

MOHAWK VALLEY WATER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
December 31, 2014 and March 31, 2014

Table of Contents

MOHAWK VALLEY WATER AUTHORITY

Table of Contents	1
-------------------	---

I. INTRODUCTORY SECTION

Chairman's Message	5
Organizational Chart	6
Letter of Transmittal	7
Water Authority Board Members	26
Finance Authority Board Members and Principal Officers	27

II. FINANCIAL SECTION

Independent Auditor's Report	29
Management's Discussion and Analysis	32
Audited Financial Statements:	
Combined Statements of Net Position	57
Combined Statements of Revenues, Expenses and Changes in Net Position	59
Combined Statements of Cash Flows	60
Notes to Combined Financial Statements	62
Required Supplementary Information:	
Schedule of Funding Progress for the OPEB Liability	105
Supplementary Information:	
Schedule of Revenues, Expenses and Changes in Net Position-Budget vs. Actual (December 31, 2014)	107
Schedule of Revenues, Expenses and Changes in Net Position-Budget vs. Actual (March 31, 2014)	108
Utility Plant	109
Schedule of Governmental PILOT Payments	111
Schedule of Detailed Revenues-Budget vs. Actual	112
Schedule of Operational Expenses	113
Schedule of Nonoperating Revenues (Expenses)-Budget vs. Actual	115
Board-Adopted 2015 Budget-Cash Basis	116

Table of Contents

MOHAWK VALLEY WATER AUTHORITY

III. STATISTICAL SECTION

FINANCIAL TRENDS:

Net Position by Component--Ten Year History_____	119
Change in Net Position--Ten Year History_____	120
Operating Revenue by Source--Ten Year History_____	121
Operating Expenses--Ten Year History_____	122
Non-Operating Revenue and Expenses--Ten Year History_____	123
Historical Collection Rates--Ten Year History_____	124

REVENUE CAPACITY:

Water Produced and Consumed--Ten Year History_____	125
Billed Water Sales--By Service Area--Ten Year History_____	126
Number of Water Customers--By Type--Ten Year History_____	127
Quarterly Billed Water Rates--Ten Year History_____	128
Monthly Billed Water Rates--Ten Year History_____	129
Largest Customers—Nine Months Ended December 31, 2014_____	130
Largest Customers—Fiscal Year 2014 (April 1, 2013 to March 31, 2014)_____	131
Largest Customers—Fiscal Year 2013 (April 1, 2012 to March 31, 2013)_____	132
Largest Customers—Fiscal Year 2012 (April 1, 2011 to March 31, 2012)_____	133
Largest Customers—Fiscal Year 2011 (April 1, 2010 to March 31, 2011)_____	134

Table of Contents

MOHAWK VALLEY WATER AUTHORITY

IV. STATISTICAL SECTION--Continued

DEBT CAPACITY:

Schedule of Debt Service_____	135
Debt Service Coverage--Ten Year History_____	137

DEMOGRAPHIC AND ECONOMIC INFORMATION:

Census Data--By Service Area_____	138
Census Data--Largest Area Employers_____	139

OPERATING INFORMATION:

Statistical Summary and Flash Report_____	140
Water Production--Ten Year History_____	141
Annual Consumption--By Service Area--Ten Year History_____	142
Annual Consumption--By Month--Ten Year History_____	143
Active Meters--By Size--Ten Year History_____	144
Active Meters--By Location--Ten Year History_____	145
Annual Meter Installation--By Service Area--Ten Year History_____	146
Capital Project Activity (December 31, 2014)_____	147
Staffing Statistics--Ten Year History_____	148
Operating Capacity_____	149
Schedule of Insurance in Force_____	150

IV. COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> _____	153-154
---	---------

INTRODUCTORY SECTION

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



June 3, 2015

CHAIRMAN'S MESSAGE:

The Mohawk Valley Water Authority (MVWA) was created to deliver superior potable water that meets or exceeds all water quality standards. The company continually strives to operate, maintain, and improve its water distribution system in a manner that supports regional economic development and provides customers with cost effective, reliable, and professional water services.

Now that years of litigation have been settled, MVWA is now more engaged with improving customer service and regional development. To this end, service technicians have begun installing components of an Advance Metering Infrastructure (AMI) system. As installation continues, we recently crossed the 10,000-unit installation mark for modems that means nearly thirty percent of the system's meter readings are being received electronically. AMI helps in detecting leaks and water main breaks throughout the distribution system.

Regional development comes with two current initiatives: "Marcy Nanocenter" and Western Oneida County. The first involves the possibility of attracting a large manufacturing plant at a location now known as the "Marcy Nanocenter." The Marcy Nanocenter site is a 200-acre parcel of State land adjacent to the campus of the SUNY Polytechnic Institute. The site is being actively marketed for this purpose by the State of New York, which has invested heavily in preparing it for this purpose. The Marcy Nanocenter has been the topic of more than thirty news articles in international trade journals aimed at the semiconductor industry. Active interest remains strong among several of the largest world-wide producers of computer microchips. Marcy Nanocenter is now seen as a premier location in the global competition to attract computer chip plants. Each microchip plant could use between 2 million and 7 million gallons per day of water use. With full occupancy at three plants, the water system's entire daily demand could double.

Another building on the SUNY campus itself is nearing completion and is known as the Computer Chip Commercialization Center ("Quad-C"). The facility contains 80,000 square feet of clean room space designed for nanotechnology research. Projected occupancy of the building is scheduled before the end of 2015 by a consortium of six semiconductor companies. Upon full occupancy, the water use is expected to require between 150,000 and 200,000 gallons per day. It is anticipated that this research facility will become an additional enticement to attract a manufacturing plant.

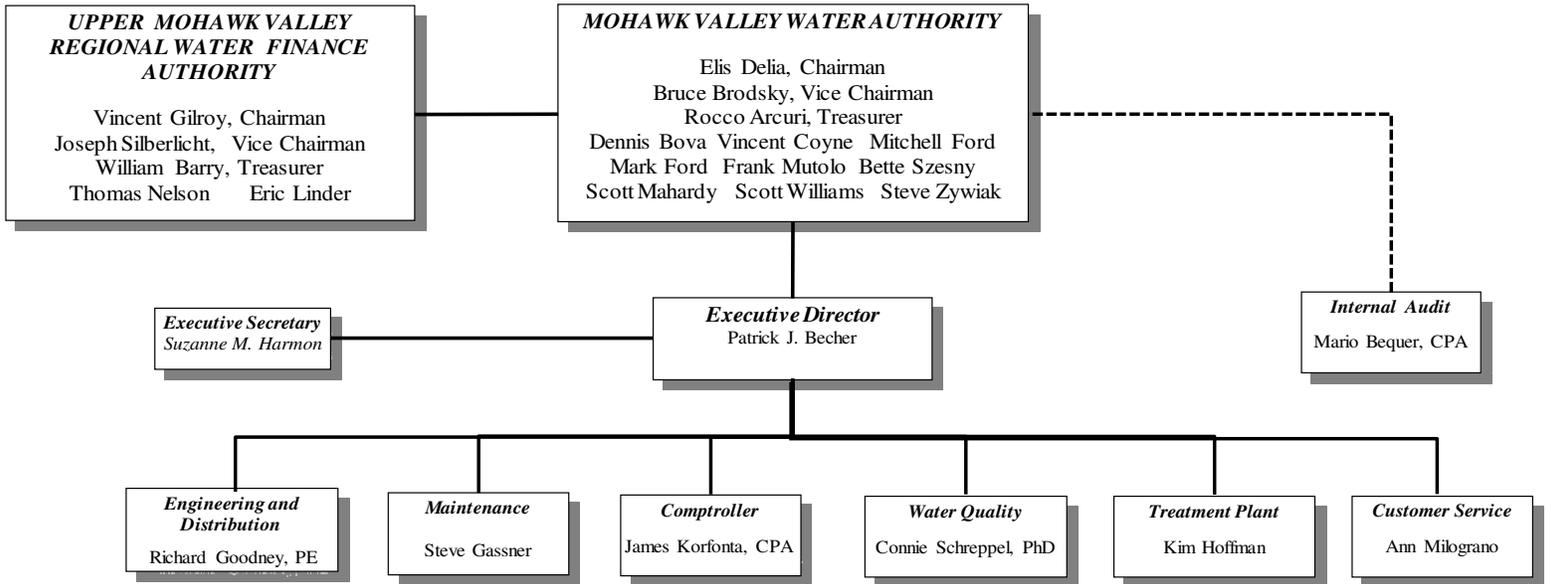
A second initiative is underway to study the water supply needs of Western Oneida County and determine the most effective and efficient way to convey up to five million gallons per day to this multi-town region. The study is funded by the State of New York and is examining the water supply capabilities of the MVWA, the City of Rome, and the City of Oneida. The study is expected to be completed by the end of June 2015 and will yield several alternative methods to supply the growing water demand of this area. It is also expected that at least some of the needed water may come from the MVWA distribution system.

MVWA Board of Directors

MOHAWK VALLEY WATER AUTHORITY

ORGANIZATIONAL CHART

As of December 31, 2014





June 3, 2015

To Members and Stakeholders of the Water Authority:

The Comprehensive Annual Financial Report of the Mohawk Valley Water Authority (“Water Authority”) for the nine months ended December 31, 2014 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 Upper Mohawk Valley Regional Water Finance Authority (“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 as of and for the nine months ended December 31, 2014 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 as of and for the nine months ended December 31, 2014 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 of Utica 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 of Utica and portions of 16 towns and villages, within a 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, 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

On October 23, 2002, 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 firefighting.



LETTER OF TRANSMITTAL-CONTINUED

ECONOMIC OUTLOOK

The Water Authority's customer base has remained relatively constant over the last 10 years around 38,900 active meters. Following a population loss during the 1990's, growth has 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 additional meters were the towns of New Hartford, Marcy, and Whitestown.

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. The New York State Department of Environmental Conservation (DEC) has granted the Water Authority's permit to expand water services to residents and businesses in the towns of Frankfort, Schuyler, Kirkland and Westmoreland. The expansion of water services will secure safe, dependable drinking water for residents who have suffered from long-standing struggles with unreliable water supplies. Additionally, extended water access will allow these towns to seize opportunities for business development and growth.

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.

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.

LETTER OF TRANSMITTAL-CONTINUED

NINE MONTHS ENDED DECEMBER 31, 2014 IN REVIEW

Water Production, Consumption and Water Sales

For the nine months ended December 31, 2014, 5.3 billion gallons of water was treated at the filtration plant to meet customer demands. This is a decrease of 86 million gallons produced compared to the previous year. Of the amount produced, customers consumed 2.6 billion gallons. This is a reduction of 65 million gallons consumed compared to the previous year.

Unfortunately, there has been a steady decline in water consumption. Over the past ten years, the Water Authority has experience an average reduction in water consumption of 1.8% per year. The average daily water production at the filtration plant was 19.4 million gallons for the nine months ended December 31, 2014. Daily water production during the nine months ranged from 17.1 million gallons per day to 24.2 million gallons per day, the water system's peak production for the nine month year. Customer water consumption averaged 9.4 million gallons per day compared to 9.6 million from the previous year.

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. For the nine months ended December 31, 2014, no new water districts were acquired.

Unaccounted-for-water of approximately 36% is the result of an aging water system infrastructure; however, much effort has been put into identifying and correcting the sources. Leak detection throughout the water system is continually being analyzed by an outside engineering firm. More recently, leak detection has been "ramped-up" from a one-third of the system to the entire water system in efforts to identify and reduce loss water. Among other objectives, the engineering firm follows-up on previous leaks detected to make sure they have not re-occurred.

Annual water consumption dropped approximately 67 million cubic feet in the past 10 years. For the nine months ended December 31, 2014, water consumption continued this negative trend by decreasing 8.9 million cubic feet to 344.3 million cubic feet compared to the prior year. Monthly billed customer's revenue increased due to an increase in water rates; however, quarterly billed customer's revenue decreased due to less consumption which has been attributed to more mild summer months and water conservation devices.

LETTER OF TRANSMITTAL-CONTINUED

NINE MONTHS ENDED DECEMBER 31, 2014 IN REVIEW-continued

Total operating revenue increased \$163,000 to \$16.0 million for the nine months ended December 31, 2014 when compared to the nine months of the previous year. Specifically, water sales increased \$253,000 to \$14.8 million dollars. Other revenue sources decreased \$90,000 to \$1.2 million for the nine month year.

Compared to the nine months of the prior year, operating expenses decreased \$2.3 million to \$10.4 million, before depreciation and amortization. In addition, operating expenses were in-line with the budget for the same nine month period. Depreciation and amortization decreased to \$1.6 million for the nine months ended; yet, are also in line with budgeted figures for the nine months ended December 31, 2014.

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 \$89 million in projects over the next 15 years. These projects have been categorized into "priority type" and "project level".

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

The three project levels are as follows:

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

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

The seven priority types are as follows:

- 1) Remediate imminent public health risks;
- 2) Remediate health and safety risks for Authority personnel;
- 3) Comply with current regulatory requirements;

LETTER OF TRANSMITTAL-CONTINUED

CAPITAL CONSTRUCTION-continued

- 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:

Water Quality Improvements

Upgrades and replacements of pumping equipment, piping and controls were completed at various pump stations and other facilities in the regional system at a cost of \$374,517.

Specifically, at the Oneida Street Pump station, pumping equipping controls and a new electrical service was updated to this sixty year old station.

Roof Replacements—Oneida Street and Hinman Road Pump stations

Roof replacements were completed at both the Oneida Street and Hinman Road pump stations at a cost of \$92,000 and \$95,000, respectively. As noted above, upgrades to the mechanical operations were made to these pump stations. Facility containment and security are of paramount importance to these valuable assets.

