	2012
Amounts deferred on defeasance of debt:		
Series 2012 Bonds	\$ 427,714	\$ 0
Series 2006 Bonds	480,648	501,546
Authority Financing Costs:		
Discounts	1,307,633	1,627,039
Bond Insurance Premiums	197,149	212,182
	\$ 2,413,144	\$ 2,340,767

Estimated annual amortization expense is \$200,807 over the next five fiscal years.

NOTE 10 – OTHER LONG-TERM LIABILITIES

Compensated absences represent unused vacation and compensatory time payable in the future. The balance at March 31, 2013 and 2012 were \$422,692 and \$403,150, respectively.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 11 – NET POSITION

The basic financial statements utilize a net position presentation. Net position is 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 position reflects the portion 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 Assets—This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors, debt covenants, grantors, enabling legislation or regulation of other governments imposed by law.

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

The Board of Directors of the Water Authority has segregated portions of unrestricted 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:

	2013	2012
Internal Commitments:		
Debt Service Covenant	\$ 766,869	\$ 766,869
Repair, Replacement and Renewal Reserve	929,140	924,043
Operating & Maintenance Reserve	626,116	618,987
Capital Maintenance Reserve	2,067,338	1,315,387
Reserve For Board Projects	147,638	147,638
Total	<u>\$ 4,537,101</u>	<u>\$ 3,772,924</u>

NOTE 12 – 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, 2013 and 2012

NOTE 12 – EMPLOYEES' PENSION PLAN-CONTINUED

Plan Description

The Water Authority participates in the New York State and Local Employees' Retirement System (NYSERS) 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 NYRSSL, 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 NYSERS is noncontributory except for employees who joined the NYSERS after July 27, 1976. Those employees who joined after July 27, 1976 have varying contribution rates and terms based upon their date of membership as follows:

<u>Tiers</u>	<u>Plan Entry Dates</u>	<u>Contribution Rate</u>	<u>Term</u>
4	7/27/1976 – 12/31/2009	3% of salary	1st ten years of membership
5	1/1/2010 – 3/31/2012	3% of salary	Entire career
6	4/1/2012 - present	Ranging from 3% - 6%	Entire career

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.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 12 – EMPLOYEES' PENSION PLAN – CONTINUED

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>
2013	\$ 897,364	18.8%
2012	\$ 665,564	14.4%
2011	\$ 532,857	12.3%
2010	\$ 339,758	7.6%
2009	\$ 367,569	9.7%

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 13 – 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-four (24) employees contributed to the plan during fiscal year 2013.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the retirement benefits described above, 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, 2013 and 2012

NOTE 14 – 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, 2012, the effective date of the annual OPEB valuation, follows:

Active Employees	78
Retired Employees	16
Dependents	8
Disabled	<u>0</u>
Total	<u><u>102</u></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, 2013, the Authority's Annual Required Contribution (ARC) is \$564,580. The net annual OPEB cost consists of the ARC amount less an adjustment of \$118,709; interest earned on the net OPEB obligations of \$76,416 less payments for current health insurance premiums for retirees and their beneficiaries totaling \$192,079. The result was an increase in the Net OPEB Obligation of \$330,208 for the year ended March 31, 2013.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 14 – 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 2013, 2012 and 2011 were as follows:

Annual OPEB Cost and Net OPEB Obligation	FY 2013	FY 2012	FY 2011
Annual Required Contribution	\$564,580	\$735,947	\$657,581
Interest on Net OPEB Obligation	76,416	57,408	40,910
Adjustment to Annual Required Contribution	(118,709)	(89,182)	(63,552)
Annual OPEB Cost	522,287	704,173	634,939
Contributions made	(192,079)	(156,469)	(168,274)
Increase in Net OPEB Obligation	330,208	547,704	466,665
Net OPEB Obligation - beginning of year	2,183,213	1,635,509	1,168,844
Net OPEB Obligation - end of year	<u>\$2,513,421</u>	<u>\$2,183,213</u>	<u>\$1,635,509</u>
Percentage of Annual OPEB Cost contributed	36.78%	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 2013	FY 2012	FY 2011
Actuarial Accrued Liability (AAL)	\$5,531,117	\$7,333,745	\$6,704,266
Actuarial Value of Assets	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	5,531,117	7,333,745	6,704,266
Funded Ratio (Assets as a percentage of AAL)	0.00%	0.00%	0.00%
Annual Covered Payroll	4,196,738	4,625,825	\$4,475,200
UAAL as a Percentage of Covered Payroll	131.80%	158.54%	149.81%

Actuarial Methods and Assumptions

	March 31, 2013	March 31, 2012	March 31, 2011
Measurement Date	March 31, 2013	March 31, 2012	March 31, 2011
Investment Rate of Return	3.50%	3.50%	3.50%
Expected Return on Plan Assets	N/A	N/A	N/A
Expected Return on Employer's Assets	3.50%	3.50%	3.50%
Rate of compensation increase	N/A	N/A	N/A
Inflation Rate	3.00%	3.00%	3.00%

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS--CONTINUED

Actuarial Methods and Assumptions-continued

Measurement Date	March 31, 2013	March 31, 2012	March 31, 2011
Investment Rate of Return	3.50%	3.50%	3.50%
Expected Return on Plan Assets	N/A	N/A	N/A
Expected Return on Employer's Assets	3.50%	3.50%	3.50%
Rate of compensation increase	N/A	N/A	N/A
Inflation Rate	3.00%	3.00%	3.00%

Assumed pre-65 medical trend rates at March 31

Health care cost trend rate assumed for next fiscal year	9.25%
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	8.25%
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	8.25%
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, the Water Authority and the hired actuary 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, 2013 and 2012

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The beginning Net Position balance in the Combined Statements of Revenues, Expenses and Changes in Net Position has been restated to reflect the accrued amount of interest expense costs on the Authority's various revenue bonds. Prior to this restatement, these amounts were considered a prepaid. The overall effect of omitting this accrued amounts required an adjustment of \$1,094,321 to the beginning net position balance.

For fiscal year 2012, the effect of recording accrued interest for interim periods (months) rather than when the interest is paid, resulted in an overall decrease to interest expense of \$58,584.

NOTE 16 – 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, settled or concluded:

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 a 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 16 – COMMITMENTS AND CONTINGENCIES-CONTINUED

Litigation-continued

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, were tentatively scheduled to be tried before the Oneida County Supreme Court commencing in March 2012. Both parties agreed to a temporary stay in order to conduct settlement discussions.

An Interim Agreement was reached on July 3, 2012 that provided permanent and irrevocable rights to MVWA to withdraw up to 35 cfs free from any obligation to provide compensation either through financial payments or water flows. The stay on litigation was extended to allow the parties to continue negotiations regarding MVWA withdrawals above 35 cfs up to its historical limit of 75 cfs.

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.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 16 – COMMITMENTS AND CONTINGENCIES-CONTINUED

Agreement

On February 1, 2013, an agreement was reached between the Mohawk Valley Water Authority, the Canal Corporation, and New York State securing water rights for the Water Authority. In the agreement, a new analytical tool was developed to ensure that water is available for drinking purposes into the foreseeable future. This analytical software program, known as the operational support tool (OST), was the result of an operations and water management study prepared by the Upstate Freshwater Institute and Barton & Loguidice Engineers with assistance from the Water Authority, Canal Corporation, and the State of New York.

The OST is a modeling program that allows water levels to be predicted and managed based on scientific data and engineering. The OST was used to devise an improved Operating Diagram that incorporates nearly a century of data and new technologies allowing for effective management of Hinckley Reservoir.

The new agreement provides the following provisions:

- the 1917 agreement was modified to eliminate the requirement that the Water Authority maintain compensating water storage and flows, such as Gray Reservoir;
- as required by the New York State Department of Environmental Conservation (DEC), the reserve amount of water for Herkimer County within the West Canada Creek basin is protected and included in the 48.5 million gallons per day allotment for the Water Authority's use;
- the Water Authority may choose to expand service without objection from the Canal Corporation will not object to expansion of the system;
- Hinckley Reservoir levels will be managed with a target elevation at or above 1,195 feet, except during periods of unusual drought;
- Adoption of the revised Operating Diagram requires that the Canal Corporation, during times of normal operating conditions, adjust Hinckley Reservoir release rates twice per week instead of once weekly. During extreme conditions, the Canal Corporation will use the OST to determine the most appropriate manner in which to deviate from the Operating Diagram as necessary to maintain reservoir water levels at or above 1,182 feet as an absolute minimum.

The new agreement ensures the reservoir will have adequate water for public health, the environment, economic development, and a variety of recreational activities in Oneida and Herkimer counties.

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2013 and 2012

NOTE 16 – COMMITMENTS AND CONTINGENCIES-CONTINUED

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.

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, 2013, are as follows:

2014	\$ 108,000
2015	108,000
2016	108,000
2017	108,000
2018	108,000
Thereafter	<u>971,070</u>
Total	<u>\$ 1,511,070</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 and property easements amounted to \$108,017 and \$109,685 for the years ending March 31, 2013 and 2012, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB LIABILITY

For Fiscal Year Ended March 31, 2013

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
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
April 1, 2013	\$ -	\$ 5,531,117	\$ 5,531,117	0.00%	\$ 4,196,738	131.80%
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%

SUPPLEMENTARY INFORMATION

MOHAWK VALLEY WATER AUTHORITY

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BUDGET AND ACTUAL
Year Ended March 31, 2013**

	Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUE				
Metered Water Sales	\$ 19,490,169	\$ 19,104,573	\$ 385,596	2.02%
Delinquency Charges	881,430	701,000	180,430	25.74%
Fees and Ancillary Charges	322,044	196,500	125,544	63.89%
Other Services	<u>326,905</u>	<u>357,900</u>	<u>(30,995)</u>	<u>(8.66%)</u>
Total Operating Revenue	21,020,548	20,359,973	660,575	3.24%
OPERATING EXPENSES				
Administrative	802,224	717,221	(85,003)	(11.85%)
Finance & Accounting	1,010,453	1,039,885	29,432	2.83%
Customer Services	393,419	364,217	(29,202)	(8.02%)
Engineering	518,226	813,195	294,969	36.27%
Water Distribution	265,624	498,597	232,973	46.73%
Information Technology	664,554	507,139	(157,415)	(31.04%)
Water Quality Maintenance	730,000	702,318	(27,682)	(3.94%)
Treatment	2,575,892	2,667,687	91,795	3.44%
System Repair & Maintenance	3,595,942	4,235,809	639,867	15.11%
General Services	1,929,845	1,587,887	(341,958)	(21.54%)
Amortization of Bond Expenses	208,494	0	(208,494)	0.00%
Depreciation	1,669,098	0	(1,669,098)	0.00%
Long-Term Asset Purchases	0	382,000	382,000	100.00%
Total Operating Expenses	<u>14,363,771</u>	<u>13,515,955</u>	<u>(847,816)</u>	<u>(6.27%)</u>
OPERATING INCOME	6,656,777	6,844,018	(187,241)	(2.74%)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	221,579	287,000	(65,421)	(22.79%)
Interest Expense	(2,714,726)	(5,851,774)	3,137,048	53.61%
PILOT Payments	(1,556,746)	(1,553,216)	(3,530)	0.23%
Independent Lab Services, Net	81,956	95,000	(13,044)	(13.73%)
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	126,665	97,404	29,261	30.04%
Timber Harvest	0	100,000	(100,000)	(100.00%)
Realized Gain/ (Loss) on Investments	(17,817)	0	(17,817)	0.00%
Funding of Reserves	0	(750,000)	750,000	(100.00%)
Post Employment Health Benefits	(330,208)	0	(330,208)	0.00%
Cash Carried Forward/ Use of Reserves	0	731,568	(731,568)	(100.00%)
Total Nonoperating Expenses	<u>(4,189,297)</u>	<u>(6,844,018)</u>	<u>2,654,721</u>	<u>38.79%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,467,480	\$ <u>0</u>		
Capital Contributions	<u>0</u>			
Increase in Net Assets	2,467,480			
NET ASSETS				
Beginning of Year	<u>32,672,313</u>			
End of Year	\$ <u>35,139,793</u>			

MOHAWK VALLEY WATER AUTHORITY

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BUDGET AND ACTUAL
Year Ended March 31, 2012**

	(restated) 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	332,325	357,130	(24,805)	(6.95%)
Total Operating Revenue	<u>20,429,500</u>	<u>19,550,365</u>	<u>879,135</u>	<u>4.50%</u>
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	196,730	0	(196,730)	0.00%
Depreciation	1,605,926	0	(1,605,926)	0.00%
Long-Term Asset Purchases	0	340,000	340,000	100.00%
Total Operating Expenses	<u>13,631,611</u>	<u>13,677,161</u>	<u>45,550</u>	<u>0.33%</u>
OPERATING INCOME	6,797,889	5,873,204	924,685	15.74%
NONOPERATING REVENUES (EXPENSES)				
Investment Income	225,341	275,727	(50,386)	(18.27%)
Interest Expense	(2,518,531)	(5,690,247)	3,171,716	55.74%
PILOT Payments	(1,445,725)	(1,447,575)	1,850	(0.13%)
Independent Lab Services, Net	88,214	100,000	(11,786)	(11.79%)
Other Income, Net	80,958	87,003	(6,045)	(6.95%)
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	0	1,551,888	(1,551,888)	(100.00%)
Total Nonoperating Expenses	<u>(3,824,971)</u>	<u>(5,873,204)</u>	<u>2,048,233</u>	<u>34.87%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,972,918	\$ <u>0</u>		
Capital Contributions	<u>0</u>			
Increase in Net Assets	2,972,918			
Net Position, Beginning of Year	<u>31,631,066</u>			
Cumulative Effect of Changes in Accounting Principles	<u>(837,350)</u>			
Prior Period Adjustment	<u>(1,094,321)</u>			
Net Position, Beginning of Year, Restated	<u>29,699,395</u>			
Net Position, End of Year	<u>\$ <u>32,672,313</u></u>			

UTILITY PLANT

For Fiscal Year Ended March 31, 2013

	Life (Years)	COST			Balance 3/31/2013
		(restated) Balance 3/31/2012	Additions	Retirements	
WATER RIGHTS & OTHER INTANGIBLE ASSETS					
WATER RIGHTS-1938 WATER SYSTEM PURCHASE		\$ 800,000	\$ 0	\$ 0	\$ 800,000
ORGANIZATIONAL & GOING CONCERN VALUE-1938 WATER SYSTEM PURCHASE		250,000	0	0	250,000
TOTAL WATER RIGHTS & OTHER INTANGIBLE ASSETS		1,050,000	0	0	1,050,000
LAND					
LAND-1938 WATER SYSTEM PURCHASE		400,000	0	0	400,000
SOURCE OF SUPPLY LAND		9,712	0	0	9,712
POWER AND PUMPING		487,501	0	0	487,501
PURIFICATION LAND		27,200	0	0	27,200
TRANSMISSION LAND & RIGHT OF WAY		1,588	0	0	1,588
DISTRIBUTION RESERVOIR & STANDPIPE LAND		31,344	0	0	31,344
DISTRIBUTION LAND & RIGHT OF WAY		5,901	0	0	5,901
SHOP, GARAGE, & STORES LAND		18,560	0	0	18,560
TOTAL LAND		981,806	0	0	981,806
WATER TRANSMISSION & STORAGE					
POWER & PUMPING STRUCTURES	20-100	1,933,337	7,985	0	1,941,322
PURIFICATION BUILDINGS	20-100	214,208	27,842	0	242,050
TANKS, DISTR.RESERVOIR & STANDPIPES	20-100	14,064,245	13,231,408	0	27,295,653
SHOP & GARAGE STRUCTURES	20-100	653,686	0	0	653,686
MISCELLANEOUS STRUCTURES	20-100	3,595	0	0	3,595
COLLECTING & IMPOUNDING RESERVOIRS	100	177,736	0	0	177,736
INTAKE STRUCTURES-RESERVOIR	100	281,743	0	0	281,743
TRANSMISSION STUDIES	20	77,924	0	0	77,924
TOTAL WATER TRANSMISSION & STORAGE		17,406,474	13,267,235	0	30,673,709
DISTRIBUTION					
DISTRIBUTION MAINS & OTHER EQUIPMENT-1938					
WATER SYSTEM PURCHASE	100	1,758,656	0	0	1,758,656
ELECTRIC PUMPING EQUIPMENT	100	665,951	0	0	665,951
PURIFICATION SYSTEMS	25-100	1,124,691	0	0	1,124,691
TRANSMISSION MAINS & ACCESSORIES	25-100	3,967,704	0	0	3,967,704
DISTRIBUTION MAINS & ACCESSORIES	25-100	20,740,525	0	0	20,740,525
METERS	15	1,197,416	0	0	1,197,416
METER INSTALLATION	15	614	0	0	614
HYDRANTS	15	742,280	0	0	742,280
DISTRIBUTION STUDIES & SPECIAL PROJECTS	25	920,651	0	0	920,651
TOTAL DISTRIBUTION		31,118,488	0	0	31,118,488
VEHICLES & MAINTENANCE EQUIPMENT					
TRANSPORTATION & EQUIPMENT	5	1,736,625	89,704	75,355	1,750,974
GARAGE & REPAIR EQUIPMENT	5	568,672	204,217	7,080	765,809
TOTAL VEHICLES & MAINTENANCE EQUIPMENT		2,305,297	293,921	82,435	2,516,783
OFFICE & LAB EQUIPMENT					
OFFICE FURNITURE & EQUIPMENT (MAIN)	5	602,253	18,148	0	620,401
LABORATORY EQUIPMENT	5	960,101	51,017	0	1,011,118
TOOLS & WORK EQUIPMENT	5	408,496	0	0	408,496
COMMUNICATION EQUIPMENT	5	100,481	0	0	100,481
OTHER TANGIBLE PROPERTY	5	22,455	0	0	22,455
SCADA SYSTEM	5	58,083	0	0	58,083
TOTAL OFFICE & LAB EQUIPMENT		2,151,869	69,165	0	2,221,034
WATER TREATMENT					
WATER TREATMENT PLANT	25-75	21,628,447	7,000	0	21,635,447
CORROSION CONTROL FACILITIES	25	286,301	0	0	286,301
TOTAL WATER TREATMENT		21,914,748	7,000	0	21,921,748
CONSTRUCTION IN PROGRESS					
CAPITAL PROJECTS		15,017,024	4,551,227	13,294,354	6,273,897
TOTAL PROPERTY, PLANT & EQUIPMENT		\$ 91,945,706	\$ 18,188,548	\$ 13,376,789	\$ 96,757,465

MOHAWK VALLEY WATER AUTHORITY

ACCUMULATED DEPRECIATION AND AMORTIZATION				
Balance		Asset	Balance	Net Asset
3/31/2012	Depreciation	Retirements	3/31/2013	Value
3/31/2012	Depreciation	Retirements	3/31/2013	3/31/2013
\$ 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>
444,955	46,451	0	491,406	1,449,916
47,053	4,396	0	51,449	190,601
1,270,996	258,216	0	1,529,212	25,766,441
119,893	13,973	0	133,866	519,820
2,830	130	0	2,960	635
41,712	3,658	0	45,370	132,366
50,191	6,284	0	56,475	225,268
<u>77,924</u>	<u>0</u>	<u>0</u>	<u>77,924</u>	<u>0</u>
<u>2,055,554</u>	<u>333,108</u>	<u>0</u>	<u>2,388,662</u>	<u>28,285,047</u>
330,237	23,449	0	353,686	1,404,970
310,244	31,856	0	342,100	323,851
415,224	23,115	0	438,339	686,352
851,977	79,672	0	931,649	3,036,055
4,069,609	419,655	0	4,489,264	16,251,261
932,770	64,190	0	996,960	200,456
614	0	0	614	0
367,254	14,423	0	381,677	360,603
<u>257,872</u>	<u>65,196</u>	<u>0</u>	<u>323,068</u>	<u>597,583</u>
<u>7,535,801</u>	<u>721,556</u>	<u>0</u>	<u>8,257,357</u>	<u>22,861,131</u>
1,177,438	166,362	75,219	1,268,581	482,393
<u>423,190</u>	<u>36,559</u>	<u>7,080</u>	<u>452,669</u>	<u>313,140</u>
<u>1,600,628</u>	<u>202,921</u>	<u>82,299</u>	<u>1,721,250</u>	<u>795,533</u>
538,967	18,523	0	557,490	62,911
757,818	59,594	0	817,412	193,706
333,178	39,055	0	372,233	36,263
97,356	663	0	98,019	2,462
22,455	0	0	22,455	0
<u>28,469</u>	<u>6,218</u>	<u>0</u>	<u>34,687</u>	<u>23,396</u>
<u>1,778,243</u>	<u>124,053</u>	<u>0</u>	<u>1,902,296</u>	<u>318,738</u>
3,476,022	372,746	0	3,848,768	17,786,679
<u>174,643</u>	<u>11,452</u>	<u>0</u>	<u>186,095</u>	<u>100,206</u>
<u>3,650,665</u>	<u>384,198</u>	<u>0</u>	<u>4,034,863</u>	<u>17,886,885</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,273,897</u>
<u>\$ 16,620,891</u>	<u>\$ 1,765,836</u>	<u>\$ 82,299</u>	<u>\$ 18,304,428</u>	<u>\$ 78,453,037</u>