Facility Renovations and Upgrades—Kemble Street

Renovations and upgrades were completed at the Kemble Street Maintenance Facility in the amount of \$391,024. This included renovation and modernization of the employees locker room, break room and rest rooms. Handicapped accessible walkways and rest room facilities were included. A new HVAC system was installed specifically for these areas.

Main Replacements: Thomas Street, Utica; Dawes Ave, Utica; Park Place, Holland Patent

Several water main replacements were completed during the nine month period including 819 linear feet of 6 inch water mains on Thomas Street in Utica at a cost of approximately \$111,000; 602 linear feet of 6 inch water mains on Dawes Avenue in Utica at an approximate cost of \$120,000; and 183 linear feet of 4 inch water mains on Park Place in Holland Patent at an approximate cost of \$27,000.

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 during the nine months ended December 31, 2014:

- 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 2.9% effective April 1, 2014. 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 in place during the nine month period, the Water Authority continued its multi-year capital project program. No new bonding occurred during the nine month period; however, the funding from the capital maintenance reserve and the use of bond proceeds from prior construction funds has allowed for a vigorous amount of projects to progress during the year. Both the nine months ended December 31, 2014 and the previous year ended March 31, 2014 budgets incorporated portions of debt service related to existing bonds into the water rate structure.

LETTER OF TRANSMITTAL-CONTINUED

FINANCIAL STABILITY-continued

- Cash Reserve Funding – The Board of the Water Authority has made a commitment to the long-term stability and growth of the water system by consistently funding reserves. The Board created a special reserve, the capital maintenance reserve, with the goal of eliminating the need to bond for major maintenance of capital infrastructure. 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. For the nine month period ended December 31, 2014, \$404,000 was scheduled to be deposited to this reserve fund. However, cash flow during the nine months prevented initial funding. As cash flow provides, funding of this amount is anticipated. For the prior year ended March 31, 2014, the Board funded a reserve an additional \$750,000. The current accumulated balance in the capital maintenance reserve is \$2.3 million. No other reserves were funded.

- Operating Cash Surplus – The Water Authority experienced a small decrease in operating cash for the nine months ended December 31, 2014 of \$99,000. Over the past several years, operating cash has experienced healthy increases; however, due to a reduction in water consumption and increases in operating costs primarily with water treatment, additional stress has been placed on monthly operating cash flow to retain positive balances.

In addition, the funding of capital reserves and the maintaining of the Water Authority’s required bond covenant reserve has been preserved. Operating surpluses will allow flexibility to fund unforeseen costs and emergency repairs in the future.

- Debt Service Coverage – Continued strong fiscal management resulted in debt service coverage of 1.35 (See the debt service coverage schedule in the Statistical Section). The coverage is less than the rate consultant’s cash coverage projection of 2.31. However, the rate consultant’s calculation includes the use of cash carried forward from previous operating years. When this amount is added, the coverage increases to 2.61, 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.

While the Water Authority has not bonded for capital funding since August 2012, these favorable ratings have been maintained by both rating agencies. Continued disclosure of the Water Authority’s strong financial condition to rating agencies and other stakeholders has supported these credit ratings.

Standard and Poor’s Rating Services maintains a rating of **A+**. In the rating statement 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 maintains a 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”.

LETTER OF TRANSMITTAL-CONTINUED

CONTINUED OPERATIONAL EFFICIENCIES

During previous years, the Water Authority has implemented improvements 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, the Water Authority began deploying a new technology called Advanced Meter Infrastructure (AMI) for the gathering of consumption data from approximately 38,000 water meters throughout the service area. The software and infrastructure consists 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 provides 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 are transmitted directly to the operating software at the central office. The AMI project is approximately 46% complete and will take 3-5 years to finish.

During the prior year ended March 31,2014, accounting and customer service departments made a continued effort to convert customer payment processing from an existing service provider to a more robust system and provider. Website activity continued to grow with the addition of self service features the new service provider offers, such as automatic recurring payments and account management. All automatic recurring payments were transferred to this system in June and online customer accounts increased from 8,000 to approximately 10,000 users.

At the water maintenance repair facility, our bulk bidding and purchasing has reduced the overall cost of material used in the repair of the distribution system.

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 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 the nine months ended December 31, 2014 amounted to \$1.4 million compared to \$713,000 in the previous fiscal year. Construction projects currently underway in the amount of \$10.4 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 value at the date acquired. No utility assets were acquired from municipalities or private contractors for the nine months ended December 31, 2014. However, during fiscal year ended March 31, 2014, a water district in the town of Whitestown was acquired in the amount of \$542,000. Please see Notes to Combined Financial Statements under Utility Plant and Depreciation for further discussion on this topic.

DEBT ADMINISTRATION

No new bonds were issued during the nine months ended December 31, 2014 or during the previous year ended March 31, 2014. Existing construction funds from the 2012, 2006 and 2003 series bonds in addition to the capital maintenance reserve will allow for continued support of the Water Authority's capital project program.

The majority of the Series 2003 bonds were advanced refunded through the purchase of State and Local Government securities (SLGS). These securities are placed in escrow and will generate resources necessary for paying the future debt service on \$6.8 million of 2003 series bonds. As a result, the debt is also considered defeased, and the liability has been removed from the Water Authority's statement of net position.

The Water Authority's ratings issued in 2012 from both Moody's Investors Service and Standard and Poor's are maintained 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 December 31, 2014, bonds totaling \$59.4 million were outstanding. In addition, a promissory note of \$5.8 million is due over the next 22 years to the City of Utica as part of the water system purchase agreement. Please see Notes to Combined Financial Statements under Long-Term Debt for further discussion on this topic.

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
Comparative Annual Water User Charges-- Current Water Rates	Statistical Section
Projected Revenues, Expenses and Coverage	Separate Report
Conclusions of Rate Consultant	Separate Report
Forecasted Cash Flow	Financial Section—2015 Cash Basis Budget

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, stagnant market during the nine months ended December 31, 2014 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 2.20% 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 \$55.4 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

Section 1226-w of The Upper Mohawk Valley Regional Water Finance Authority Act in the Public Authorities Law 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 December 31, 2014 audit is the third 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) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (CAFR) in past years. 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 current CAFR for the nine months ended December 31, 2014 meets 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, 2016
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, 2016
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, 2016
MITCHELL FORD	Operations Committee Chair; Capital Projects	December 31, 2015
FRANK MUTOLO	Operations Committee	December 31, 2015
SCOTT MAHARDY	Personnel Committee	December 31, 2016
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

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

Daniel J. Litz, CPA

Karl F. Newton, CPA

Kevin P. O'Leary, CPA

Timothy A. Reynolds, CPA

Martin D. Hull, CPA

Board of Directors
Mohawk Valley Water Authority

Report on 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 nine months ended December 31, 2014 and for the year ended March 31, 2014, 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 opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 opinion.

Opinion

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 December 31, 2014 and March 31, 2014, and the respective changes in their net position and cash flows thereof for the nine months ended December 31, 2014 and the year ended March 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

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 32 through 56 and the Schedule of Funding Progress for the OPEB Liability on page 105 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 opinion on the combined financial statements of Mohawk Valley Water Authority as a whole. The introductory section on pages 5 through 27 and the statistical section on pages 119 through 151 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary schedules on pages 107 through 116 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 of America. 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 June 19, 2015, 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* in considering the Mohawk Valley Water Authority's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, New York
June 19, 2015

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 nine months ended December 31, 2014 and year ended March 31, 2014. 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, and other 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

- On October 27, 2014 the Board of Directors passed a resolution changing the fiscal year end date from March 31 to December 31.
- For the nine months ended December 31, 2014, 5.3 billion gallons of water was treated at the filtration plant to meet customer demands. This is a decrease of 86 million gallons produced compared to the previous year, as temperatures have normalized during the later winter/spring months.
- The average daily water production at the filtration plant was 19.4 million gallons for the nine months ended December 31, 2014. Daily water production during the nine months ranged from 17.1 million gallons per day to 24.2 million gallons per day, the water system's peak production for the nine months.
- Unfortunately, there has been a steady decline in customer's water consumption. Over the past ten years, the Water Authority has experience an average reduction in water consumption of 1.8% per year. Customer water consumption averaged 9.4 million gallons per day compared to 9.6 million from the previous year.
- Of the amount produced noted above, customers consumed 2.6 billion gallons. This is a reduction of 65 million gallons consumed compared to the previous year. Customers used an average of 9.4 million gallons per day of water during the nine months ended December 31, 2014, slightly below the prior nine-month period. The water service area comprises the City of Utica and several towns; yet, approximately 81% of the consumption comes from three municipalities, the City of Utica, 159 MCF or 53%; the Town of New Hartford, 49 MCF or 17%; and the Town of Marcy, 32 MCF or 11%.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

WATER SYSTEM HIGHLIGHTS-continued

- 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 decades at no cost to the organization providing the growth within its service area. During the nine months ended December 31, 2014, no new water districts were acquired.
- Unaccounted-for-water of approximately 36% is the result of an aging water system infrastructure; however, much effort has been put into identifying and correcting the sources. A multi-phase leak detection has been under continuous commission to aid in the effort to reduce unaccounted-for-water. The engineering firm's objectives are to follow-up on previous leaks detected as well as identify any new leaks throughout the system.
- Annual water consumption has dropped approximately 67 million cubic feet in the past 10 years. During the nine months ended December 31, 2014, water consumption continued this trend by decreasing 8.9 million cubic feet to 344.3 million cubic feet as compared to the nine months ended December 31, 2013. Monthly billed customer's revenue increased due to an increase in water rates; however, quarterly billed customers revenue decreased due to less consumption which has been attributed to water conservation devices.
- Total operating revenue for the nine months ended December 31, 2014 increased \$163,000 to \$16.0 million compared to the nine months of the previous year. Specifically, water sales increased \$253,000 to \$14.8 million dollars. Other revenue sources decreased \$90,000 to \$1.2 million for the same prior nine month period.
- Delinquency charges exceeded budget by \$75,000 or 13.5% primarily due to late penalties charged on delinquent account balances. Fees and ancillary charges, other services and non-operating revenue were about the same as budget. Revenue is recognized from power production at the Water Authority's two hydro-electric facilities.
- Operating expenses were \$12.0 million for the nine months ended December 31, 2014 – with nearly \$3.0 million in salaries and wages, \$875,000 in health insurance, \$860,000 in New York State Retirement and over \$1.5 million in chemicals for treating water at the water treatment plant.
- Capital projects in the amount of \$1.4 million were completed and another \$10.4 million are in various stages of construction as part of an aggressive multi-year capital plan to remediate system deficiencies and provide enhanced transmission and distribution facilities. A tank near completion 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

WATER SYSTEM HIGHLIGHTS-continued

- Nearing 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 conclude. Also, all reservoirs were taken off-line from daily use during fiscal year 2012 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 capital plan to eliminate open reservoirs within the water system consisted of constructing a 10 million gallon tank at Deerfield reservoir. Completed in fiscal 2010, the tank was placed in-service in fiscal 2012. In addition, construction of an additional clear-well tank at the water treatment plant was completed in fiscal year 2009 and placed in-service during fiscal year 2010. This clear-well 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.

- The nine months ended December 31, 2014 was the second year under a new agreement 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 (S&P) 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."

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

WATER SYSTEM HIGHLIGHTS--continued

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".

- During 2014, accounting and customer service departments made a continued effort to convert customer payment process to a new processor. Website activity continued to grow with the addition of self service features, such as automatic recurring payments and account management. All automatic recurring payments were transferred to the new provider's system in June and online customer accounts increased from 8,000 to approximately 10,000.

***FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED
DECEMBER 31, 2014***

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 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).

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Combined Statements of Net Position

At December 31, 2014, the Water Authority's net position increased to nearly \$39.4 million as compared to \$38.0 million for the year ended March 31, 2014. Just as in operating years past, the majority of the Net Position balance is invested in utility plant, net of related debt at \$28.0 million and \$25.6 million as of December 31, 2014 and March 31, 2014, respectively. In addition, \$671,000 is restricted for the repair and improvement of the water infrastructure as stipulated under the original General Bond Resolution. Also, \$2.3 million is legally restricted for current portions of debt service. A balance of \$8.5 million is considered unrestricted. However, the board of directors has designated \$783,000 to meet coverage requirements of future debt service; \$941,000 for repairs, replacement and renewal of system assets; \$638,000 for operation and maintenance of water system assets; \$2.3 million for capital maintenance; and \$148,000 to fund specific board projects.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014—continued

Combined Statements of Net Position—continued

COMBINED STATEMENTS OF NET POSITION			
	December 31, 2014	March 31, 2014	March 31, 2013
Assets			(restated)
Utility Plant, Net	\$82,326,461	\$81,664,500	\$78,453,037
Restricted Assets	15,590,722	18,700,724	20,955,135
Current Assets	<u>11,049,616</u>	<u>10,848,546</u>	<u>11,923,103</u>
Total Assets	108,966,799	111,213,770	111,331,275
Deferred Outflows of Resources	<u>1,003,409</u>	<u>1,047,168</u>	<u>2,413,144</u>
	<u><u>\$109,970,208</u></u>	<u><u>\$112,260,938</u></u>	<u><u>\$113,744,419</u></u>
Liabilities			
Long-Term Obligations, Less Current Installments	\$64,112,571	\$67,342,182	\$71,411,095
Current Liabilities	<u>6,491,062</u>	<u>6,935,250</u>	<u>7,031,948</u>
Total Liabilities	<u>\$70,603,633</u>	<u>\$74,277,432</u>	<u>\$78,443,043</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	\$27,981,757	\$25,595,974	\$21,674,806
Restricted Debt Service and Repair & Improvements	2,929,016	4,124,783	3,982,611
Unrestricted	<u>8,455,802</u>	<u>8,262,749</u>	<u>9,643,959</u>
Total Net Position	<u>\$39,366,575</u>	<u>\$37,983,506</u>	<u>\$35,301,376</u>
	<u><u>\$109,970,208</u></u>	<u><u>\$112,260,938</u></u>	<u><u>\$113,744,419</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Combined Statements of Net Position—continued