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF GOVERNMENTAL PILOT PAYMENTS

Fiscal Years 2014 - 2037

FISCAL YEAR ENDING	TOWNS ⁽¹⁾ **	CITY OF UTICA ⁽²⁾ **	SCHOOL DISTRICTS ⁽³⁾ ***	AUDITORIUM AUTHORITY VIA ONEIDA COUNTY ⁽⁴⁾ **	TOTAL
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	\$ 2,293,801	\$ 10,820,000	\$ 1,272,786	\$ 19,649,221	\$ 34,035,806

⁽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, 2013

	Annual Budget	Year Ended March 31, 2013	Favorable (Unfavorable) Variance	Percentage Variance
OPERATING REVENUE				
Metered Water Sales:				
Consumption	\$ 13,618,649	\$ 13,907,763	\$ 289,114	2.12%
System Charge	5,485,924	5,582,406	96,482	1.76%
Total Metered Water Sales	<u>19,104,573</u>	<u>19,490,169</u>	<u>385,596</u>	<u>2.02%</u>
Delinquency Charges:				
Settlements & Fines	12,000	46,000	34,000	283.33%
Quarterly -Penalties	400,000	395,758	(4,242)	(1.06%)
Quarterly-Unpaid Bill	200,000	276,060	76,060	38.03%
Monthly-Penalties	30,000	42,825	12,825	42.75%
Monthly-Unpaid Bill	10,000	10,000	0	0.00%
Overdue Charge	13,000	39,537	26,537	204.13%
Missed Appointments	0	1,525	1,525	0.00%
Shut Off/Turn On Fee	27,000	46,235	19,235	71.24%
Building Frontage Fee	0	900	900	0.00%
Posting of Property Fee	0	16,540	16,540	0.00%
Meter Installation/ Removal	0	6,050	6,050	0.00%
Collection Fee	9,000	0	(9,000)	(100.00%)
Total Delinquency Charges	<u>701,000</u>	<u>881,430</u>	<u>180,430</u>	<u>25.74%</u>
Fees and Ancillary Charges:				
Metered Line Charge	25,000	81,322	56,322	225.29%
Private Hydrant Rental	3,000	3,254	254	8.47%
Line Tap Charges	20,000	15,840	(4,160)	(20.80%)
Hydrant Permit Fees	10,000	24,258	14,258	142.58%
Water Rent Searches	29,000	37,350	8,350	28.79%
Inspection of New Water Mains	1,000	3,253	2,253	225.30%
Backflow Charges	67,000	110,425	43,425	64.81%
Replacement of Curb Box	3,000	19,200	16,200	540.00%
Termination of Services Charge	7,500	(1,800)	(9,300)	(124.00%)
Installation/Removal Fee	11,000	11,750	750	6.82%
Frozen Meter/ Lost Meter Charge	20,000	17,192	(2,808)	(14.04%)
Total Fees and Ancillary Charges	<u>196,500</u>	<u>322,044</u>	<u>125,544</u>	<u>63.89%</u>
Other Services:				
Billing and Collection Services	301,500	294,812	(6,688)	(2.22%)
Hydroelectric Power Revenue	100,000	75,693	(24,307)	(24.31%)
Payment of Hydro Plant Debt	(43,600)	(43,600)	0	0.00%
Total Other Services	<u>357,900</u>	<u>326,905</u>	<u>(30,995)</u>	<u>(8.66%)</u>
Total Operating Revenues	<u>\$ 20,359,973</u>	<u>\$ 21,020,548</u>	<u>\$ 660,575</u>	<u>3.24%</u>

SCHEDULE OF OPERATIONAL EXPENSES
For Fiscal Year Ended March 31, 2013

	Administration	Finance & Accounting	Customer Service	Engineering	Water Distribution	Information Technology
OPERATING EXPENSES						
Personnel Costs:						
Salaries	\$ 341,297	\$ 475,941	\$ 238,564	\$ 315,018	\$ 104,920	\$ 253,989
Overtime	470	4,774	538	14,648	22,193	523
Wages	-	-	-	12	21,740	-
Health Insurance	61,519	126,302	80,466	83,333	40,815	78,921
Social Security	26,882	37,752	17,283	35,523	15,063	19,449
Retirement	29,153	84,253	47,763	6,209	24,344	53,339
Unemployment	-	-	-	-	-	-
Workman's Compensation	1,554	11,956	1,122	18,602	11,697	1,273
Total Personnel Costs	460,875	740,978	385,736	473,345	240,772	407,494
Office Equipment	9,285	345	1,578	321	76	932
Equipment	-	-	-	8	10,611	25,331
Printing	-	-	-	-	-	-
Street Repair Material	-	-	-	-	-	-
Paving	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-
Meters	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Electricity & Gas	-	-	-	-	-	-
Heat	-	-	-	-	-	-
Postage	-	-	-	-	-	-
Gas & Oil	-	-	-	-	-	-
Office Materials	670	1,540	51	374	-	-
Membership Dues	14,135	2,021	-	2,818	245	-
Travel	4,936	1,882	1,565	9,654	308	1,740
Supplies	-	-	1,389	5,239	3,306	21,321
Rent	-	-	-	-	-	-
Equipment Rental	-	-	-	-	-	-
Repairs	-	-	-	-	7,125	-
Vehicle Repair	-	-	-	-	-	2,093
Contracted Services	80,594	260,600	2,175	21,023	950	199,368
Employee Uniforms	-	901	-	785	-	-
Legal Expenses	222,598	-	-	-	-	-
Operational Expenses	6,342	-	-	-	-	-
Training and Education	2,789	2,186	925	4,659	2,231	6,275
Insurance	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-
Customer Deposits	-	-	-	-	-	-
Miscellaneous Expenses	-	-	-	-	-	-
Permits	-	-	-	-	-	-
Shipping Charges	-	-	-	-	-	-
Customer Claims	-	-	-	-	-	-
Authority Operations	-	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-	-
Vehicles and Equipment Purchases	-	-	-	-	-	-
Bond Closing Costs	-	-	-	-	-	-
Amortization of Bond Expenses	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Total Operating Expenses	\$ 802,224	\$ 1,010,453	\$ 393,419	\$ 518,226	\$ 265,624	\$ 664,554

MOHAWK VALLEY WATER AUTHORITY

Water Quality	Treatment Plant	Maintenance	General Services	Total Operating Expenses	Annual Budget (Cash Basis)	Favorable (Unfavorable) Variance
\$ 343,912	\$ 395,583	\$ 523,224	\$ -	\$ 2,992,448	\$ 3,010,703	\$ 18,255
1,513	54,113	232,292	-	331,064	295,900	(35,164)
35,061	-	829,901	-	886,714	1,100,637	213,923
94,308	81,961	372,953	192,170	1,212,748	1,401,116	188,368
29,389	32,739	136,459	-	350,539	369,666	19,127
92,833	75,937	219,298	-	633,129	746,097	112,968
-	-	-	16,968	16,968	3,000	(13,968)
5,330	17,027	147,244	-	215,805	161,918	(53,887)
<u>602,346</u>	<u>657,360</u>	<u>2,461,371</u>	<u>209,138</u>	<u>6,639,415</u>	<u>7,089,037</u>	<u>449,622</u>
18	-	7,017	-	19,572	12,200	(7,372)
2,700	37,141	33,914	-	109,705	75,900	(33,805)
-	-	-	29,821	29,821	43,470	13,649
-	-	98,526	-	98,526	118,500	19,974
-	-	450,351	-	450,351	427,000	(23,351)
-	-	80,179	-	80,179	110,000	29,821
-	-	39,864	-	39,864	390,000	350,136
-	-	-	138,320	138,320	125,340	(12,980)
-	-	-	358,096	358,096	445,100	87,004
-	-	-	68,971	68,971	59,972	(8,999)
-	-	-	97,853	97,853	82,040	(15,813)
-	-	-	198,879	198,879	199,800	921
699	1,018	-	11,156	15,508	15,628	120
13,183	-	500	-	32,902	34,197	1,295
5,881	3,380	146	-	29,492	37,990	8,498
51,517	1,773,024	202,532	-	2,058,328	2,350,456	292,128
-	-	4,619	108,017	112,636	109,190	(3,446)
-	-	-	-	-	3,000	3,000
2,761	26,249	142,160	-	178,295	69,700	(108,595)
-	-	-	-	2,093	104,000	101,907
38,628	71,224	49,056	-	723,618	650,976	(72,642)
430	1,780	12,442	-	16,338	4,600	(11,738)
-	-	-	-	222,598	166,400	(56,198)
-	-	1,612	-	7,954	6,575	(1,379)
3,467	2,841	11,653	-	37,026	56,929	19,903
-	-	-	166,743	166,743	145,524	(21,219)
-	-	-	165,168	165,168	175,000	9,832
-	-	-	25	25	-	(25)
-	-	-	2,480	2,480	-	(2,480)
3,941	1,875	-	-	5,816	5,075	(741)
4,429	-	-	-	4,429	4,000	(429)
-	-	-	3,911	3,911	-	(3,911)
-	-	-	14,363	14,363	16,356	1,993
-	-	-	-	-	-	-
-	-	-	-	-	382,000	382,000
-	-	-	356,904	356,904	-	(356,904)
-	-	-	208,494	208,494	-	(208,494)
-	-	-	1,669,098	1,669,098	-	(1,669,098)
<u>\$ 730,000</u>	<u>\$ 2,575,892</u>	<u>\$ 3,595,942</u>	<u>\$ 3,807,437</u>	<u>\$ 14,363,771</u>	<u>\$ 13,515,955</u>	<u>\$ (847,816)</u>