Assets

- For the nine months ended December 31, 2014 total assets decreased by \$2.2 million compared to March 31, 2014. Major assets included in total assets consists of utility plant, restricted assets from bond proceeds and current assets including cash, water receivables, inventory and prepaid expenses.
- There was a decrease of approximately \$3.1 million in restricted cash offset by the use of bonded funds to construct infrastructure recorded in utility plant. Comparing December 31, 2014 to March 31, 2014, current assets increased slightly by \$201,000.
- Deferred outflows of resources consist of deferred amounts from bond refundings and bond insurance premiums. At December 31, 2014, the balance consists of bond refundings in the amount of \$833,000 and unamortized bond insurance premiums of \$170,841. These amounts are amortized over the life of their respective bonds.
- 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 December 31, 2014 and March 31, 2014, utility plant is \$82.3 million and \$81.7 million, respectively.
- 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 December 31, 2014 and March 31, 2014, restricted assets are \$15.6 million and \$18.7 million, respectively. The decrease as of December 31, 2014 is caused by the use of funds for various capital projects. The fiscal year 2013 increase is primarily due to proceeds received from the new 2012 series bonds. These 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. The AMI system, when fully implemented, will improve customer service by providing instant access to water consumption information. As of December 31, 2014, the AMI project is approximately 46% complete.
- Current assets represent operating, restricted and board-designated cash, receivables, inventory, and prepaid expenses. Current assets were approximately \$11.0 and \$10.8 million as of December 31, 2014 and March 31, 2014, respectively. Cash represents the largest portion of current asset at \$8.1 million. The majority of the operating cash remained about the same at December 31, 2014 and March 31, 2014. Water receivables, net, increased the by \$415,000 to \$2.3 million. The majority of the increase has been attributed to the change of the fiscal year end. Inventory decreased by \$75,000 to \$541,000 as products purchased in prior years at bulk rates were placed in service during the current fiscal year.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Combined Statements of Net Position—continued

UTILITY PLANT ASSETS			
	December 31, 2014	March 31, 2014	March 31, 2013 (restated)
Water Rights & Other Intangible Assets	\$1,050,000	\$1,050,000	\$1,050,000
Water Transmission and Storage	31,524,645	30,673,709	30,673,709
Water Treatment Facilities	22,253,180	22,253,180	21,921,748
Distribution	32,610,470	32,058,976	31,118,488
Office & Lab Equipment	2,364,585	2,310,132	2,221,034
Vehicles & Maintenance Equipment	2,916,226	2,830,091	2,516,783
	<u>\$92,719,106</u>	<u>\$91,176,088</u>	<u>\$89,501,762</u>
Less: Accumulated Depreciation	<u>(21,766,313)</u>	<u>(20,344,642)</u>	<u>(18,304,428)</u>
	\$70,952,793	\$70,831,446	\$71,197,334
Construction Work-in-Process	10,391,862	9,851,248	6,273,897
Land	<u>981,806</u>	<u>981,806</u>	<u>981,806</u>
Net Utility Plant	<u><u>\$82,326,461</u></u>	<u><u>\$81,664,500</u></u>	<u><u>\$78,453,037</u></u>

Major construction projects included in work-in-process and completed during the year are listed below. When completed these projects are moved into one of the major asset categories.

- The Water Authority continued to support the New York State Department of Transportation Route 12 Arterial reconstruction project with water main design and field services for nearly 7,200 feet of new and relocated mains up to 20” in diameter. These mains are being installed by the NYSDOT contractors while the Water Authority’s share of the cost is \$51,000.
- Water main replacements at the following locations:

<u>Location</u>	<u>Size and Length of Water Mains</u>	<u>Amount</u>
➤ Memorial Drive, Utica	198 Linear feet of 8 Inch Mains	\$31,000
➤ Thomas Street, Utica	819 Linear feet of 6 Inch Mains	\$111,000
➤ Dawes Avenue, Utica	602 Linear feet of 6 Inch Mains	\$120,000
➤ Park Pl, Holland Patent	183 Linear feet of 4 Inch Mains	\$27,000

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Combined Statements of Net Position—continued

On-going capital projects currently included in work-in-progress include:

- Construction of a 6 million gallon water tank at the Southern Reservoir with a current cost of \$4.6 million;
- Advanced Meter Infrastructure to identify unusual consumption trends, and provide an increased response time to customers, among other features. Current cost is \$3.4 million;
- Piping was installed under the Erie Canal at a cost of \$1.0 million 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 \$210,000;
- Installation of a piping system and storage tank at the Oriskany Airport Park with current costs of \$480,000;
- System-wide pump station improvements of at a current cost of \$367,000.

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.

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 1.70 and 1.56 as of December 31, 2014 and March 31, 2014, 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			
	December 31, 2014	March 31, 2014	March 31, 2013 (restated)
Current Assets	\$11,049,616	\$10,848,546	\$11,923,103
Current Liabilities	\$6,491,062	\$6,935,250	\$7,193,531
Current Ratio	1.70	1.56	1.66

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014—continued

Combined Statements of Net Position—continued

Liabilities—continued

- Long-term obligations consist of water revenue bonds acquired to finance the water system's multi-year capital improvement plan and the actuarially-determined amount owed to retirees for post-employment health benefits. 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. Also, the post-employment health benefits 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.

Water Revenue Bonds

As of December 31, 2014, the Water Authority has six water revenue bond series outstanding totaling \$59.4 million. The Series 2001A bonds and the 2001B bonds were funded through the New York State Drinking Water Revolving Fund administered by the Environmental Facilities Corporation (EFC), a public benefit corporation of the State of New York. The 2001A Series bonds are the result of an advanced refunding of the original 1996A Series bonds used to purchase the water system from the City of Utica. In November 2006, 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. In July 2012, \$15.6 million in serial bonds were issued in part to fund on-going capital projects and to advance refund \$6.8 million of existing 2003 series revenue bonds. No new bonds were issued during fiscal years ended December 31, 2014 or March 31, 2014.

Prior to 2006, annual debt service (principal and interest) was \$3.2 million. The debt service increased to \$5.0 million in 2010. During 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 are currently passed on to the Water Authority as subsidies over the life of the two bond issues. Current debt service has increased to \$5.4 million with the issuance of the 2012 series bonds. Rates on these current debt issues range from 2.00% to 6.25%.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014—continued

Combined Statements of Net Position—continued

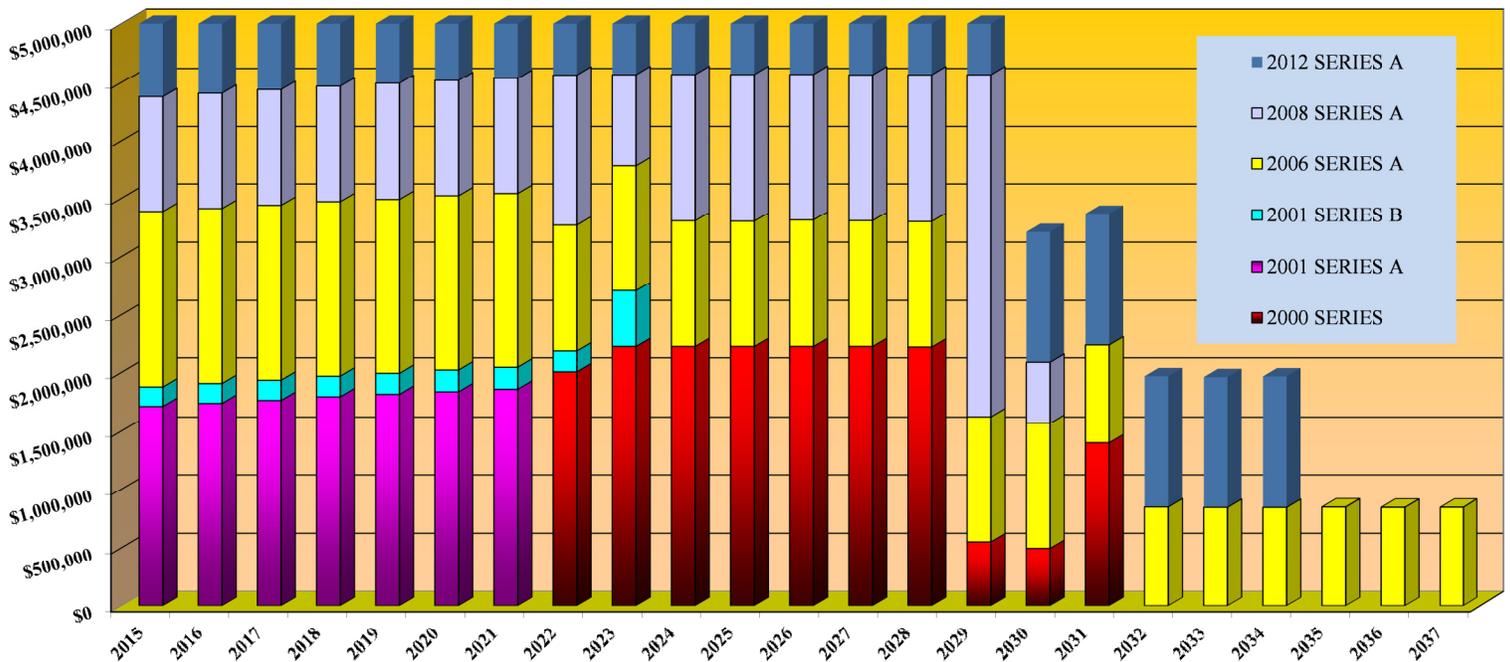
Water revenue bond series outstanding as of December 31, 2014, March 31, 2014 and 2013 follows:

Water Revenue Serial Bonds	Principal Outstanding Balance			
	December 31, 2014		March 31, 2014	March 31, 2013
2000	\$4,513,720		\$4,513,720	\$4,513,720
2001A	9,960,000		11,435,000	12,860,000
2001B	1,535,000		1,665,000	1,790,000
2003	0		0	200,000
2006A	16,865,000		17,620,000	18,345,000
2008A	11,165,000		11,470,000	11,760,000
2012	15,350,000		15,635,000	15,635,000
Total	\$59,388,720		\$62,338,720	\$65,103,720

Additional information on the Water Authority’s long-term debt is found in the Long-Term Debt note in the Notes to Financial Statements section of this report.

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 2015-2037**



MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Combined Statements of Net Position-continued

Net Position

The Water Authority's net position as of December 31, 2014 and March 31, 2014 was \$39.4 million and \$38.0 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 \$28.0 million, and \$25.6 million as of December 31, 2014 and March 31, 2014, respectively. The unspent debt proceeds offsetting invested in utility plant, net of related debt consist of construction fund amounts of \$3.6 million and bond reserve funds of \$5.6 million as of December 31, 2014.
- 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 December 31, 2014 and March 31, 2014 amounts restricted for debt service was \$2.3 million and \$3.4 million, respectively. Also, \$671,000 has been restricted by legislation for the repair and improvement of the water system.
- Unrestricted assets in the 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 \$8.5 million in unrestricted as of December 31, 2014, approximately \$4.8 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 December 31, 2014, the set-aside amount is \$783,000.
 - A capital maintenance reserve was created during fiscal year 2009 to fund the annual maintenance of larger infrastructure assets in the water system. The capital maintenance reserve current balance is \$2.3 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.
 - \$940,000 for the Repair, Renewal and Replacement of utility assets and \$637,000 as a reserve for operation and maintenance 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

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Changes in Revenue, Expenses, and in Net Position

Comparative revenues and expenses for the nine months ended December 31, 2014 as compared to the fiscal year ended March 31, 2014 are going to be down considerably due to comparing nine months and twelve months of activity, respectively.

For nine months ended December 31, 2014, operating revenues decreased by nearly \$5.0 million from the prior fiscal year ended March 31, 2014. However, when comparing the nine months of activity as compared to budget, operating revenues were higher by \$241,000. Operating expenses, incurred for the purpose of producing revenue, decreased by \$2.8 million from the prior year. As compared to budget, operating expenses were running lower than budget after taking into consideration amortization and depreciation. Net operating income shows the relationship between revenue earned and expenses incurred was a positive \$4.0 million for the nine months ended December 31, 2014, down \$2.1 compared to the prior fiscal year; yet up \$1.2 million over budget for the nine months ended. Non-operating expenses, which are considered not directly related to operating income, decreased \$1.4 million from the prior fiscal year due primarily to interest expense and PILOT payment that are prorate based on the timing of payments. A capital contribution in the amount of \$542,000 consisting of a water district by the Town of Whitestown was added to the Water Authority's utility plant during the fiscal year ended March 31, 2014. No new capital contributions were made in the nine month period ended December 31, 2014. The Water Authority's net position increased \$1.4 million for fiscal period ended December 31, 2014.

MOHAWK VALLEY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

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

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
	Nine Months Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013 (Restated)
Operating Revenues	\$ 16,013,793	\$ 20,920,928	\$ 21,020,548
Operating Expenses	(12,014,644)	(14,791,748)	(14,202,188)
Net Operating Revenue	3,999,149	6,129,180	6,818,360
Non-operating Revenues (Expenses):			
Investment Income	163,918	218,251	221,579
Interest Expense	(1,905,880)	(2,494,143)	(2,714,726)
PILOT Payments	(1,102,315)	(1,514,359)	(1,556,746)
Other	228,197	(199,274)	(139,404)
Total Non-operating Expenses	(2,616,080)	(3,989,525)	(4,189,297)
Income before Capital Contribution	1,383,069	2,139,655	2,629,063
Capital Contribution	-	542,475	-
Increase in Net Position	1,383,069	2,682,130	2,629,063
Net Position, Beginning of Year	37,983,506	35,301,376	32,672,313
Net Position, End of Year	\$ 39,366,575	\$ 37,983,506	\$ 35,301,376

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Changes in Revenue, Expenses, and 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:

EFFECTIVE DATE RATE HISTORY							
Date	Rate Increase		Date	Rate Increase		Date	Rate Increase
4/1/1998	0.00%		4/1/2004	5.00%		4/1/2010	7.90%
4/1/1999	8.00%		4/1/2005	8.74%		4/1/2011	2.00%
4/1/2000	5.00%		4/1/2006	13.50%		4/1/2012	2.00%
4/1/2001	5.40%		4/1/2007	8.30%		4/1/2013	1.90%
4/1/2002	6.00%		4/1/2008	7.10%		4/1/2014	2.90%
4/1/2003	9.50%		4/1/2009	5.60%		1/1/2015	2.80%

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					
	Nine Months Ended December 31, 2014		Year Ended March 31, 2014		Year Ended March 31, 2013 (Restated)
Water Sales:					
Quarterly Customers	\$	10,840,668	\$	14,571,855	\$ 14,804,693
Monthly Customers		3,940,566		4,745,913	4,685,476
Other Service Revenues		1,232,559		1,603,160	1,530,379
Total Operating Revenues	\$	16,013,793	\$	20,920,928	\$ 21,020,548

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

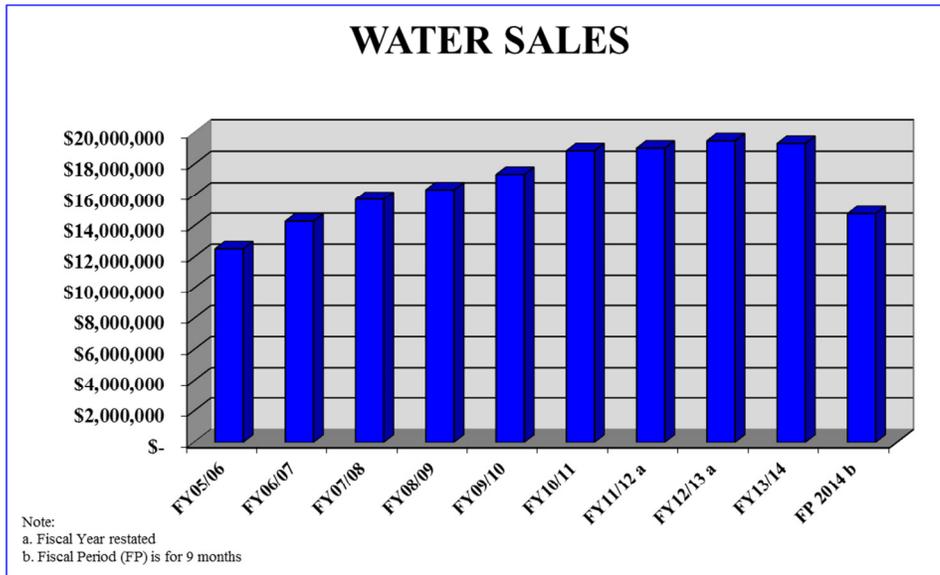
FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

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

Water Sales, Consumption and Production-continued

Comparing revenues and expenses for the nine months ended December 31, 2014 to the fiscal year ended March 31, 2014, both categories go down considerably due to comparing nine months to twelve months activity; therefore, in certain instances, comparisons to budget or the nine months of the prior year are a more insightful. For the nine months ended December 31, 2014, water Sales were \$14.8 million. When comparing nine months of the prior year, water sales are up \$256,000 or 1.8%.

Water consumption continued to decrease even during the nine month year. As of December 31, 2014, 344 million cubic feet (MCF) of consumption was recorded, down 9 MCF compared to the nine month ended December 31, 2013. Although there was a decrease in consumption



compared to the prior period, the increase in water rates lead to a slight increase in water sales.

Water production at the treatment plant decreased during the comparative nine months of 2014 versus 2013 by 15.5 MCF (116 million gallons). Significantly lower water production during the warm season of May through August was due to cooler than normal air temperatures. Also, the experience has been gained in the change-out of granulated active carbon in the three contact beds at the treatment plant reducing use of water circulating through the plant.

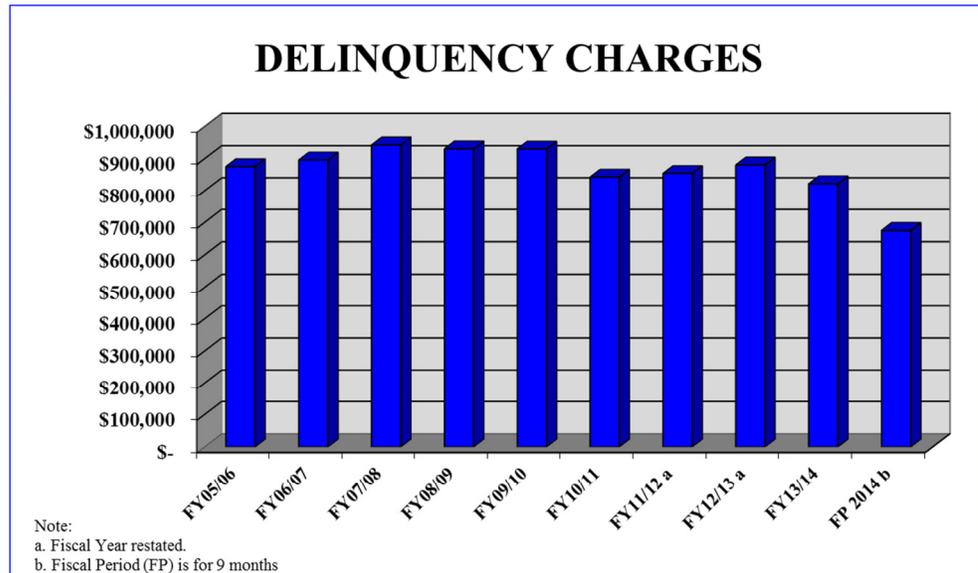
MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Changes in Revenue, Expenses, and in 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 55% of the total supplemental revenue. Penalties, tampering fees and shut-off/ turn-on fees were in line with the previous



year; yet running ahead of budget. 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

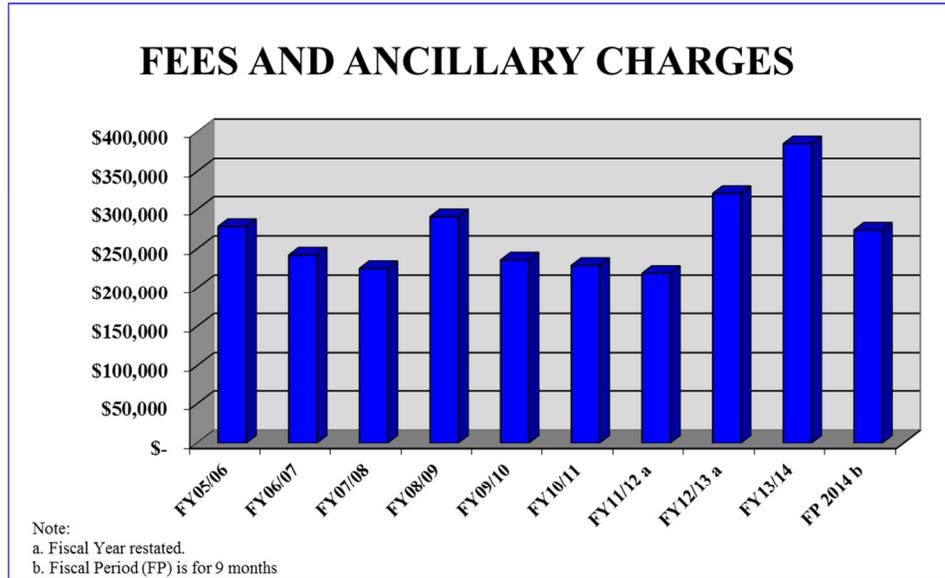
Changes in Revenue, Expenses, and in Net Position-continued

Ancillary Fees

Ancillary-type fees were lower for the nine months ended December 31, 2014 as compared to fiscal year ended March 31, 2014; yet, were in close alignment to the budgeted amount. Line tap charges are less than budgeted primarily because of decrease in new construction.

Hydrant permit fees, water rent

searches and replacement of curb boxes was in line with budgeted figures.



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 decreased \$2.3 to \$10.4 million for the nine months ended December 31, 2014 as compared to the full year ended March 31, 2014 of the prior year. The operating expenses were in-line with the budgeted nine months of operations. Depreciation and amortization decreased to \$1.6 million for the nine months; yet, are also in line with budgeted figures for nine months ended December 31, 2014.

OPERATING EXPENSES			
	Nine Months Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013 (Restated)
Operating Expense	\$ 10,381,466	\$ 12,620,713	\$ 12,324,596
Depreciation and Amortization	1,633,178	2,171,035	1,877,592
Total Operating Expenses	\$ 12,014,644	\$ 14,791,748	\$ 14,202,188

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Changes in Revenue, Expenses, and Net Position-continued

Operating Expenses-continued

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 labor 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 agreement with the Management Employees Association expires as of March 31, 2016. The agreement with the International Brotherhood of Teamsters, Local Union 182 expires as of March 31, 2017.
- Salaries and wages for the nine months ended December 31, 2014 were \$2.9 million. Some part-time positions were eliminated while some full time positions became vacant during fiscal year. It is expected the full-time positions will be filled during the next fiscal year. In addition, portion of some salaries and benefits have been added to the cost of capital projects where Water Authority personnel were used to build and manage these projects.
- Health & Dental insurances, retirement benefits and social security are major portions of employee benefits. These benefits attribute to \$2.1 million employee benefits for the nine months ended December 31, 2014. During fiscal year ended March 31, 2014, the restructuring of the employees' health insurance program to include a health insurance reimbursement program. In addition, state-mandated retirement costs remained about the same as the prior fiscal year at \$1.0 million, a significant benefit afforded Water Authority employees.
- Litigation expenses increased slightly by \$17,000 in during the nine months ended December 31, 2014 in large part to cost of reaching an agreement with the Teamsters Union. Litigation expenses overall have been dramatically lower than prior fiscal years as the lawsuit between the Water Authority and New York State over management and water rights of the Hinckley Reservoir was settled. On February 1, 2013, an agreement and new operating protocol was agreed to between New York State and the Water Authority.
- The purchase of granulated activated carbon (GAC) used at the treatment plant remains the highest operating cost in the nine months ended December 31, 2014; yet, several chemical purchased were below budgeted amounts. GAC is a chemical used in the water filtration process to achieve enhanced water purification and to comply with new drinking water standards.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Changes in Revenue, Expenses, and Net Position-continued

Operating Expenses-continued

- Paving costs increased for the nine months ended December 31, 2014 to \$631,000. This has been caused by the resurfacing of road cuts from water breaks.
- Meters expense has continued to decrease in operating expense as Advance Metering Infrastructure (AMI) capital project absorbs new installment costs. Yet, hydrant replacement cost have increased \$134,000 for the nine months ended December 31, 2014 as systematic replacement of dated hydrants continues to increase.
- Utilities for all operation remain consistently high as the Northeast is experiencing increased energy costs.
- Contracted services at the Treatment Plant increased \$277,000 the result of the removal of sludge from the lagoons accumulated from previous years.

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 period ended December 31, 2014 as compared to fiscal years ended March 31, 2014 and 2013:

NON-OPERATING REVENUES AND EXPENSES			
	Nine Months Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013 (Restated)
Revenues (Expenses)			
Investment Income	\$ 163,918	\$ 218,251	\$ 221,579
Interest Expense	(1,905,880)	(2,494,143)	(2,714,726)
PILOT Payments	(1,102,315)	(1,514,359)	(1,556,746)
Realized Gains/Loss on Investments	25,919	(75,742)	(17,817)
Other Net Revenues (Expenses)	202,278	(123,532)	(121,587)
Total Non-operating Expenses	<u>\$ (2,616,080)</u>	<u>\$ (3,989,525)</u>	<u>\$ (4,189,297)</u>

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

- Investment income from operating accounts and trust fund proceeds experienced a decrease in earnings from prior years; however, on a prorated basis investment income remain flat.
- 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 has leveled out as compared to prior fiscal year as no new bonds were issued in 2014.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Changes in Revenue, Expenses, and Net Position-continued

Non-operating Revenues and Expenses-continued

- Payments in lieu of taxes (PILOT) were made to schools and other governments in accordance with the Water Authority’s state legislation. The amount paid as of December 31, 2014 is on budget and there was a slight decrease to the prior nine months based on the across the board decrease in PILOT payments to the schools and towns.
- Gains and losses on investments are derived from market fluctuations and realized gains and losses when trust fund investments are sold. For the nine months ended December 31, 2014, a net gains were realized compared to a losses in previous two fiscal year ends.
- Other net revenues (expenses) changed from a negative to positive due to a less amount booked for the actuarially determined post-retirement health cost.

Cash Flows

The following table summarizes the sources and uses of cash during the nine months ended December 31, 2014 and years ended March 31, 2014 and 2013:

SUMMARY OF CASH FLOW ACTIVITIES			
	Nine Months Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013 (Restated)
Cash Flows From:			
Operating Activities	\$ 5,338,708	\$ 7,964,191	\$ 9,090,594
Non-Capital Financing Activities	(1,169,019)	(1,201,782)	(1,698,625)
Investing Activities	3,286,344	2,401,396	(6,786,365)
Capital & Related Financing Activities	(7,554,711)	(10,070,428)	(592,660)
Net Increase (Decrease) in Cash	(98,688)	(906,623)	12,944
Cash, Beginning of Year	8,228,865	9,135,488	9,122,544
Cash, End of Year	<u>\$ 8,130,177</u>	<u>\$ 8,228,865</u>	<u>\$ 9,135,488</u>

The Authority’s available cash decreased as of December 31, 2014 to \$8.1 million.