MOHAWK VALLEY WATER AUTHORITY

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

For Fiscal Year Ended March 31, 2013

	Independent Lab Services	Other Nonoperating Activities	Total Nonoperating Activities	Annual Budget (Cash Basis)	Favorable (Unfavorable) Variance
NONOPERATING REVENUE					
Investment Income from Restricted Funds	\$ -	\$ 215,538	\$ 215,538	\$ 275,000	\$ (59,462)
Investment Income from Operating Funds	-	6,041	6,041	12,000	(5,959)
Lab Fees & Grants	85,243	21,815	107,058	95,000	12,058
State and Federal Grants	-	-	-	-	-
Miscellaneous Income, Net	-	98,778	98,778	85,000	13,778
Gain on Sale of Scrap and Equipment	-	9,614	9,614	-	9,614
Returned Check Charges	-	6,370	6,370	500	5,870
Rent Income-Cell Tower	-	11,903	11,903	11,904	(1)
Cash Carried Forward	-	-	-	731,568	(731,568)
Bond Proceeds	-	-	-	-	-
Timer Harvest Sales	-	-	-	100,000	(100,000)
Realized Gain/ (Loss) on Investments	-	(17,817)	(17,817)	-	(17,817)
Total Nonoperating Revenue	\$ 85,243	\$ 352,242	\$ 437,485	\$ 1,310,972	\$ (873,487)
NONOPERATING EXPENSES					
Personnel Costs:					
Post Employment Health Benefits	\$ -	\$ 330,208	330,208	\$ -	\$ (330,208)
Total Personnel Costs	-	330,208	330,208	-	(330,208)
Office Equipment	-	-	-	-	-
Vehicles and Machinery	-	-	-	-	-
Equipment	-	-	-	-	-
Telephone	-	-	-	-	-
Light & Power	-	-	-	-	-
Heat	-	-	-	-	-
Postage	-	-	-	-	-
Gas & Oil	-	-	-	-	-
Office Materials	-	-	-	-	-
Travel	-	-	-	-	-
Supplies	-	-	-	-	-
Rent	-	-	-	-	-
Contracted Services	-	-	-	-	-
Operational Expenses	25,102	-	25,102	-	(25,102)
Insurance	-	-	-	-	-
Shipping Charges	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-
Interest Expense	-	2,715,726	2,714,726	5,851,774	3,137,048
Pilot Payments:					
School Districts	-	349,729	349,729	346,199	(3,530)
Oneida County	-	665,500	665,500	665,500	-
Towns	-	86,517	86,517	86,517	(0)
City of Utica	-	455,000	455,000	455,000	-
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	\$ 25,102	\$ 4,602,680	\$ 4,626,782	\$ 8,154,990	\$ 3,528,208
Nonoperating Income, net	\$ 60,141	\$ (4,250,438)	\$ (4,189,297)	\$ (6,844,018)	\$ 2,654,721

MOHAWK VALLEY WATER AUTHORITY

BOARD-ADOPTED FISCAL 2014 BUDGET**2014****REVENUES**

Water Sales	\$	19,660,429
Delinquency Charges		768,000
Fees and Ancillary Charges		216,550
Other Services		451,000
Cash Carried Forward		746,196
Interest Income and Miscellaneous Items		317,003
Total Revenues	\$	<u>22,159,178</u>

OPERATING EXPENSES

Administrative	\$	631,515
Finance and Accounting		1,084,504
Customer Services		366,003
Engineering		958,657
Water Distribution		571,791
Information Technology		662,542
Water Quality Lab--(In-house & Outside Services)		777,283
Treatment Plant		2,729,947
Maintenance		3,854,541
General Services		1,463,780
Long-Term Asset Purchases		206,000
Cash Financed Construction / Equipment		<u>889,275</u>
Total Operating Expenses		14,195,838

OTHER EXPENSES

Existing Debt Service & Promissory Note		5,702,519
Pilot Payments		1,510,821
"Pay As You Go" Capital Maintenance Reserve		<u>750,000</u>
Total Other Expenses		<u>7,963,340</u>
Total Expenses	\$	<u>22,159,178</u>

STATISTICAL SECTION

Statistical Section— Contents

MOHAWK VALLEY WATER AUTHORITY

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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 POSITION BY COMPONENT

Last Ten Fiscal Years

	FISCAL YEAR				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u> (restated)	<u>2013</u>
NET POSITION					
Invested In Utility Plant, Net of Related Debt	\$ 7,966,593	\$ 9,640,148	\$ 12,329,769	\$ 19,704,594	\$ 21,674,806
Restricted For:					
Repair and Improvement	598,689	611,772	621,715	652,870	659,763
Debt Service	0	0	0	2,582,437	3,322,848
Unspent Construction Proceeds	14,852,834	8,506,163	3,829,810	0	0
Other Than Construction Proceeds	8,398,940	9,417,748	8,298,245	0	0
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	710,807	763,948	766,869	766,869	766,869
Repair, Replacement and Renewal Reserve	872,920	886,003	895,946	924,043	929,140
Operating & Maintenance Reserve	573,718	586,801	596,743	618,987	626,116
Capital Maintenance Reserve	526,280	1,064,987	1,603,740	1,315,387	2,067,338
Reserve For Board Projects	147,638	147,638	147,638	147,638	147,638
Other Unrestricted	(8,983,938)	(3,269,952)	2,540,738	5,959,488	4,945,275
Total Net Position	<u>\$ 25,664,481</u>	<u>\$ 28,355,256</u>	<u>\$ 31,631,213</u>	<u>\$ 32,672,313</u>	<u>\$ 35,139,793</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
NET POSITION					
Invested In Utility Plant, Net of Related Debt	\$ 12,110,797	\$ 13,315,775	\$ 13,372,977	\$ 4,454,666	\$ 6,382,862
Restricted For:					
Repair and Improvement	509,767	512,922	527,728	543,387	438,714
Unspent Construction Proceeds	0	0	0	15,998,066	6,436,408
Other Than Construction Proceeds	0	0	0	6,283,039	7,255,904
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	471,077	487,362	487,362	650,456	650,456
Repair, Replacement and Renewal Reserve	375,996	402,974	321,335	590,306	862,944
Operating & Maintenance Reserve	203,399	232,977	292,133	426,104	563,742
Capital Maintenance Reserve	0	0	0	0	0
Reserve For Board Projects	0	0	147,638	147,638	147,638
Other Unrestricted	(1,705,751)	(2,650,071)	(2,171,195)	(10,842,981)	(925,846)
Total Net Position	<u>\$ 11,965,285</u>	<u>\$ 12,301,939</u>	<u>\$ 12,977,978</u>	<u>\$ 18,250,681</u>	<u>\$ 21,812,822</u>

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CHANGE IN NET POSITION

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 Accounting Principles/ Prior Period Adjustment	Change in Net Assets
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 (restated)	20,429,500	13,631,611	6,797,889	(3,824,971)	2,972,918	-	1,931,671	1,041,247
2013	21,020,548	14,363,771	6,656,777	(4,189,297)	2,467,480	-	-	2,467,480

SOURCE: FINANCE & ACCOUNTING

OPERATING REVENUE BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Water Sales	Delinquency Charges	Fees and Ancillary Charges	Other Services	Total
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
2013	19,490,169	881,430	322,044	326,905	21,020,548

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

OPERATING EXPENSES

Last Ten Fiscal Years

Fiscal Year	General & Administrative ⁽¹⁾	Finance & Accounting	Customer Service	Engineering	Water Distribution ⁽²⁾	Information Technology	Water Quality
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 (restated)	2,066,149	989,175	367,778	498,373	314,460	656,214	703,536
2013	2,732,069	1,010,453	393,419	518,226	265,624	664,554	730,000

Fiscal Year	Water Treatment	Water System Maintenance	Depreciation & Amortization	Total Operating Expenses
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 (restated)	2,386,367	3,846,903	1,802,656	13,631,611
2013	2,575,892	3,595,942	1,877,592	14,363,771

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

Fiscal Year	PILOT Payments	Interest Expense	Interest Income	Lab Fees & Grants	Other Expense	Other Revenue	Total Non- operating Expenses
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 (restated)	1,445,725	2,518,531	(225,341)	(88,214)	547,704	(373,434)	3,824,971
2013	1,556,746	2,714,726	(221,579)	(81,956)	348,025	(126,665)	4,189,297

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
2013	\$ 21,020,548	\$ 20,800,008	98.95%
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%

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)	
2013	978,367,814	486,508,454	491,859,360	50.27%	\$ 27.13	\$ 4.04	\$ 463.68
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

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 2013	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
City of Utica	\$ 9,772,778	\$ 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
Town of Deerfield	459,658	441,120	442,616	412,550	373,926	375,912	348,161	324,079	273,903	253,330
Town of Frankfort	218,864	225,150	235,868	197,958	192,589	181,810	158,175	138,016	121,729	138,288
Town of Kirkland	391,958	391,233	394,992	333,233	277,295	304,451	254,055	223,909	201,803	184,025
Town of Marcy	1,470,841	1,374,827	1,379,791	1,287,743	1,184,880	1,176,092	1,036,356	900,329	809,029	794,715
Town of New Hartford	2,858,406	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
Town of Schuyler	240,045	235,977	234,744	207,957	182,223	180,248	157,752	136,700	130,480	128,517
Town of Trenton	157,268	153,345	158,271	147,261	129,252	147,869	137,149	118,854	94,551	87,766
Town of Westmoreland	26,406	24,701	24,737	19,114	26,650	48,741	35,833	29,125	25,707	25,047
Town of Whitestown	1,254,633	1,204,222	1,207,508	1,146,534	1,052,600	1,038,191	979,370	861,253	736,040	671,563
Village of Holland Patent	64,654	65,434	69,444	61,136	54,528	53,479	51,423	43,494	42,761	38,516
Village of New Hartford	383,285	365,062	372,572	342,600	369,877	319,306	295,676	271,300	230,202	224,454
Village of New York Mills	545,783	546,276	522,088	501,834	446,174	431,785	407,752	360,102	329,337	325,419
Village of Oriskany	303,990	284,571	283,234	263,944	250,719	249,587	232,724	209,871	210,833	194,387
Village of Stittville	52,454	51,134	50,735	47,371	42,946	43,152	39,032	34,121	32,376	28,746
Village of Washington Mills	317,880	323,604	316,438	284,735	271,939	262,953	243,980	208,207	186,003	175,689
Village of Whitesboro	552,657	546,267	531,738	510,279	472,353	452,620	430,094	373,703	359,246	331,206
Village of Yorkville	418,609	410,155	402,081	368,556	336,155	339,605	319,376	276,483	251,829	238,714
TOTAL	\$ 19,490,169	\$ 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

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
2013	35,500	3,309	38,809
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

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.

QUARTERLY BILLED WATER RATES

Last Ten Fiscal Years

Water Rates (Per 1,000 cubic feet)

TIERS	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Block I	\$ 29.60	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11	\$ 17.57	\$ 16.74
Block II	29.00	28.44	27.89	25.73	23.91	22.18	20.14	17.53	16.12	15.35
Block III	28.71	28.15	27.61	25.58	23.66	22.45	19.63	16.79	15.44	14.70
Block IV	19.53	19.15	18.79	16.32	15.30	14.18	13.49	11.75	10.80	10.29
Block V	-	-	-	-	-	-	10.43	8.52	7.84	7.46

Consumption Levels: From fiscal years 2004 thru 2007, the consumption levels for each tier were as follows: **Tier I:** " up to 900 cubic feet"; **Tier II:** "up to 6,000 cubic feet"; **Tier III:** "up to 70,000 cubic feet"; **Tier IV:** "up to 750,000 cubic feet"; **Tier V:** "all consumption levels in excess of 750,000 cubic feet". From fiscal years 2008 thru 2013, the consumption levels for tiers I, II, and III remained unchanged however, **Tier IV**, was changed to capture all consumption levels in excess of 70,000 square feet. Therefore, **Tier V** was eliminated in fiscal year 2008.

"Readiness-to-Serve" Maintenance Charge

METER SIZE	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
5/8 inch	\$ 27.13	\$ 26.59	\$ 26.07	\$ 24.36	\$ 22.82	\$ 21.31	\$ 20.00	\$ 16.92	\$ 15.56	\$ 14.82
3/4 inch	29.84	29.25	28.68	26.79	25.11	23.44	22.00	18.61	17.12	16.30
1 inch	67.82	66.49	65.17	60.90	57.06	53.27	50.00	42.31	38.91	37.05
1 1/2 inch	135.63	132.97	130.35	121.80	114.12	106.55	99.99	84.61	77.81	74.10
2 inch	217.01	212.75	208.55	194.87	182.60	170.48	159.99	135.38	124.50	118.56
3 inch	434.02	425.51	417.11	389.74	365.20	340.95	319.97	270.76	249.01	237.11
4 inch	678.16	664.86	651.73	608.98	570.62	532.74	499.96	423.06	389.07	370.49
6 inch	1,356.31	1,329.72	1,303.46	1,217.95	1,141.25	1,065.47	999.92	846.12	778.15	740.98
8 inch	2,170.10	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

SOURCE: FINANCE & ACCOUNTING

MONTHLY BILLED WATER RATES

Last Ten Fiscal Years

Water Rates (Per 1,000 cubic feet)

TIERS	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Block I	\$ 29.60	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11	\$ 17.57	\$ 16.74
Block II	29.00	28.44	27.89	25.73	23.91	22.18	20.14	17.53	16.12	15.35
Block III	28.71	28.15	27.61	25.58	23.66	22.45	19.63	16.79	15.44	14.70
Block IV	19.53	19.15	18.79	16.32	15.30	14.18	13.49	11.75	10.80	10.29
Block V	-	-	-	-	-	-	10.43	8.52	7.84	7.46

Consumption Levels: From fiscal years 2004 thru 2007, the consumption levels for each tier were as follows: **Tier I:** " up to 300 cubic feet"; **Tier II:** "up to 2,000 cubic feet"; **Tier III:** "up to 23,300 cubic feet"; **Tier IV:** "up to 250,000 cubic feet"; **Tier V:** "all consumption levels in excess of 250,000 cubic feet". From fiscal years 2008 thru 2013, the consumption levels for tiers I, II, and III remained unchanged however, **Tier IV**, was changed to capture all consumption levels in excess of 23,4000 square feet. Therefore, **Tier V** was eliminated in fiscal year 2008.

"Readiness-to-Serve" Maintenance Charge

METER SIZE	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
5/8 inch	\$ 9.04	\$ 8.86	\$ 8.69	\$ 8.12	\$ 7.61	\$ 7.10	\$ 6.67	\$ 5.64	\$ 5.19	\$ 4.94
3/4 inch	9.95	9.75	9.56	8.93	8.37	7.81	7.33	6.20	5.71	5.43
1 inch	22.61	22.16	21.72	20.30	19.02	17.76	16.67	14.10	12.97	12.35
1 1/2 inch	45.21	44.32	43.45	40.60	38.04	35.52	33.33	28.20	25.94	24.70
2 inch	72.34	70.92	69.52	64.96	60.87	56.83	53.33	45.13	41.50	39.52
3 inch	144.67	141.84	139.04	129.91	121.73	113.65	106.66	90.25	83.00	79.04
4 inch	226.05	221.62	217.24	202.99	190.21	177.58	166.65	141.02	129.69	123.50
6 inch	452.10	443.24	434.49	405.98	380.42	355.16	333.31	282.04	259.38	246.99
8 inch	723.37	709.18	695.18	649.57	608.67	568.25	533.29	451.27	415.01	395.19

SOURCE: FINANCE & ACCOUNTING

LARGEST CUSTOMERS
Fiscal Year 2013

Usage Rank	CUSTOMER	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	16,510,300	\$ 334,605
2	Midstate Correctional Facility	12,766,600	257,581
3	Matt Brewing Company, Inc.	9,989,500	208,843
4	St. Lukes Hospital	8,155,900	173,131
5	Marcy Correctional	7,144,500	145,340
6	Hamilton College	5,435,000	111,683
7	Masonic Home	5,183,900	123,442
8	Municipal Housing - Armory & Tilden	4,145,200	96,153
9	Utica College	4,077,400	91,924
10	Special Metals	3,739,700	79,116
11	St. Elizabeth Hospital	3,329,000	83,334
12	Kurt Weiss (Greenhouse)	3,419,300	84,284
13	Granny's Kitchen	2,891,300	51,570
14	Con Med Corporation	2,838,500	75,947
15	Marcy Psychiatric Center	2,567,100	55,673
16	Utica Zoo (see note)	2,407,000	-
17	Wal-Mart Distribution Center	2,321,300	56,159
18	Faxton Hospital	2,301,700	58,037
19	Mohawk Valley Community College	2,162,700	61,261
20	G&K Services (formerly Tri-State Laundry)	2,160,800	48,627
TOTALS		103,546,700	\$ 2,196,710
% of Monthly Consumption / Revenue		59.60%	46.88%
% of Total Consumption / Revenue		21.39%	11.27%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Utica Alloys, Inc.	1,322,800	\$ 29,294
2	Garden Home Mgmt. (Millgate Meadows)	1,636,100	39,970
3	Oneida County Correctional Facility	1,444,700	37,931
4	Town of Westmoreland	901,600	25,625
5	Dinitto Farms, LLC	848,200	19,428
6	Oneida County Buildings & Grounds	774,700	21,302
7	Juliano's Laundromat	468,600	12,611
8	M. D. Buck Memorial Apartments	466,500	14,520
9	Colonial Laundromat - NY Mills	453,500	11,991
10	Whitesboro Sr. High School	436,400	15,680
11	Brookside Mobile Park, Chadwicks	426,400	11,728
12	Precision Car Wash - Commercial Drive	421,500	11,566
13	Indium Corporation of America	402,400	10,136
14	Jensen's Cherrywood Community, LLC	394,400	12,132
15	BNY Mellon Corp. (A/P Center)	385,100	14,008
16	Cranesville Block	371,400	10,556
17	Heritage Acres (Trailer Park)	365,700	10,276
18	AMA Realty	359,800	13,898
19	Precision Car Wash - Oneida Street	357,800	11,566
20	Bruce Edwards (Dairy Farm-Powell Rd.)	346,800	9,473
TOTALS		12,584,400	\$ 343,691
% of Quarterly Consumption / Revenue		4.05%	2.32%
% of Total Consumption / Revenue		2.59%	1.76%

SOURCE: FINANCE & ACCOUNTING

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
17	BNY Mellon Corp. (A/P Center)	337,800	12,635
18	Bruce Edwards (Dairy Farm-Powell Rd.)	337,200	9,104
19	Precision Car Wash - Oneida Street	324,500	9,393
20	Cranesville 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	Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	16,751,700	326,449	1	Utica Alloys, Inc.	2,011,100	41,113
2	Midstate Correctional Facility	11,856,400	230,710	2	Garden Home Mgmt (Millgate Meadows)	1,465,300	35,237
3	St. Lukes Hospital	9,763,300	197,184	3	Oneida County Correctional Facility	1,354,400	34,808
4	Matt Brewing Company, Inc.	9,266,200	187,179	4	Indium Corporation of America	1,010,700	21,742
5	Marcy Correctional	8,243,600	160,479	5	Dinitto Farms, LLC	957,800	19,503
6	Hamilton College	6,784,800	132,807	6	Town of Westmoreland	866,200	23,980
7	Municipal Housing - Armory & Tilden	5,904,700	125,001	7	Oneida County Buildings & Grounds	826,200	21,451
8	Masonic Home	4,009,700	98,349	8	Daimler Bus America	721,900	22,294
9	Utica College	3,914,300	85,407	9	Airport Inn Hotel	494,700	13,847
10	Granny's Kitchen	3,297,400	66,862	10	Juliano's Laundromat	439,300	11,578
11	Special Metals	2,849,600	59,386	11	M. D. Buck Memorial Apartments	433,600	12,901
12	Marcy Psychiatric Center	2,538,200	61,321	12	Greenscapes Nursery	426,600	10,145
13	Utica Zoo (see note)	2,336,000	-	13	Brookside Mobile Park, Chadwicks	418,000	9,933
14	Con Med Corporation	2,296,900	63,185	14	Colonial Laundromat - NY Mills	416,300	10,833
15	Tri State Industrial Laundries	1,990,200	43,547	15	Royal Meadows II (Mobil Park)	363,000	10,145
16	Mohawk Valley Community College	1,933,900	54,061	16	Utica Metal Products	351,600	9,931
17	Municipal Housing - Gilmore Village	1,737,800	37,974	17	Precision Car Wash - Commercial Drive	347,400	9,630
18	Wal-Mart Distribution Center	1,682,600	41,268	18	Bruce Edwards (Dairy Farm-Powell Rd.)	345,600	7,843
19	Faxton Hospital	1,601,400	42,601	19	Brook Associates (Apts. Oneida St.)	345,100	10,611
20	St. Elizabeth Hospital	1,577,800	46,191	20	BNY Mellon Corp. (A/P Center)	343,000	12,490
TOTALS		100,336,500	2,059,961	TOTALS		13,937,800	350,015
% of Monthly Consumption / Revenue		57.85%	48.96%	% of Quarterly Consumption / Revenue		4.45%	2.39%
% of Total Consumption / Revenue		20.61%	10.93%	% 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

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	13,470,500	222,986
3	St. Lukes Hospital	9,814,000	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		103,174,200	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	Garden Home Mgmt (Millgate Meadows)	1,350,000	29,513
2	Daimler Bus America (Orion Bus)	1,292,400	29,851
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 (Mobil Park)	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

SCHEDULE OF DEBT SERVICE

Year	2000 SERIES		2001 SERIES A			2001 SERIES B		
	Partially Refunded		Principal	Interest	Administrative Subsidy	Principal	Interest	Administrative Subsidy
Principal	Interest	Principal						
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								
	\$ 4,513,720	\$ 13,311,181	\$ 12,860,000	\$ 3,008,015	\$ (1,671,474)	\$ 1,790,000	\$ 554,631	\$ (295,839)