Cash-flow generated from operating activities greatly decreased; yet, this was attributed to the change in fiscal year. The Water Authority has continued experiencing a decrease in consumption which reducing the amount of cash collected from customers. Payments to suppliers and employees were on track to follow budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENT HIGHLIGHTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 —continued

Cash Flows-continued

Cash used for non-capital financing activities, consisting primarily of PILOT payments to other municipalities, decreased slightly during the nine months ended December 31, 2014. All payments to towns and schools decreased in accordance to the enacting legislation

Cash used for investing activities consists of amounts from the purchase, sale and interest on investments. During the nine months ended December 31, 2014, \$3.1 million in Sale of Investments was transferred from restricted cash for funding active capital projects. In July 2012, proceeds from the series 2012 bonds were used to advance refund 2003 bonds causing a significant reduction in cash from investing activities.

Cash from capital and related financing activities consists of amount used to acquire and construct of capital assets, payment of principal on long-term debt and loans and interest paid. For the nine months ended December 31, 2014, less was cash used for the acquisition and construction of capital assets compared to March 31, 2014. Payments on principal and interest totaled \$5.5 million, representing a slight increase over the prior fiscal year ended March 31, 2014.

The \$8.1 million cash at year-end consists of \$5.8 million available from unrestricted operations; \$1.4 million set aside to pay municipalities for sewer and outside water collections; \$783,000 is set aside to fund the bond covenant reserve, and \$148,000 for board-designated projects.

OUTLOOK FOR CALENDAR YEAR 2015

Infrastructure

Completion of capital projects, enhancing current technology and increasing customer payment options are some of the goals established for the 2015 year. The completion of second tank at Southern Reservoir concludes a multi-phase, \$30 million, capital project designed to enhance the existing water system while complying with enacted water storage regulations. The 6 million gallon tank is scheduled for completion during fiscal year 2015. This tank will be used to provide additional water storage in 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.

Starting in fiscal year 2013 and continuing into the fiscal year 2015 is the implementation 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR CALENDAR YEAR 2015-continued

In fiscal year 2014, the Water Authority transitioned its banking to J.P. Morgan Chase (Chase) and Adirondack Bank for cash receipts and operational banking. Chase banking allows more customer payment options. A complete transition to these banks should be completed in fiscal year 2015.

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.

On November 18, 2014, the New York State Department of Environmental Conservation (NYSDEC) issued a hazardous waste program bill related to the cleanup of hazardous lead at the Pleasant Street Water Storage Tank in the amount of \$116,220. On December 29, 2014, the Water Authority submitted a formal fee dispute to NYSDEC asserting it is exempt from the fee. The NYSDEC replied with an initial rejection and an additional charge of \$6,496 in penalties and interest. In accordance with regulatory procedure, the Water Authority has requested a meeting to further contest the fee and will vigorously defend its position. The amount ultimately owed, if any, is not yet known.

Financial Operations

The nine months ended December 31, 2014 budget includes a 2.9% water rate increase as compared to a 1.90% and 2.0% increase in the two prior fiscal years. The Water Authority had planned for a drop in consumption of 2.0% or \$282,000 in water sales during the nine month period. A decrease in non-water revenue (delinquency changes, fees and other services) of \$46,000 was projected in the budget. Operating expenses were budgeted to decrease slightly by \$96,000 when compared to the prior year. Debt service (principal and interest), was budgeted to increase by \$136,000 due to the Series 2012 bonds. Staff monitors consumption and variances to other revenue and expenses items on a monthly basis and reports to the board of directors as part of their financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR CALENDAR YEAR 2015-continued

Financial Operations-continued

The use of granulated activated carbon (GAC) as part of the filtration process has been incorporated into the budget. The amount budgeted for fiscal year 2015 is \$1.0 million. This will be the third year of GAC use at the treatment plant.

The 2015 budget was prepared using the following assumptions:

- water sales and consumption will experience a mild reduction;
- other fees and charges are anticipated to generate revenue consistent with the prior year;
- personnel costs and related benefits (health insurance and retirement) will remain stable with reasonable increases related to the negotiated settlements for teamster employees;
- overall operations and expenses will remain relatively consistent;
- chemical costs at the treatment plant will remain consistent.

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

The following are revenue and expense changes included in the 2015 budget:

1. increase in water sales of 1.47% to a projected \$19.5 million resulting from a loss of water consumption and increase in water rates of 2.8%;
2. fees and ancillary charges decrease of \$33,000;
3. interest earned from investments increase of \$17,000;
4. use of \$697,416 of surpluses accumulated from prior years to balance the budget;
5. salaries and wages increases of \$47,000;
6. legal fees budgeted at \$22,000 to reflect the conclusion of the litigation and negotiation with the Teamster's bargaining unit;
7. paving cost increased by \$85,000 to \$590,000;
8. retirement costs decrease by \$107,000 to annual payment of \$835,000;
9. health insurance premiums expected to increase 8.0% to \$1.5 million;
10. worker compensation premiums increasing by \$82,000
11. chemical costs at the treatment plant \$1.8 million;
12. debt service will decrease approximately \$136,000 a result of past refinancing on current bond issues;
13. PILOT payments to other governments reduced \$30,000;
14. capital maintenance reserve funding in the amount of \$550,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR FISCAL YEAR 2015-continued

CREDIT RATINGS

The Water Authority was 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.mvwa.us.

AUDITED FINANCIAL STATEMENTS**COMBINED STATEMENTS OF NET POSITION**

December 31, 2014 and March 31, 2014

ASSETS

	DECEMBER 31, 2014	MARCH 31, 2014
UTILITY PLANT, AT COST		
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 1,050,000
Water Transmission and Storage	31,524,645	30,673,709
Treatment	22,253,180	22,253,180
Distribution	32,610,470	32,058,976
Office & Lab Equipment	2,364,585	2,310,132
Vehicles & Maintenance Equipment	2,916,226	2,830,091
	<u>92,719,106</u>	<u>91,176,088</u>
Accumulated Depreciation	(21,766,313)	(20,344,642)
	70,952,793	70,831,446
Construction Work in Process	10,391,862	9,851,248
Land	981,806	981,806
Net Utility Plant, at Cost	<u>82,326,461</u>	<u>81,664,500</u>
CURRENT ASSETS		
Cash:		
Unrestricted/ Undesignated	5,805,026	5,834,547
Board Designated Funds:		
Debt Covenant Reserve	783,271	783,271
Proceeds From Timber Sales	147,638	147,638
Sewer Charges Collected	1,394,242	1,463,409
Billed Water Receivables, Net of Allowance of \$321,288 in December 2014 and \$377,351 in March 2014	2,289,390	1,874,471
Grants Receivable	28,000	0
Lab Fees Receivable	683	3,287
Interest Receivable	45,322	34,280
Miscellaneous Receivables	14,551	12,197
Materials Inventory	541,493	615,889
Prepaid Expenses	0	79,557
	<u>11,049,616</u>	<u>10,848,546</u>
Net Current Assets		
NONCURRENT ASSETS		
Serial Bond Funds	11,475,867	13,901,320
PILOT Payment Fund	122,754	125,217
Repair and Improvement Fund	3,942,284	4,504,216
Promissory Note Fund	49,817	169,971
	<u>15,590,722</u>	<u>18,700,724</u>
Net Noncurrent Assets		
TOTAL ASSETS	<u>108,966,799</u>	<u>111,213,770</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,003,409</u>	<u>1,047,168</u>
	<u>\$ 109,970,208</u>	<u>\$ 112,260,938</u>

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

LIABILITIES AND NET POSITION

	DECEMBER 31, 2014	MARCH 31, 2014
LONG-TERM OBLIGATIONS		
Long Term Debt, Less Current Installments	\$ 61,407,428	\$ 64,685,229
Postemployment Benefits Other Than Pension	2,705,143	2,656,953
Total Long Term Obligations	<u>64,112,571</u>	<u>67,342,182</u>
CURRENT LIABILITIES		
Accounts Payable	349,527	251,158
Construction Contracts (Includes retainages of \$97,859 in December 2014 and \$206,647 in March 2014)	122,430	206,647
Accrued Liabilities	255,689	253,273
Lease Payable	23,460	22,634
Accrued Interest	560,118	1,228,161
Compensated Absences	268,000	268,000
Sewer Service Collections Due to Municipalities	1,394,242	1,463,409
Current Portion of Promissory Note	136,639	129,045
Current Portion of Revenue Bonds Payable	3,205,000	2,950,000
Current Portion of Postemployment Benefits Other Than Pensions	175,957	162,923
Total Current Liabilities	<u>6,491,062</u>	<u>6,935,250</u>
TOTAL LIABILITIES	<u>70,603,633</u>	<u>74,277,432</u>
NET POSITION		
Invested In Capital Assets, Net of Related Debt	27,981,757	25,595,974
Restricted For:		
Repair and Improvement	670,880	662,829
Debt Service	2,258,136	3,461,954
Unrestricted	8,455,802	8,262,749
Total Net Position	<u>39,366,575</u>	<u>37,983,506</u>
	<u>\$ 109,970,208</u>	<u>\$ 112,260,938</u>

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Nine Months Ended December 31, 2014 and Year Ended March 31, 2014

	DECEMBER 31, 2014	MARCH 31, 2014
OPERATING REVENUE		
Metered Water Sales	\$ 14,781,234	\$ 19,317,768
Delinquency Charges	675,992	822,682
Fees and Ancillary Charges	273,902	385,245
Other Services	<u>282,665</u>	<u>395,233</u>
Total Operating Revenue	16,013,793	20,920,928
OPERATING EXPENSES		
Administrative	486,548	627,238
Finance & Accounting	786,544	1,079,131
Customer Service	277,453	381,086
Engineering	499,686	579,381
Water Distribution	301,111	319,019
Information Technology	514,408	683,212
Water Quality Maintenance	575,060	759,464
Treatment	2,635,505	2,721,736
System Repair & Maintenance	3,308,577	3,727,603
General Services	996,574	1,742,843
Amortization of Bond Expenses	147,453	204,555
Depreciation	<u>1,485,725</u>	<u>1,966,480</u>
Total Operating Expenses	<u>12,014,644</u>	<u>14,791,748</u>
NET OPERATING REVENUE	3,999,149	6,129,180
NONOPERATING REVENUE (EXPENSE)		
Investment Income	163,918	218,251
Interest Expense	(1,905,880)	(2,494,143)
PILOT Payments	(1,102,315)	(1,514,359)
Independent Lab Services, Net	67,293	68,223
State and Federal Grants	28,000	0
Realized Gain/ (Loss) on Investments	25,919	(75,742)
Post Employment Health Benefits	(61,224)	(306,455)
Other Income, Net	123,409	92,888
Timber Harvest Sales	<u>44,800</u>	<u>21,812</u>
Total Nonoperating Expense	<u>(2,616,080)</u>	<u>(3,989,525)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,383,069	2,139,655
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>542,475</u>
Increase in Net Position	1,383,069	2,682,130
NET POSITION		
Net Position, Beginning of Period	<u>37,983,506</u>	<u>35,301,376</u>
Net Position, End of Period	<u>\$ 39,366,575</u>	<u>\$ 37,983,506</u>

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS

Nine Months Ended December 31, 2014 and Year Ended March 31, 2014

	December 31, 2014	March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 15,455,079	\$ 21,219,400
Payments to Suppliers	(7,059,038)	(9,277,616)
Payments to Employees	(3,404,841)	(4,552,255)
Other Receipts	<u>347,508</u>	<u>574,662</u>
Net Cash Provided By Operating Activities	5,338,708	7,964,191
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to Other Governments	<u>(1,169,019)</u>	<u>(1,201,782)</u>
Net Cash Used In Noncapital Financing Activities	(1,169,019)	(1,201,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received From Investments	152,876	222,727
Purchase of Investments	0	(75,742)
Proceeds from Sale of Investments and Maturities of Investment Securities	<u>3,133,458</u>	<u>2,254,411</u>
Net Cash Provided (Used) By Investing Activities	3,286,334	2,401,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(2,167,849)	(4,793,854)
Other Nonoperating Revenue and Expense, net	266,106	204,903
Principal Payments on Long-Term Bonds	(2,950,000)	(2,765,000)
Principal Payments on Promissory Note	(129,045)	(121,874)
Interest Paid	<u>(2,573,923)</u>	<u>(2,594,603)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(7,554,711)</u>	<u>(10,070,428)</u>
Net Increase (Decrease) in Cash	(98,688)	(906,623)
Cash, Beginning of Period	<u>8,228,865</u>	<u>9,135,488</u>
Cash, End of Period	<u>\$ 8,130,177</u>	<u>\$ 8,228,865</u>

See notes to combined financial statements.

MOHAWK VALLEY WATER AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS-CONTINUED

Nine Months Ended December 31, 2014 and Year Ended March 31, 2014

	December 31, 2014	March 31, 2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 3,999,149	\$ 6,129,180
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	1,485,583	1,966,480
Amortization of Bond Expenses	147,455	204,555
Use of Equipment for Utility Plant Improvements	11,948	73,734
Disposition of Assets	(75,860)	0
(Increase) Decrease in Operating Assets:		
Billed Water Receivables & Other Receivables	(445,273)	(5,627)
Materials Inventory	74,395	36,411
Prepaid Expenses	79,557	(18,086)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	98,371	(502,260)
Accrued Liabilities	(14,459)	65,465
Compensated Absences	(22,158)	14,339
Net Cash Provided By Operating Activities	<u>\$ 5,338,708</u>	<u>\$ 7,964,191</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Disposition of Assets	<u>\$ (75,860)</u>	<u>\$ 0</u>
Change in Fair Value of Investments	<u>\$ 25,919</u>	<u>\$ (75,742)</u>
Post Employment Benefits Other than Pension	<u>\$ 61,224</u>	<u>\$ 306,455</u>

See notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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

December 31, 2014 and March 31, 2014

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 year is 20.0 million gallons per day (MGD), consistent with the average daily production for the past several years.

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 560 miles, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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 \$28.3 million, with varying interest rates, to purchase the water system from the City of Utica. 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

December 31, 2014 and March 31, 2014

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, the primary entity, to make payments for the debt service on the original issued bonds and any subsequent bonds or other debt issued by the Finance Authority. 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 for which the Water Authority's 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 in this financial report.

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

December 31, 2014 and March 31, 2014

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.

Accounting Changes

In July 2014, the Board voted to change the operating year for the Water Authority from an April through March reporting year to a January through December reporting year. However, since the Water Authority's current operating year had already commenced, the Board agreed to have a shortened operating year from April 1, 2014 through December 31, 2014. This nine month year is presented in the current financial statements. In addition, the Board for the Upper Mohawk Valley Regional Water Finance Authority also ratified the agreement to operate on a January through December year.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgets and Budgetary Accounting

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

Vacation Leave, Sick Leave, and Compensatory Absences

Water Authority employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, all union employees are entitled to payment for the accumulated vacation, sick 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, sick 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, sick leave and compensatory time when such payments become due.

Retirement Plan

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, property and liability insurance. Timing of these payments dictates recognizing the pre-payment.

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 and indirect 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Utility Plant-continued

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.

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 amounts for year ended March 31, 2014 have been reclassified to conform with current report classifications.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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. These securities must have a market value of at least 102% of the cost of deposits.

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

The Water Authority has an investment program whereby cash received into its capital trust accounts are invested in certificates of deposit or repurchase agreements in an effort to maximize earnings. In addition, other idle cash has been invested in money market accounts backed by proper collateral. During both the nine months ended December 31, 2014 and the year ended March 31, 2014, 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.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 2 – CASH – CONTINUED

Cash, cash equivalents (consisting of money market funds) and investments at December 31, 2014 and March 31, 2014, respectively, are as follows:

Cash and Cash Equivalents

	December 31, 2014		March 31, 2014	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand Deposits	<u>\$ 8,120,835</u>	<u>\$ 8,130,177</u>	<u>\$ 8,289,212</u>	<u>\$ 8,228,865</u>

Investments

	Credit Rating	December 31, 2014	March 31, 2014
Cash and Accrued Income		\$ 597,314	\$ 909,928
U.S. Treasury Bills		582,977	0
Federated U.S. Treasury Cash Reserves #632	Aaa*	2,531,317	5,188,484
Dreyfus Government Prime Cash Management	Aaa*	1,273,744	2,393,360
BNY Cash Reserves	A1*	41,053	161,207
State and Local Government Series (SLGS)			
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		7,515,736	6,999,164
Master Repurchase Agreements	Aaa*	<u>1,050,881</u>	<u>1,050,881</u>
Total Investments		<u>\$15,590,722</u>	<u>\$18,700,724</u>

*-Moody's Investors Service

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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 remaining amounts pledged with bank collateral at 115% and 88% at December 31, 2014 and March 31, 2014, respectively. A \$3 million dollar interbank transfer was made on March 31, 2014 causing a temporarily reduced amount of collateralization for the March 31, 2014 year end.

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 resources (consisting of cash and investments) be maintained for specific purposes necessary to operate the regional water system (see Note 7 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. During the year, these funds are used for their intended purposes and may not be currently active.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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. At December 31, 2014, 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

December 31, 2014 and March 31, 2014

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.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

Trust Fund Investments

The composition and estimated fair values for each fund's financial instruments as of December 31, 2014 and March 31, 2014, respectively, (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.

	December 31, 2014	
	Carrying Amount	Fair Value
1996B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	8,718	8,718
Certificates of Deposit	200,000	202,096
Value of 1996B Bonds	208,718	210,814
1999 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	13,651	13,651
Master Repurchase Investment 5.13%, 08/01/2029	263,662	263,662
Value of 1999 Series Bonds	277,313	277,313
2000 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	194,989	194,989
Master Repurchase Investment 5.13%, 04/01/2030	787,219	787,219
Value of 2000 Series Bonds	982,208	982,208
2001A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	214,880	214,880
US Treasury Notes-SLGS 2.3748% 11/15/2020	1,710,000	1,710,000
Cash Balance	144,877	144,877
Value of 2001 A Series Bonds	2,069,757	2,069,757
2001B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	96,684	96,684
US Treasury Notes-SLGS 2.07% 5/15/2022	287,700	287,700
Cash Balance	13,982	13,982
Value of 2001 B Series Bonds	398,366	398,366

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	December 31, 2014	
	Carrying Amount	Fair Value
	<u> </u>	<u> </u>
2003 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	971,582	971,582
Certificates of Deposit	197,776	197,776
Value of 2003 Series Bonds	<u>1,169,358</u>	<u>1,169,358</u>
2006A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	958,932	958,932
U.S. Treasury Bill	569,639	582,977
Certificates of Deposit	200,000	202,436
Cash Balance	127,094	127,094
Value of 2006A Series Bonds	<u>1,855,665</u>	<u>1,871,439</u>
2008A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	6,653	6,653
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	342,942	342,942
Certificates of Deposit	794,000	789,014
Cash Balance	83,761	83,761
Value of 2008A Series Bonds	<u>1,227,356</u>	<u>1,222,370</u>
2012 Series Bonds		
Cash	101,511	101,511
Cash Equivalents – Fed. US Treasury Cash Reserves	45,613	45,613
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	930,802	930,802
Certificates of Deposit	2,189,772	2,196,314
Value of 2012 Series Bonds	<u>3,267,698</u>	<u>3,274,240</u>
R & I Fund, Pilot Fund, Promissory Note		
Cash	126,089	126,089
BNY Mellon - Cash Reserves	41,053	41,053
Cash Equivalents – Fed. US Treasury Cash Reserves	19,615	19,615
Certificates of Deposit	3,922,746	3,928,100
Value of R&I Fund, Pilot Fund, and Promissory Note	<u>4,109,503</u>	<u>4,114,857</u>
Total Value of All Restricted Investments	<u>\$ 15,565,942</u>	<u>\$ 15,590,722</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	March 31, 2014	
	Carrying Amount	Fair Value
1996B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	36,250	36,250
Certificates of Deposit	200,000	203,628
Value of 1996B Bonds	236,250	239,878
1999 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	13,651	13,651
Master Repurchase Investment 5.13%, 08/01/2029	263,662	263,662
Value of 1999 Series Bonds	277,313	277,313
2000 Series Bonds		
Cash	26,955	26,955
Cash Equivalents – Fed. US Treasury Cash Reserves	141,079	141,079
Master Repurchase Investment 5.13%, 04/01/2030	787,219	787,219
Value of 2000 Series Bonds	955,253	955,253
2001A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	771,119	771,119
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	20,305	20,305
US Treasury Notes-SLGS 2.3748% 11/15/2020	1,710,000	1,710,000
Value of 2001 A Series Bonds	2,501,424	2,501,424
2001B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	143,480	143,480
US Treasury Notes-SLGS 2.07% 5/15/2022	287,700	287,700
Value of 2001 B Series Bonds	431,180	431,180

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	March 31, 2014	
	Carrying Amount	Fair Value
2003 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	1,396,135	1,396,135
Certificates of Deposit	199,265	199,265
Value of 2003 Series Bonds	1,595,400	1,595,400
2006A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	1,884,526	1,884,526
Certificates of Deposit	400,000	405,414
Value of 2006A Series Bonds	2,284,526	2,289,940
2008A Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	235,863	235,863
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	429,747	429,747
Certificates of Deposit	794,000	795,910
Value of 2008A Series Bonds	1,459,610	1,461,520
2012 Series Bonds		
Cash	7,756	7,756
Cash Equivalents – Fed. US Treasury Cash Reserves	57,469	57,469
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	1,943,308	1,943,308
Certificates of Deposit	2,138,723	2,140,879
Value of 2012 Series Bonds	4,147,256	4,149,412
R & I Fund, Pilot Fund, Promissory Note		
Cash	875,217	875,217
BNY Mellon - Cash Reserves	161,207	161,207
Cash Equivalents – Fed. US Treasury Cash Reserves	508,912	508,912
Certificates of Deposit	3,270,040	3,254,068
Value of R&I Fund, Pilot Fund, and Promissory Note	4,815,376	4,799,404
Total Value of All Restricted Investments	\$ 18,703,588	\$ 18,700,724

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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 value of delinquent water receivables are reduced in a range from 20% to 85% as each subsequent operating year expires and collection of these water receivables has been unsuccessful. Although, approximately 98% of water accounts billed are eventually collected. At December 31, 2014 and March 31, 2014, an allowance for uncollectible accounts of water sales has been established in the amount of \$321,228 and \$377,351, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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 nine months ended December 31, 2014 and year ended March 31, 2014.

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 the nine months ended December 31, 2014 and year ended March 31, 2014, accrued interest receivable on these investments was recorded in the amount of \$45,322 and \$34,280, 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.

In past years, grants have been awarded from Herkimer and Oneida Counties for microbiological and residual research of potable water and water sources.

During 2014, a grant was awarded in the amount \$112,500 from the NYS Department of State, Division of Local Government Services for the examination of water issues affecting communities in the western part of Oneida County. The "Smart Grid" study seeks to identify ways of utilizing existing sources of drinking water and transmission lines to supply water to communities in need within western Oneida County. The grant is funded on a cost-reimbursement basis. As of December 31, 2014, \$28,000 of the grant was expended from the consulting firm hired to perform the study.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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. For the nine months ended December 31, 2014 and year ended March 31, 2014, 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 fair 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

December 31, 2014 and March 31, 2014

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.

During fiscal year ended March 31, 2014, water district #25 in the Town of Whitestown was taken over for operation, maintenance and repair by the Water Authority. The water districted consisted of distribution mains, hydrant and other related apparatus. The value added to the Water Authority's Statement of Net Position at March 31, 2014 was \$542,475.

No contributed property was received during the nine months ended December 31, 2014.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

Activity for utility plant for the nine months ended December 31, 2014 and the year ended March 31, 2014 is summarized as follows:

	<u>Balance 3/31/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2014</u>
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	9,851,248	1,939,189	1,398,575	10,391,862
Total Utility Plant, not being depreciated	<u>11,883,054</u>	<u>1,939,189</u>	<u>1,398,575</u>	<u>12,423,668</u>
Utility Plant, being depreciated				
Water Transmission and Storage	30,673,709	850,936	0	31,524,645
Distribution	32,058,976	551,494	0	32,610,470
Vehicle and Maintenance Equipment	2,830,091	161,995	75,860	2,916,226
Office and Lab Equipment	2,310,132	54,453	0	2,364,585
Water Treatment	22,253,180	0	0	22,253,180
Total Utility Plant, being depreciated	<u>90,126,088</u>	<u>1,618,878</u>	<u>75,860</u>	<u>91,669,106</u>
Less Accumulated Depreciation for:				
Water Transmission and Storage	(2,988,840)	(449,270)	0	(3,438,110)
Distribution	(8,963,796)	(532,143)	0	(9,495,939)
Vehicle and Maintenance Equipment	(1,964,163)	(165,030)	(74,916)	(2,054,277)
Office and Lab Equipment	(2,006,146)	(53,771)	0	(2,059,917)
Water Treatment	(4,421,697)	(296,373)	0	(4,718,070)
Total Accumulated Depreciation	<u>(20,344,642)</u>	<u>(1,496,587)</u>	<u>(74,916)</u>	<u>(21,766,313)</u>
Total Utility Plant, being depreciated, net	<u>69,781,446</u>	<u>122,291</u>	<u>944</u>	<u>69,902,793</u>
Total Utility Plant, net	<u>\$ 81,664,500</u>	<u>\$ 2,061,480</u>	<u>\$ 1,399,519</u>	<u>\$ 82,326,461</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

	<u>Balance 3/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 3/31/2014</u>
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	6,273,897	4,290,793	713,442	9,851,248
Total Utility Plant, not being depreciated	<u>8,305,703</u>	<u>4,290,793</u>	<u>713,442</u>	<u>11,883,054</u>
Utility Plant, being depreciated				
Water Transmission and Storage	30,673,709	0	0	30,673,709
Distribution	31,118,488	940,488	0	32,058,976
Vehicle and Maintenance Equipment	2,516,783	313,308	0	2,830,091
Office and Lab Equipment	2,221,034	89,098	0	2,310,132
Water Treatment	21,921,748	331,432	0	22,253,180
Total Utility Plant, being depreciated	<u>88,451,762</u>	<u>1,674,326</u>	<u>0</u>	<u>90,126,088</u>
Less Accumulated Depreciation for:				
Water Transmission and Storage	(2,388,662)	(600,054)	0	(2,988,716)
Distribution	(8,257,357)	(706,563)	0	(8,963,920)
Vehicle and Maintenance Equipment	(1,745,046)	(219,117)	0	(1,964,163)
Office and Lab Equipment	(1,878,500)	(127,643)	0	(2,006,143)
Water Treatment	(4,034,863)	(386,837)	0	(4,421,700)
Total Accumulated Depreciation	<u>(18,304,428)</u>	<u>(2,040,214)</u>	<u>0</u>	<u>(20,344,642)</u>
Total Utility Plant, being depreciated, net	<u>70,147,334</u>	<u>(365,888)</u>	<u>0</u>	<u>69,781,446</u>
Total Utility Plant, net	<u>\$ 78,453,037</u>	<u>\$ 3,924,905</u>	<u>\$ 713,442</u>	<u>\$ 81,664,500</u>