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

DEBT SERVICE COVERAGE

Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	(restated) <u>2012</u>	<u>2013</u>
<u>REVENUE</u>										
Operating Revenue	\$ 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	\$ 21,020,548
Non-Operating Revenue	463,359	522,906	740,937	1,223,386	1,398,469	641,607	845,027	395,607	713,758	437,485
	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	21,458,033
										0
<u>EXPENSES</u>										
Operating Expenses less depreciation, amortization, bad debts and expenses paid from bond proceeds	7,102,100	7,989,381	8,376,422	9,569,948	10,143,320	10,476,462	10,183,806	10,700,798	11,481,713	12,321,011
Non-Operating Expenses	188,244	42,511	47,980	48,711	46,951	58,103	39,326	27,263	26,769	25,102
	7,290,344	8,031,892	8,424,402	9,618,659	10,190,271	10,534,565	10,223,132	10,728,061	11,508,482	12,346,113
Net Revenue, before PILOTS and Promissory Note	5,677,407	5,484,653	6,350,932	7,415,881	8,466,244	8,082,675	9,451,510	9,950,240	9,634,776	9,111,920
PILOTS	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	1,556,746
Promissory Note, Net	380,715	380,715	380,715	380,715	480,715	480,715	480,715	480,715	480,715	480,715
	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	2,037,461
Net Revenue	\$ 3,736,971	\$ 3,586,605	\$ 4,495,278	\$ 5,588,877	\$ 6,386,443	\$ 6,048,797	\$ 7,459,910	\$ 7,997,612	\$ 7,708,336	\$ 7,074,459
Debt Service	\$ 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	\$ 5,153,060
Debt Service Coverage	1.21	1.15	1.38	1.62	1.50	1.41	1.51	1.56	1.59	1.37
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 2013

	2012 Population Estimates	2010 Population Per Census	2000 Population Per Census	Estimated Total Area Income	Occupied Housing Units	Labor Force	Per Capita Income	Median Household Income	Median Age	EDUCATION LEVEL			Unemployment Rate
										High School +	Under Graduate	Advanced Degree	
Oneida County:	233,556	234,878	235,469	\$ 8,445,804,000	104,235	113,060	\$ 24,459	\$ 48,382	41	53.2%	24.5%	8.7%	8.40%
City of Utica	62,335	62,235	60,651	\$ 1,131,504,920	28,166	27,929	\$ 18,152	\$ 32,050	35	52.7%	20.8%	5.7%	10.10%
Town of New Hartford	22,166	22,166	21,172	\$ 792,523,164	9,302	10,711	\$ 35,754	\$ 57,183	48	39.1%	31.4%	19.9%	8.40%
Whitestown	18,667	18,667	18,635	\$ 533,372,191	8,237	9,599	\$ 28,573	\$ 53,113	42	51.5%	30.6%	9.7%	8.40%
Kirkland	10,315	10,315	10,138	\$ 318,248,695	3,505	5,064	\$ 30,853	\$ 62,401	39	35.2%	33.8%	21.4%	7.50%
Marcy	8,982	8,982	9,469	\$ 169,768,782	2,190	3,056	\$ 18,901	\$ 70,515	40	54.6%	22.7%	4.8%	8.40%
Westmoreland	6,138	6,138	6,207	\$ 150,890,454	2,417	4,981	\$ 24,583	\$ 66,028	48	56.3%	28.6%	7.2%	8.40%
Trenton	4,498	4,498	4,670	\$ 132,110,758	1,734	2,354	\$ 29,371	\$ 67,206	45	51.3%	26.3%	14.3%	8.40%
Deerfield	4,273	4,273	3,906	\$ 117,733,969	1,644	2,358	\$ 27,553	\$ 61,520	39	58.4%	29.0%	9.9%	8.40%
Whitesboro	3,772	3,772	3,943	\$ 86,699,420	1,734	1,908	\$ 22,985	\$ 42,694	40	60.6%	25.0%	6.5%	8.40%
New York Mills	3,327	3,327	3,191	\$ 85,477,284	1,694	1,906	\$ 25,692	\$ 35,909	45	53.6%	28.4%	9.2%	8.40%
Yorkville	2,689	2,689	2,675	\$ 56,950,331	1,195	1,411	\$ 21,179	\$ 39,348	38	63.6%	17.9%	2.7%	8.40%
Clark Mills	1,905	1,905	1,424	\$ 54,942,105	881	1,003	\$ 28,841	\$ 48,576	45	47.8%	29.3%	12.6%	8.40%
Village of New Hartford	1,847	1,847	1,886	\$ 72,496,597	880	923	\$ 39,251	\$ 54,952	46	33.1%	33.3%	29.0%	8.40%
Oriskany	1,400	1,400	1,459	\$ 41,883,800	593	811	\$ 29,917	\$ 56,667	43	56.5%	29.4%	27.6%	8.40%
Holland Patent	458	458	461	\$ 11,891,970	202	250	\$ 25,965	\$ 63,750	44	47.9%	32.9%	14.3%	8.40%
Herkimer County:	64,508	64,519	64,427	\$ 2,121,111,000	26,470	31,573	\$ 22,377	\$ 42,680	42	55.6%	24.2%	7.6%	7.80%
Frankfort	7,636	7,636	7,478	\$ 180,201,964	3,078	3,906	\$ 23,599	\$ 47,073	42	51.3%	26.0%	7.7%	7.80%
Schuyler	3,420	3,420	3,385	\$ 72,938,340	1,469	1,648	\$ 21,327	\$ 41,215	46	54.5%	19.4%	13.5%	7.80%

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CENSUS DATA—LARGEST AREA EMPLOYERS

Fiscal Year 2013

	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	2.65%
3	NYS Department of Corrections	Correctional Facilities	2,238	1.98%
4	Mohawk Valley Network	Medical Facilities	2,131	1.88%
5	Upstate Cerebral Palsy	Human Services / Education	1,900	1.68%
6	St. Elizabeth Medical Center	Medical Facilities	1,761	1.56%
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	1.24%
10	Utica National Insurance Group	Finance/Insurance	1,325	1.17%
11	Air Force Research Lab - Rome	Government	1,274	1.13%
12	Remington Arms	Gun manufacturer	1,100	3.48% **
13	Wal-Mart Distribution Center	Retail Distribution Center	1,083	0.96%
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	0.88%
17	ACS	Data Processing	900	0.80%
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	0.69%

*--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.

MOHAWK VALLEY WATER AUTHORITY

STATISTICAL SUMMARY AND FLASH REPORT
Last Ten Fiscal Years

	2013	2012 (restated)	2011	2010	2009	2008	2007	2006	2005	2004
Estimated Population Served	130,000	130,000	126,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees Headcount	97	97	100	93	94	96	95	97	97	94
Billed Consumption (in million gallons)	3,639	3,588	3,657	3,666	3,798	3,959	3,893	4,039	4,016	4,129
Average Daily Consumption (in million gallons)	10.0	10.0	10.0	10.0	10.4	10.8	10.7	11.1	11.0	11.3
Average Daily Peak Consumption (in million gallons)	12	12	11	11	12	12	12	13	13	14
Average Daily Consumption per Person (in gallons)	83	82	83	84	87	90	89	92	107	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⁾	444.0	444.0	432.0	422.0	422.0	422.0	422.0	422.0	422.0	422.0
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	597	592	592	592	592	592
Active Taps-End of Year ⁽¹⁾	37,447	37,470	38,433	38,406	38,375	38,334	38,280	38,159	38,013	37,867
Fire Hydrants Operated & Maintained ⁽¹⁾	4,128	4,119	4,115	4,100	4,094	4,063	4,039	3,945	3,895	3,851
Financial Information										
Gross Property, Plant & Equipment ⁽³⁾	\$ 96.8	\$ 91.9	\$ 89.0	\$ 82.5	\$ 75.9	\$ 71.3	\$ 60.5	\$ 55.9	\$ 54.8	\$ 52.5
Net Property, Plant & Equipment after depreciation ⁽³⁾	\$ 78.5	\$ 75.3	\$ 73.9	\$ 68.9	\$ 63.6	\$ 60.4	\$ 50.9	\$ 47.5	\$ 47.9	\$ 46.8
Additions to Property, Plant & Equipment ⁽³⁾	\$ 4.8	\$ 3.0	\$ 12.2	\$ 7.0	\$ 5.3	\$ 10.7	\$ 4.7	\$ 1.1	\$ 2.3	\$ 2.2
Restricted Assets ⁽³⁾	\$ 21.0	\$ 14.0	\$ 17.5	\$ 22.8	\$ 27.7	\$ 17.0	\$ 25.4	\$ 11.6	\$ 12.9	\$ 13.0
Total Long-Term Debt ⁽³⁾	\$ 68.5	\$ 62.4	\$ 56.7	\$ 59.1	\$ 61.3	\$ 51.7	\$ 53.8	\$ 41.5	\$ 43.0	\$ 44.6
Rate Increases	2.00%	2.00%	7.90%	5.60%	7.10%	8.30%	13.50%	8.74%	5.00%	9.50%
Operating Revenues ⁽³⁾	\$ 21.0	\$ 20.4	\$ 20.3	\$ 18.8	\$ 18.0	\$ 17.3	\$ 15.8	\$ 14.0	\$ 13.0	\$ 12.5
Operating Expenses ⁽³⁾	\$ 14.4	\$ 13.6	\$ 12.5	\$ 12.0	\$ 11.9	\$ 11.9	\$ 11.2	\$ 10.6	\$ 10.7	\$ 9.7
Operating Income ⁽³⁾	\$ 6.7	\$ 6.8	\$ 7.8	\$ 6.8	\$ 6.1	\$ 5.4	\$ 4.6	\$ 3.4	\$ 2.2	\$ 2.8
Debt Service & Promissory Note ⁽³⁾	\$ 5.6	\$ 5.3	\$ 5.6	\$ 5.4	\$ 5.7	\$ 4.7	\$ 2.2	\$ 1.7	\$ 2.0	\$ 1.7
Amortization & Depreciation Expense ⁽³⁾	\$ 1.9	\$ 1.8	\$ 1.7	\$ 1.7	\$ 1.6	\$ 1.6	\$ 1.5	\$ 1.4	\$ 1.5	\$ 1.4
Net Increase (Decrease) In Net Position ⁽³⁾	\$ 2.5	\$ 3.0	\$ 3.3	\$ 2.7	\$ 3.9	\$ 3.6	\$ 5.3	\$ 0.7	\$ 0.3	\$ 0.5

(1) Estimates

(2) MGD = Million Gallons per Day

(3) In Millions of Dollars

(4) Includes Emergency Reservoirs Southern # 4, Deerfield, and Marcy

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

WATER PRODUCTION

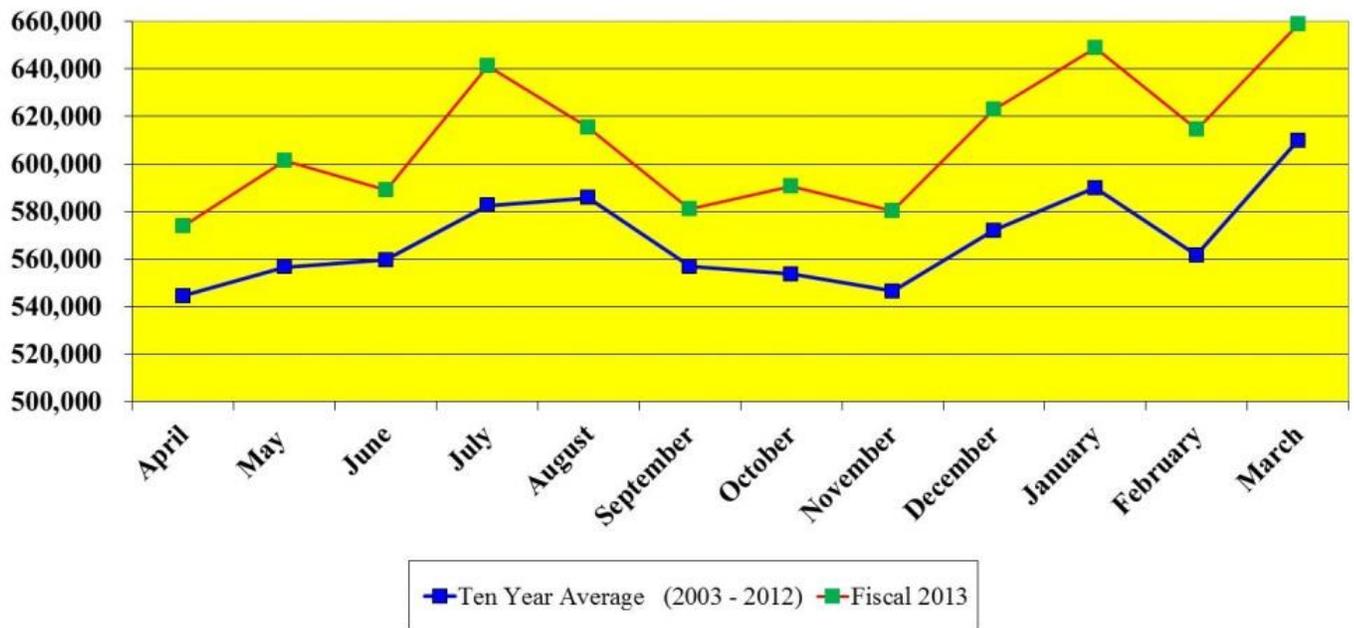
Last Ten Fiscal Years

PER 1,000 GALLONS

	Fiscal 2013	Ten Year Average (2003 - 2012)
April	573,800	544,550
May	601,500	556,700
June	589,100	559,580
July	641,500	582,600
August	615,300	585,720
September	581,200	556,940
October	590,600	553,650
November	580,400	546,480
December	623,000	572,060
January	648,800	590,020
February	614,500	561,700
March	659,000	609,990
Total	7,318,700	6,819,990

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 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
City of Utica	248,453,654	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
Town of Deerfield	9,087,900	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
Town of Frankfort	6,412,900	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
Town of Kirkland	12,630,000	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
Town of Marcy	45,965,700	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
Town of New Hartford	68,103,500	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
Town of Schuyler	5,822,200	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
Town of Trenton	6,666,700	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
Town of Westmoreland	920,100	857,600	884,900	982,500	1,289,300	2,267,900	2,304,400	2,067,900	1,969,100	2,023,400
Town of Whitestown	26,971,600	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
Village of Holland Patent	1,239,400	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
Village of New Hartford	9,033,200	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
Village of New York Mills	11,036,300	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
Village of Oriskany	6,478,300	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
Village of Stittville	1,059,700	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
Village of Washington Mills	6,843,700	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
Village of Whitesboro	11,138,600	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
Village of Yorkville	8,645,000	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
TOTAL	486,508,454	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

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ANNUAL CONSUMPTION (IN CUBIC FEET) – BY MONTH

Last Ten Fiscal Years

Month	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
April	37,718,800	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
May	39,807,700	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
June	40,961,000	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
July	41,384,400	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
August	48,016,400	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
September	47,271,000	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
October	40,217,900	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
November	42,414,400	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
December	36,414,900	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
January	37,166,100	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
February	38,050,754	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
March	37,085,100	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
TOTAL	486,508,454	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

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ACTIVE METERS – BY SIZE

Last Ten Fiscal Years

METER SIZE	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
5/8"	36,504	36,558	36,613	36,641	36,645	36,640	36,605	36,310	36,196	35,635
3/4"	559	563	568	570	568	558	551	559	553	551
1"	512	514	526	523	517	520	514	513	509	518
1 1/4"	-	-	-	-	-	-	-	-	-	-
1 1/2"	239	241	236	232	232	227	227	226	227	218
2"	222	224	221	224	230	231	231	242	245	240
3"	60	61	59	56	56	58	57	59	62	62
4"	56	56	59	60	63	66	63	63	64	65
6"	23	23	22	22	23	25	24	25	27	27
8"	1	1	1	1	1	1	1	-	1	1
Combined	54	50	51	48	48	51	52	49	43	41
Fire	575	578	577	577	577	567	552	544	521	506
TOTAL	38,805	38,869	38,933	38,954	38,960	38,944	38,877	38,590	38,448	37,864

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ACTIVE METERS – BY LOCATION

Last Ten Fiscal Years

SERVICE AREA	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
City of Utica	18,991	19,132	19,167	19,213	19,275	19,346	19,422	19,367	19,398	19,042
Town of Deerfield	1,269	1,259	1,258	1,251	1,252	1,233	1,225	1,211	1,187	1,164
Town of Frankfort	284	285	285	286	286	287	286	283	284	279
Town of Kirkland	482	479	481	482	481	481	481	472	471	468
Town of Marcy	2,108	2,092	2,099	2,072	2,052	2,033	2,004	1,989	1,953	1,917
Town of New Hartford	5,548	5,534	5,514	5,521	5,506	5,474	5,437	5,355	5,317	5,251
Town of Schuyler	375	375	378	377	376	371	360	357	351	346
Town of Trenton	261	253	253	258	252	251	244	204	201	190
Town of Westmoreland	1	1	1	1	1	1	1	1	1	1
Town of Whitestown	3,045	3,024	3,018	3,013	2,999	2,999	2,969	2,948	2,906	2,818
Village of Holland Patent	177	174	181	182	181	181	181	180	179	177
Village of New Hartford	787	785	786	787	786	785	791	790	788	798
Village of New York Mills	1,296	1,285	1,293	1,293	1,300	1,303	1,293	1,286	1,288	1,297
Village of Oriskany	672	667	668	668	663	660	660	662	646	647
Village of Stittville	147	155	159	154	155	151	151	151	150	155
Village of Washington Mills	794	801	807	805	804	801	782	742	737	727
Village of Whitesboro	1,478	1,474	1,485	1,490	1,493	1,488	1,486	1,490	1,492	1,497
Village of Yorkville	1,090	1,094	1,100	1,101	1,098	1,099	1,104	1,102	1,099	1,090
TOTAL	38,805	38,869	38,933	38,954	38,960	38,944	38,877	38,590	38,448	37,864

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ANNUAL METER INSTALLATION – BY SERVICE AREA

Last Ten Fiscal Years

SERVICE AREA	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004
City of Utica	2,650	1,428	1,600	1,920	1,811	1,756	1,174	1,455	1,742	1,457
Town of Deerfield	97	72	107	126	85	111	69	94	91	88
Town of Frankfort	60	20	47	28	30	20	12	15	20	21
Town of Kirkland	49	49	19	13	14	18	29	20	25	270
Town of Marcy	119	145	242	195	126	262	122	151	115	104
Town of New Hartford	693	497	846	537	308	516	381	359	452	333
Town of Schuyler	101	25	23	48	37	36	21	33	28	12
Town of Trenton	-	20	10	13	35	31	55	14	14	11
Town of Westmoreland	-	-	-	1	-	-	-	-	-	-
Town of Whitestown	416	351	294	239	265	233	152	193	238	168
Village of Holland Patent	2	3	11	26	80	17	9	11	20	4
Village of New Hartford	8	64	131	57	49	68	38	51	84	75
Village of New York Mills	292	90	233	144	71	135	100	62	72	22
Village of Oriskany	133	84	44	75	46	61	46	53	45	46
Village of Stittville	15	11	43	15	13	47	65	14	19	21
Village of Washington Mills	118	30	37	232	174	88	56	37	43	97
Village of Whitesboro	386	77	147	138	100	116	92	112	155	108
Village of Yorkville	261	71	175	74	59	93	57	65	125	105
TOTAL	5,400	3,037	4,009	3,881	3,303	3,608	2,478	2,739	3,288	2,942

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CAPITAL PROJECT ACTIVITY

For Fiscal Year 2013

CAPITAL PROJECT	LOCATION	MARCH 31, 2012	ADDITIONS	SUBTRACTIONS	MARCH 31, 2013
Toby Road Tank	Marcy	\$ 8,863,353	\$ 150,632	\$ 9,013,985	\$ 0
New Tank--Pre-Design	Airport Industrial Park	85,395	0	0	85,395
Airport Tank & Mains	Oriskany Airport Park	359,059	78,024	0	437,083
Emergency Generator	Administrative Offices	10,945	0	0	10,945
SCADA System	System Wide	137,827	15,037	0	152,864
Water Quality Improvement	System Wide	248,796	114,876	0	363,672
Water Tank	Deerfield (Smith Hill)	13,739	0	13,739	0
Water Tank	Marcy Reservoir	4,212,040	26,749	4,238,788	0
Canal Crossing	Marcy	741,072	257,520	0	998,592
Safety/Security	System Wide	0	0	0	0
Security Surveillance	System Wide	19,171	5,869	0	25,041
Third Water Intake Line	Water Treatment Plant	24,376	1	0	24,377
Main Replacement	Scott Street, Utica	2,423	0	0	2,423
Pump Station Improvements	System Wide	131,993	4,829	0	136,821
Security Fencing	System Wide	19,212	263	0	19,475
Storage Building	Kemble Street Maintenance Yard	6,103	0	0	6,103
Health & Safety Improvements	System Wide	2,462	(5)	0	2,457
Transition Main Improvements	System Wide	8,185	3,641	0	11,826
Clarifier Screen Repairs	Water Treatment Plant	0	54,556	0	54,556
Main Replacement	Andes Ave	93,209	7,007	0	100,217
Main Replacement	Faas Avenue	0	84,671	0	84,671
Main Replacement	Kernan Ave., Utica	0	66,674	0	66,674
Main Replacement	Winner Ave., Utica	0	50,981	0	50,981
Meter Station Upgrades	Yorkville	0	43,593	0	43,593
Small Roof Project		27,842	0	27,842	0
Water Tank	Southern Reservoir--Low Zone	9,822	2,614,254	0	2,624,076
Main Replacement	Mathews Ave	0	16,868	0	16,868
Fence & Gates	Pleasant Street	0	32,588	0	32,588
Valve Installation	Erie Street	0	37,856	0	37,856
Facility Evaluation	Water Treatment Plant	0	79,664	0	79,664
Roof Replacement	Oneida Street Pump Station	0	16,447	0	16,447
Roof Replacement	Hinman Road Pump Station	0	9,723	0	9,723
Fence & Gates	System Wide	0	8,462	0	8,462
Main Replacement	Memorial Drive, Utica	0	31,379	0	31,379
Facility Upgrades	Kemble Street Maintenance Yard	0	11,392	0	11,392
Tank Repairs	Holland Patent	0	5,048	0	5,048
Automated Meter Infrastructure	System Wide	0	722,629	0	722,629
Total Construction In Progress		\$ 15,017,024	\$ 4,551,227	13,294,354	\$ 6,273,897