Depreciation charged to expense at for the nine months ended December 31, 2014 and year ended March 31, 2014 was \$1,485,725 and \$1,966,480, 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

December 31, 2014 and March 31, 2014

NOTE 6 – 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	December 31, 2014	March 31, 2014
Oneida County	\$ 1,130,253	\$ 1,239,528
City of Utica	225,233	197,556
Village of Holland Patent	2,605	817
Town of Marcy	14,585	9,529
Village of Bridgewater	17,822	15,979
Westmoreland	3,744	0
Total	\$1,394,242	\$ 1,463,409

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – LONG-TERM DEBT

The revenue bonds and promissory note outstanding at nine months ended December 31, 2014 and year ended March 31, 2014 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 December 31, 2014</u>	<u>Balance March 31, 2014</u>
REVENUE BONDS:							
2000 Series (Partially Advanced Refunded)	System Improvement	Baa1	2030	4.75%-5.87%	\$ 8,528,720	\$ 4,513,720	\$ 4,513,720
Less: Current Maturities						0	0
Add: Bond Premium						20,435	21,398
Total Long-Term						<u>\$ 4,534,155</u>	<u>\$ 4,535,118</u>
2001 Series A** (Advanced Refunding)	Refunding of 1996A Bonds	Baa1	2020	3.43%-5.13%	\$26,716,006	\$ 9,960,000	\$ 11,435,000
Less: Current Maturities						1,520,000	1,475,000
Less: Bond Discount						861,434	970,630
Total Long-Term						<u>\$ 7,578,566</u>	<u>\$ 8,989,370</u>
2001 Series B** (Advanced Refunding)	System Improvement	Baa1	2022	3.02%-5.31%	\$ 2,876,300	\$ 1,535,000	\$ 1,665,000
Less: Current Maturities						135,000	130,000
Total Long-Term						<u>\$ 1,400,000</u>	<u>\$ 1,535,000</u>
2006 Series A	System Improvement/ Partial Refunding-1999 & 2000 Series	A3	2036	4.00%-5.00%	\$20,325,000	\$ 16,865,000	\$ 17,620,000
Less: Current Maturities						790,000	755,000
Add: Bond Premium						66,407	68,751
Total Long-Term						<u>\$ 16,141,407</u>	<u>\$ 16,933,751</u>
2008 Series A	System Improvement	A3	2030	3.00%-6.25%	\$12,220,000	\$ 11,165,000	\$ 11,470,000
Less: Current Maturities						325,000	305,000
Less: Bond Discount						170,141	179,256
Total Long-Term						<u>\$ 10,669,859</u>	<u>\$ 10,985,744</u>
2012 Series	System Improvement/ Partial Refunding-2003 Series	A1/A+	2033	3.00%-4.00%	\$15,635,000	\$ 15,350,000	\$ 15,635,000
Less: Current Maturities						435,000	285,000
Add: Bond Premium						276,425	287,733
Total Long-Term						<u>\$ 15,191,425</u>	<u>\$ 15,637,733</u>
PROMISSORY NOTE:							
City of Utica Note	Water System Purchase Agreement	N/A	2036	Approx. 5.8%	\$ 7,000,000	\$ 5,847,152	\$ 5,976,197
Less: Current Maturities						136,639	129,045
Total Long-Term						<u>\$ 5,710,513</u>	<u>\$ 5,847,152</u>

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

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

	2012 SERIES BONDS		
	Principal	Interest	Total
2015	\$ 435,000	\$ 536,907	\$ 971,907
2016	600,000	521,382	1,121,382
2017	620,000	503,082	1,123,082
2018	640,000	480,982	1,120,982
2019	660,000	454,982	1,114,982
2020	695,000	427,882	1,122,882
2021-2025	3,890,000	1,718,786	5,608,786
2026-2030	4,620,000	1,001,666	5,621,666
2031-2033	3,190,000	176,357	3,366,357
	<hr/>	<hr/>	<hr/>
	15,350,000	5,822,026	21,172,026
Less: Current Portion	435,000	0	435,000
Add: Bond Premium	276,425	0	276,425
	<hr/>	<hr/>	<hr/>
	\$ 15,191,425	\$ 5,822,026	\$ 20,460,601
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	2008 A SERIES BONDS		
	Principal	Interest	Total
2015	\$ 325,000	\$ 672,001	\$ 997,001
2016	345,000	655,251	1,000,251
2017	360,000	637,626	997,626
2018	385,000	619,001	1,004,001
2019	400,000	596,876	996,876
2020	425,000	571,094	996,094
2021-2025	3,610,000	2,277,190	5,887,190
2026-2029	5,315,000	677,344	5,992,344
	<hr/>	<hr/>	<hr/>
	11,165,000	6,706,383	17,871,383
Less: Current Portion	325,000	0	325,000
Less: Bond Discount	170,141	0	170,141
	<hr/>	<hr/>	<hr/>
	\$ 10,669,859	\$ 6,706,383	\$ 17,376,242
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

	2006 A SERIES BONDS		
	Principal	Interest	Total
2015	\$ 790,000	\$ 715,376	\$ 1,505,376
2016	830,000	674,876	1,504,876
2017	870,000	632,376	1,502,376
2018	910,000	587,876	1,497,876
2019	955,000	546,026	1,501,026
2020	990,000	507,126	1,497,126
2021-2025	3,260,000	2,111,828	5,371,828
2026-2030	3,795,000	1,346,383	5,141,383
2031-2036	4,465,000	592,377	5,057,377
	<u>16,865,000</u>	<u>7,714,244</u>	<u>24,579,244</u>
Less: Current Portion	790,000	0	790,000
Add: Bond Premium	66,407	0	66,407
	<u>\$ 16,141,407</u>	<u>\$ 7,714,244</u>	<u>\$ 23,855,651</u>

	2001 B SERIES BONDS		
	Principal	Interest	Total
2015	\$ 135,000	\$ 75,222	\$ 210,222
2016	140,000	68,554	208,554
2017	145,000	61,536	206,536
2018	150,000	54,176	204,176
2019	160,000	46,325	206,325
2020	165,000	37,990	202,990
2021-2023	640,000	41,845	681,845
	<u>1,535,000</u>	<u>385,648</u>	<u>1,920,648</u>
Less: Current Portion	135,000	0	135,000
	<u>\$ 1,400,000</u>	<u>\$ 385,648</u>	<u>\$ 1,785,648</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

2001 A SERIES BONDS

	Principal	Interest	Total
2015	\$ 1,520,000	\$ 497,129	\$ 2,017,129
2016	1,570,000	423,713	1,993,713
2017	1,630,000	346,940	1,976,940
2018	1,685,000	266,255	1,951,255
2019	1,745,000	181,499	1,926,499
2020	1,810,000	92,853	1,902,853
	<u>9,960,000</u>	<u>1,808,389</u>	<u>11,768,389</u>
Less: Current Portion	1,520,000	0	1,520,000
Less: Bond Discount	<u>861,434</u>	<u>0</u>	<u>861,434</u>
	<u>\$ 7,578,566</u>	<u>\$ 1,808,389</u>	<u>\$ 9,386,955</u>

2000 SERIES BONDS (Partially Refunded)

	Principal	Interest	Total
2015	\$ 0	\$ 0	\$ 0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	0	0	0
2021-2025	3,041,555	7,883,446	10,925,001
2026-2030	<u>1,472,165</u>	<u>5,427,736</u>	<u>6,899,901</u>
	4,513,720	13,311,182	17,824,902
Less: Current Portion	0	0	0
Add: Bond Premium	<u>20,435</u>	<u>0</u>	<u>20,435</u>
	<u>\$ 4,534,155</u>	<u>\$ 13,311,182</u>	<u>\$ 17,845,337</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

PROMISSORY NOTE

	Principal	Interest	Total
2015	\$ 136,639	\$ 344,076	\$ 480,715
2016	144,679	336,036	480,715
2017	153,193	327,522	480,715
2018	162,208	318,507	480,715
2019	171,753	308,962	480,715
2020	181,860	298,855	480,715
2021-2025	1,082,985	1,320,590	2,403,575
2026-2030	1,441,403	962,175	2,403,578
2031-2036	2,372,432	511,856	2,884,288
	<hr/> 5,847,152	<hr/> 4,728,579	<hr/> 10,575,731
Less: Current Portion	<hr/> 136,639	<hr/> 0	<hr/> 136,639
	<hr/> <u>\$ 5,710,513</u>	<hr/> <u>\$ 4,728,579</u>	<hr/> <u>\$ 10,439,092</u>

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

Long-term liability activity for the nine months ended December 31, 2014, was as follows:

	Long-Term Obligations March 31, 2014	Additions	Reductions	Long-Term Obligations December 31, 2014	Due Within One Year
Revenue Bonds	\$ 59,388,720	\$ -	\$ (3,205,000)	\$ 56,183,720	\$ 3,205,000
Premiums/ (Discounts)	(772,004)	\$ 118,311	\$ (14,615)	(668,308)	138,261
Promissory Note	5,847,152	-	(136,639)	5,710,513	136,639
Capital Leases	52,330	-	(17,700)	34,630	23,460
Compensated Absences	169,031	282,694	(304,852)	146,873	268,000
Postemployment Benefits other than Pensions	2,656,953	48,190	-	2,705,143	175,957
Total Liabilities	<u>\$ 67,342,182</u>	<u>\$ 401,005</u>	<u>\$ (3,678,806)</u>	<u>\$ 64,112,571</u>	<u>\$ 3,947,317</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – 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.

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

December 31, 2014 and March 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

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. For twelve months ended December 31, 2014 and the year ended March 31, 2014, 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

December 31, 2014 and March 31, 2014

NOTE 7 – 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. Likewise, the Board has enforced amounts delinquent at 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 December 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 \$671,000) 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.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 7 – 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 8 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources consist of bond insurance premiums and amounts deferred from the defeasance of prior debt issues. Bond insurance premiums and amounts deferred for the defeasance of prior debt issues 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:

	December 31, 2014	March 31, 2014
Amounts deferred on defeasance of debt:		
Series 2012 Bonds	\$ 388,491	\$ 405,302
Series 2006 Bonds	444,077	459,750
Authority Financing Costs:		
Bond Insurance	170,841	182,116
	<u>\$ 1,003,409</u>	<u>\$ 1,047,168</u>

Estimated annual amortization expense is \$62,341 over the next five fiscal years.

NOTE 9 – OTHER LONG-TERM LIABILITIES

Compensated absences represent unused vacation, sick and compensatory time payable in the future. The balance for the nine months ended December 31, 2014 and year ended March 31, 2014 were \$414,873 and \$437,031, respectively.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 10 – 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:

	December 31, 2014	March 31, 2014
Internal Commitments:		
Debt Service Covenant	\$ 783,271	\$ 783,271
Repair, Replacement and Renewal Reserve	940,647	929,350
Operating & Maintenance Reserve	637,159	629,512
Capital Maintenance Reserve	2,310,253	2,282,526
Reserve For Board Projects	147,638	147,638
	<hr/>	<hr/>
Total	<u>\$ 4,818,968</u>	<u>\$ 4,772,297</u>

NOTE 11 – EMPLOYEES' PENSION PLAN

General Information

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 11 – 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 NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12207.

Funding Policies

The 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	9/1/1983 – 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.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 11 – 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>
December 31, 2014	\$ 859,755	18.4%
March 31, 2014	\$ 1,004,985	21.4%
March 31, 2013	\$ 897,364	18.8%
March 31, 2012	\$ 665,564	14.4%
March 31, 2011	\$ 532,857	12.3%

Since 1989, the ERS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York.

NOTE 12 – DEFERRED COMPENSATION PLAN

In fiscal 2007, The Water Authority entered into an agreement with the New York Deferred Compensation Board to provide a Deferred Compensation Plan in accordance with the Internal Revenue Code, Section 457, on a voluntary basis to full-time employees. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement or for an unforeseen emergency. The Water 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-six (26) employees contributed to the plan during the nine months ended December 31, 2014.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 13 – 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 Water 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 Water Authority.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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

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

The number of participants as of April 1, 2014, the effective date of the annual OPEB valuation, follows:

Active Employees	83
Retired Employees	13
Dependents	8
Disabled	<u>0</u>
Total	<u><u>104</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 December 31, 2014, the Authority's Annual Required Contribution (ARC) is \$227,158. The net annual OPEB cost consists of the ARC amount less an adjustment of \$87,607; interest earned on the net OPEB obligations of \$84,596 less payments for current health insurance premiums for retirees and their beneficiaries totaling \$162,923. The result was an increase in the Net OPEB Obligation of \$61,224 for the nine months ended December 31, 2014.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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

The Water Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at December 31, 2014, fiscal years ended March 31, 2014 and 2013 were as follows:

Annual OPEB Cost and Net OPEB Obligation	December 2014	March 2014	March 2013
Annual Required Contribution	\$227,158	\$587,243	\$564,580
Interest on Net OPEB Obligation	84,596	88,707	76,416
Adjustment to Annual Required Contribution	(87,607)	(137,804)	(118,709)
Annual OPEB Cost	224,147	538,146	522,287
Contributions made	(162,923)	(231,691)	(192,079)
Increase in Net OPEB Obligation	61,224	306,455	330,208
Net OPEB Obligation - beginning of year	2,819,876	2,513,421	2,183,213
Net OPEB Obligation - end of year	\$2,881,100	\$2,819,876	\$2,513,421
Percentage of Annual OPEB Cost contributed	72.69%	43.05%	36.78%

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 coverage is “fully-insured community rated” and annual premiums for fully-insured community rated coverage 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 percent pay, open group basis.