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

STAFFING STATISTICS

Last Ten Fiscal Years

	MARCH ^{31st}									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
ADMINISTRATION:										
Executive Director	1	1	1	1	1	1	1	1	1	1
Comptroller / Deputy Comptroller	2	2	2	2	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	6	5
Meter Reading	6	6	6	6	6	6	5	6	6	6
Information Technology	5	5	5	5	5	5	5	5	5	5
Accounting/Billing	3	3	4	4	5	4	4	4	4	5
Public Relations	-	-	-	-	-	-	-	1	1	1
Administrative Support Staff	1	1	1	1	1	1	1	1	1	1
ADMINISTRATION - SUBTOTAL	26	26	27	27	27	26	25	27	27	27
SYSTEM MAINTENANCE:										
Water System Maintenance	35	37	38	36	36	36	36	36	36	35
Meter Service Shop	6	5	4	5	5	5	5	5	5	5
Engineering	8	6	5	6	10	10	10	10	10	10
Capital Projects	-	-	2	2	-	-	-	-	-	-
Water Distribution	3	4	4	4	-	-	-	-	-	-
Water Treatment	9	9	9	9	9	9	9	9	9	9
Lab Operations and System Monitoring	8	8	8	7	7	7	7	7	7	7
Maintenance Support Staff	2	2	3	3	3	3	3	3	3	3
SYSTEM MAINTENANCE - SUBTOTAL	71	71	73	72	70	70	70	70	70	69
TOTAL EMPLOYEES	97	97	100	99	97	96	95	97	97	96

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

OPERATING CAPACITY

Last Ten Fiscal Years

	MARCH 31 ST									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water Capacity :										
Treatment Plant	32	32	32	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD
Treated Water Reservoirs (Standy)	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG
Treated Water Tanks (Active)	41 MG	41 MG	31 MG	31 MG	21 MG	21 MG	21 MG	21 MG	21 MG	21 MG
Facilities :										
Transmission Mains	42.8	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
Distribution Mains	558.9	558.9	558.9	554.5 Miles	554.5 Miles	617 Miles	606 Miles	658 Miles	658 Miles	658 Miles
Supply Mains	107	107	107	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles
Pump Stations (Active)	19	21	21	21	21	22	21	19	20	19
Pressure Regulators	129	129	126	123	123	123	105	92	50	65
Altitude Valves	19	19	19	19	19	19	18	27	27	26
Meter Stations	14	14	14	14	14	14	14	13	13	12
Storage Tanks (Active)	26	28	25	25	25	24	23	27	27	27
Pump Control Valves	5	5	5	5	5	5	5	4	5	5
Other Facilities ⁽¹⁾	24	24	24	22	22	21	14	14	15	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.

SCHEDULE OF INSURANCE IN FORCE

For Fiscal Year Ended March 31, 2013

TYPE	PREMIUM	CONTRACTS	COVERAGE
I. Property & Liability Protection			
General Liability	\$93,809	American Alternative Insurance Corp Policy No. GPPAPF605546300 01/01/2013 - 01/01/2013	Operations of Water Authority-Govt. Subdivision Budget
Cyber Liability	Included in General Liability	American Alternative Insurance Corp Policy No. GPPAPF605546300 01/01/2013 - 01/01/2013	Electronic Information Security Event
Property	Liability	American Alternative Insurance Corp Policy No. FBP2345558 01/01/2013 - 01/01/2014	Building and Personal Property
Equipment Physical Damage Coverage	Included in General Liability	American Alternative Insurance Corp Policy No. GPPAPF605546300 01/01/2013 - 01/01/2014	Scheduled Property
Owner's & Contractor's Protective Protective Liability	\$250	American Alternative Insurance Corp Policy No. GPPAPF605546300 01/01/2013 - 01/01/2014	General Liability
II. Casualty			
Automobile Policy	Included in General Liability	American Alternative Insurance Corp Policy No. GPPAPF605546300 01/01/2013 - 01/01/2014	List of Declared Vehicles and Equipment and hired and non-owned autos
Excess Liability Coverage Umbrella	\$55,941	American Alternative Insurance Corp Policy No. GPPAXS305226500 01/01/2013 - 01/01/2014	Extends failure to supply water
III. Employee Protection			
Public Officials' Liability Policy	\$16,043	American Alternative Insurance Corp Policy No. GPPAPF605546300 01/01/2013 - 01/01/2014	Claims Made
Crime Policy	Included in General Liability	American Alternative Insurance Corp Policy No. GPPAPF605546300 01/01/2013 - 01/01/2014	All employees including Executive Director, Comptroller and Treasurer.
Workers Compensation	\$191,933	New York State Insurance Fund Policy No. S 2177 543-2 01/01/2013 - 01/01/2014	Statutory Coverage
TOTAL PREMIUM	\$357,976		

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

MAJOR COVERAGE LIMITS	DEDUCTIBLE
\$ 1,000,000 Each Occurrence / \$3,000,000 General Aggregate	\$ 5,000 Deductible
\$ 3,000,000 Products-Completed Operations Aggregate	\$0 Deductible
\$ 1,000,000 Personal Injury & Advertising Injury Aggregate	\$0 Deductible
\$ 1,000,000 Fire Damage Limits	\$0 Deductible
\$ 10,000 Medical Expense per person	\$0 Deductible
\$ 1,000,000 Cyber Liability Each Event Limit (each electronic information security event)	\$0 Deductible
\$ 50,000 Privacy Crisis Management Expense (each/ aggregate)	\$0 Deductible
\$ 53,054,710 - Blanket Building and Contents	\$ 0 Deductible
\$ 25,000,000 Equipment Breakdown Limit	\$ 0 Deductible
\$ 1,000,000 Flood & Earthquake	\$ 25,000 Deductible
\$ 500,000 Software	\$ 0 Deductible
\$ 250,000 Ordinance B & C Combination (Limit 1)	\$ 5,000 Deductible
\$ 100,000 Pipe Bridge	\$ 5,000 Deductible
\$ 50,000 - Accounts Receivable / Valuable Papers	\$ 0 Deductible
\$ 25,000 - Mold, Green, Pollution, Wet Dry Rot (in premise and in-transit)	\$ 0 Deductible
\$ 5,000 Water Contamination - Notification Expense	\$ 0 Deductible
Ordinance or Law Included	\$ 0 Deductible
\$ 711,815 scheduled equipment	\$1,000 Deductible
\$ 126,845 - subject to a per item limit of \$10,000	\$1,000 Deductible
\$ 7,250 - watercraft	\$1,000 Deductible
\$ 100,000 lease / rented equipment	\$1,000 Deductible
\$ 1,000,000 Each Occurrence / \$2,000,000 General Aggregate	\$ 0 Deductible
<u>Per Accident :</u>	
\$ 1,000,000 Liability Combined Single Limit	\$ 0 Deductible
\$ 150,000 Personal Injury Protection - per person	\$ 0 Deductible
\$ 500,000 Underinsured / Uninsured Motorist	\$ 0 Deductible
\$ 10,000 Medical Payments/ Per Accident or Loss	\$ 0 Deductible
<u>Limits of Insurance:</u>	
\$ 10,000,000 Each Occurrence and Limit Aggregate	\$ 10,000 self insured retention
Coverage A - \$ 1,000,000 Liability for Monetary Damages (includes Employee Benefits Liability)	\$0 Deductible
Coverage B - \$5,000 for Injunctive Relief	\$0 Deductible
Annual Aggregate Coverage (A&B combined) = \$3,000,000	
\$ 500,000 Employee Dishonesty	\$5,000 Deductible
\$ 250,000 Forgery or Alteration	\$5,000 Deductible
\$ 5,000 Theft, disappearance and destruction - Inside and outside the premises	\$5,000 Deductible
\$ 100,000 Computer Fraud /Funds Transfer / Money Order	\$5,000 Deductible
\$ 1,000,000 Each Accident / Disease Policy Limit / Disease Each Employee	\$0 Deductible

COMPLIANCE SECTION

Kevin J. McCoy, CPA
Thomas W. Donovan, CPA
Frank S. Venezia, CPA
James E. Amell, CPA
Carol A. Hausamann, CPA
Benjamin R. Lasher, CPA
Daniel J. Litz, CPA
Karl F. Newton, CPA
Kevin P. O'Leary, CPA
Timothy A. Reynolds, CPA
Leo A. Rigby, CPA
Thomas J. Ross, CPA
Heather D. Patten, CPA

■
11 British American Blvd.
Latham, NY 12110
Ph: 518-785-0134
Fx: 518-785-0299
111 Everts Avenue
Queensbury, NY 12804
Ph: 518-792-6596
Fx: 518-792-6635

■
Email:
webmaster@marvincpa.com
Web:
<http://www.marvincpa.com>
■

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

Board of Directors
Mohawk Valley Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Mohawk Valley Water Authority (Authority) as of and for the year ended March 31, 2013, and the related notes to the combined financial statements, which collectively comprise the Authority's basic combined financial statements, and have issued our report thereon dated August 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mohawk Valley Water Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 the management of Mohawk Valley Water Authority in a separate letter dated August 13, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Latham, New York
August 13, 2013

**MOHAWK VALLEY WATER AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2013**

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.

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.

Current Status

The recommendation was adopted during 2013 and no similar findings were noted in the March 31, 2013 audit.