Funded Status	Nine Months		
	December 31, 2014	March 31, 2014	March 31, 2013
Actuarial Accrued Liability (AAL)	\$4,660,325	\$5,783,723	\$5,531,117
Actuarial Value of Assets	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	4,660,325	5,783,723	5,531,117
Funded Ratio (Assets as a percentage of AAL)	0.00%	0.00%	0.00%
Annual Covered Payroll	3,546,451	4,697,048	4,774,885
UAAL as a Percentage of Covered Payroll	131.41%	123.14%	115.84%
Measurement Date	December 31, 2014	March 31, 2014	March 31, 2013
Investment Rate of Return	4.00%	3.50%	3.50%
Expected Return on Plan Assets	N/A	N/A	N/A
Expected Return on Employer's Assets	4.00%	3.50%	3.50%
Rate of compensation increase	3.00%	N/A	N/A
Inflation Rate	2.50%	3.00%	3.00%

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

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

Actuarial Methods and Assumptions-continued

Healthcare Cost Trend Rates

The short-term trend rates are based on the National Health Expenditure Projections 2006-2022 and reflect the impact of legislative changes in 2014 and future years. Long-term trend rates are developed using the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model (updated November 2012), with the following assumptions for input variables:

	<u>Short-Term</u>	<u>Mid-Term</u>	<u>Long-Term</u>
Rate of Inflation	2.5%	2.5%	2.5%
Rate of Growth in Real Income/GDP per Capita	1.5%	1.6%	1.7%
Income Multiplier for Health Spending	1.2	1.3	1.4
Extra Trend due to Technology and Other Factors	1.0%	1.1%	1.1%
Health Share of GDP in 2016	18.3%		
Health Share of GDP resistance point	25.0%		
Year for Limiting Cost Growth to GDP Growth	2075		

Additional Information

Actuarial Cost Method	Entry Age Normal Method
Amortization Method	Level Percent Pay, Open Group
Amortization Period	Single Amortization Period
Amortization Period (in years)	30.00
Amortization Period Status	Open
Mortality Table	RP-2014

Spousal Age: Spousal age is the actual age, if reported for retirees; otherwise, males are assumed three years older than females.

Marriage Percentages: 70% of both male and female employees are assumed to be married at retirement and elect coverage for a spouse. Actual spousal information was used for retirees.

Participation Rate: 100% of employees currently electing medical benefits are assumed to continue coverage in retirement. Five (5) percent of retirees whose benefits have expired are assumed to continue coverage in the medical plan.

MOHAWK VALLEY WATER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and March 31, 2014

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation

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

On November 18, 2014, the New York State Department of Environmental Conservation (NYSDEC) issued a hazardous waste program bill related to the cleanup of hazardous lead at the Pleasant Street Water Storage Tank in the amount of \$116,220. On December 29, 2014, the Water Authority submitted a formal fee dispute to NYSDEC asserting it is exempt from the fee. The NYSDEC replied with an initial rejection and an additional charge of \$6,496 in penalties and interest. In accordance with regulatory procedure, the Water Authority has requested a meeting to further contest the fee and will vigorously defend its position. The amount ultimately owed, if any, is not yet known.

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 December 31, 2014, are as follows:

2015	\$	104,870
2016		104,870
2017		104,870
2018		104,870
2019		104,870
Thereafter		725,351
Total	\$	<u>1,249,701</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 \$81,092 for the nine months ended December 31, 2014 and \$108,099 for the year ended March 31, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB LIABILITY

For the Nine Months Ended December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
April 1, 2014	\$ -	\$ 4,660,325	\$ 4,660,325	0.00%	\$ 3,546,451	131.41%
April 1, 2013	\$ -	\$ 5,783,723	\$ 5,783,723	0.00%	\$ 4,697,048	123.14%
April 1, 2012	\$ -	\$ 5,531,117	\$ 5,531,117	0.00%	\$ 4,774,885	115.84%

SUPPLEMENTARY INFORMATION

MOHAWK VALLEY WATER AUTHORITY

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BUDGET VS. ACTUAL**

For the Nine Months Ended December 31, 2014

	Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUE				
Metered Water Sales	\$ 14,781,234	\$ 14,644,199	\$ 137,035	0.94%
Delinquency Charges	675,992	561,023	114,969	20.49%
Fees and Ancillary Charges	273,902	288,359	(14,457)	(5.01%)
Other Services	282,665	279,000	3,665	1.31%
Total Operating Revenue	<u>16,013,793</u>	<u>15,772,581</u>	<u>241,212</u>	<u>1.53%</u>
OPERATING EXPENSES				
Administrative	486,548	496,760	10,212	2.06%
Finance & Accounting	786,544	849,604	63,060	7.42%
Customer Services	277,453	297,787	20,334	6.83%
Engineering	499,686	703,364	203,678	28.96%
Water Distribution	301,111	513,277	212,166	41.34%
Information Technology	514,408	557,220	42,812	7.68%
Water Quality Maintenance	575,060	627,911	52,851	8.42%
Treatment	2,635,505	2,407,772	(227,733)	(9.46%)
System Repair & Maintenance	3,308,577	3,752,387	443,810	11.83%
General Services	996,574	1,148,930	152,356	13.26%
Amortization of Bond Expenses	147,453	0	(147,453)	0.00%
Depreciation	1,485,725	0	(1,485,725)	0.00%
Total Operating Expenses	<u>12,014,644</u>	<u>11,355,012</u>	<u>(659,632)</u>	<u>(5.81%)</u>
NET OPERATING INCOME	3,999,149	4,417,569	(418,420)	(9.47%)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	163,918	190,800	(26,882)	(14.09%)
Interest Expense	(1,905,880)	(4,406,969)	2,501,089	56.75%
PILOT Payments	(1,102,315)	(1,103,380)	1,065	(0.10%)
State and Federal Grants	28,000	0	28,000	0.00%
Independent Lab Services, Net	67,293	89,952	(22,659)	(25.19%)
Other Income, Net	123,409	54,302	69,107	127.26%
Timber Harvest	44,800	0	44,800	0.00%
Realized Gain/ (Loss) on Investments	25,919	0	25,919	0.00%
Post Employment Health Benefits	(61,224)	0	(61,224)	0.00%
Cash Carried Forward/ Use of Reserves	0	757,726	(757,726)	(100.00%)
Total Nonoperating Expenses	<u>(2,616,080)</u>	<u>(4,417,569)</u>	<u>1,801,489</u>	<u>40.78%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,383,069	<u>\$ 0</u>		
Capital Contributions	<u>0</u>			
Increase in Net Position	1,383,069			
NET POSITION				
Net Position, Beginning of Period	<u>37,983,506</u>			
Net Position, End of Period	<u>\$ 39,366,575</u>			

MOHAWK VALLEY WATER AUTHORITY

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
BUDGET VS. ACTUAL**

Year Ended March 31, 2014

	Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUE				
Metered Water Sales	\$ 19,317,768	\$ 19,885,429	\$ (567,661)	(2.85%)
Delinquency Charges	822,682	775,250	47,432	6.12%
Fees and Ancillary Charges	385,245	209,300	175,945	84.06%
Other Services	395,233	371,000	24,233	6.53%
Total Operating Revenue	<u>20,920,928</u>	<u>21,240,979</u>	<u>(320,051)</u>	<u>(1.51%)</u>
OPERATING EXPENSES				
Administrative	627,238	631,515	4,277	0.68%
Finance & Accounting	1,079,131	1,084,504	5,373	0.50%
Customer Services	381,086	366,003	(15,083)	(4.12%)
Engineering	579,381	958,657	379,276	39.56%
Water Distribution	319,019	571,791	252,772	44.21%
Information Technology	683,212	662,542	(20,670)	(3.12%)
Water Quality Maintenance	759,464	777,283	17,819	2.29%
Treatment	2,721,736	2,729,947	8,211	0.30%
System Repair & Maintenance	3,727,603	4,743,816	1,016,213	21.42%
General Services	1,742,843	1,688,780	(54,063)	(3.20%)
Amortization of Bond Expenses	204,555	0	(204,555)	0.00%
Depreciation	1,966,480	0	(1,966,480)	0.00%
Long-Term Asset Purchases	0	206,000	206,000	100.00%
Total Operating Expenses	<u>14,791,748</u>	<u>14,420,838</u>	<u>(370,910)</u>	<u>(2.57%)</u>
NET OPERATING INCOME	6,129,180	6,820,141	(690,961)	(10.13%)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	218,251	226,500	(8,249)	(3.64%)
Interest Expense	(2,494,143)	(5,702,519)	3,208,376	56.26%
PILOT Payments	(1,514,359)	(1,510,821)	(3,538)	0.23%
Independent Lab Services, Net	68,223	80,000	(11,777)	(14.72%)
Other Income, Net	92,888	90,503	2,385	2.64%
Timber Harvest	21,812	0	21,812	0.00%
Realized Gain/ (Loss) on Investments	(75,742)	0	(75,742)	0.00%
Funding of Reserves	0	(750,000)	750,000	(100.00%)
Post Employment Health Benefits	(306,455)	0	(306,455)	0.00%
Cash Carried Forward/ Use of Reserves	0	746,196	(746,196)	(100.00%)
Total Nonoperating Expenses	<u>(3,989,525)</u>	<u>(6,820,141)</u>	<u>2,830,616</u>	<u>41.50%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,139,655	\$ 0		
Capital Contributions	<u>542,475</u>			
Increase in Net Position	2,682,130			
NET POSITION				
Net Position, Beginning of Year, Restated	<u>35,301,376</u>			
Net Position, End of Year	<u>\$ 37,983,506</u>			

UTILITY PLANT

For the Nine Months Ended December 31, 2014

	Life (Years)	COST			Balance 12/31/2014
		Balance 3/31/2014	Additions	Retirements	
WATER RIGHTS & OTHER INTANGIBLE ASSETS					
WATER RIGHTS-1938 WATER SYSTEM PURCHASE ORGANIZATIONAL & GOING CONCERN VALUE-1938 WATER SYSTEM PURCHASE		\$ 800,000	\$ 0	\$ 0	\$ 800,000
		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	1,941,322	0	0	1,941,322
PURIFICATION BUILDINGS	20-100	242,050	0	0	242,050
TANKS, DISTR.RESERVOIR & STANDPIPES	20-100	27,295,653	85,395	0	27,381,048
SHOP & GARAGE STRUCTURES	20-100	653,686	391,024	0	1,044,710
MISCELLANEOUS STRUCTURES	20-100	3,595	374,517	0	378,112
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		30,673,709	850,936	0	31,524,645
DISTRIBUTION					
DISTRIBUTION MAINS & OTHER EQUIPMENT-1938					
WATER SYSTEM PURCHASE	100	1,758,656	0	0	1,758,656
ELECTRIC PUMPING EQUIPMENT	100	709,544	0	0	709,544
PUMPING STATIONS/BUILDINGS	25-50	0	186,245	0	186,245
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	21,637,420	326,757	0	21,964,177
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	38,492	0	959,143
TOTAL DISTRIBUTION		32,058,976	551,494	0	32,610,470
VEHICLES & MAINTENANCE EQUIPMENT					
TRANSPORTATION & EQUIPMENT	5	1,910,222	144,770	75,860	1,979,132
GARAGE & REPAIR EQUIPMENT	5	919,869	17,226	0	937,095
TOTAL VEHICLES & MAINTENANCE EQUIPMENT		2,830,091	161,995	75,860	2,916,226
OFFICE & LAB EQUIPMENT					
OFFICE FURNITURE & EQUIPMENT (MAIN)	5	620,401	0	0	620,401
LABORATORY EQUIPMENT	5	1,100,216	0	0	1,100,216
TOOLS & WORK EQUIPMENT	5	408,496	0	0	408,496
COMMUNICATION EQUIPMENT	5	100,481	21,907	0	122,388
OTHER TANGIBLE PROPERTY	5	22,455	0	0	22,455
SCADA SYSTEM	5	58,083	32,546	0	90,629
TOTAL OFFICE & LAB EQUIPMENT		2,310,132	54,453	0	2,364,585
WATER TREATMENT					
WATER TREATMENT PLANT	25-75	21,966,879	0	0	21,966,879
CORROSION CONTROL FACILITIES	25	286,301	0	0	286,301
TOTAL WATER TREATMENT		22,253,180	0	0	22,253,180
CONSTRUCTION IN PROGRESS					
CAPITAL PROJECTS		9,851,248	1,943,043	1,402,430	10,391,862
TOTAL PROPERTY, PLANT & EQUIPMENT		\$ 102,009,142	\$ 3,561,922	\$ 1,478,290	\$ 104,092,774

MOHAWK VALLEY WATER AUTHORITY

ACCUMULATED DEPRECIATION AND AMORTIZATION				
Balance 3/31/2014	Depreciation	Asset Retirements	Balance 12/31/2014	Net Asset Value 12/31/2014
0	\$ 0	\$ 0	\$ 0	800,000
0	0	0	0	250,000
0	0	0	0	1,050,000
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
0	0	0	0	18,560
0	0	0	0	981,806
538,209	34,237	0	572,446	1,368,876
57,233	4,341	0	61,574	180,476
2,052,760	392,660	0	2,445,420	24,935,628
147,838	10,479	0	158,317	886,393
3,089	97	0	3,186	374,926
49,028	2,743	0	51,771	125,965
62,760	4,713	0	67,473	214,270
77,923	0	0	77,923	1
2,988,840	449,270	0	3,438,110	28,086,535
400,583	17,587	0	418,170	1,340,486
368,108	15,930	0	384,038	325,506
0	0	0	0	186,245
461,456	17,336	0	478,792	645,899
1,011,062	59,657	0	1,070,719	2,896,985
4,888,483	326,811	0	5,215,294	16,748,883
1,049,126	35,108	0	1,084,234	113,182
614	0	0	614	0
396,101	10,817	0	406,918	335,362
388,263	48,897	0	437,160	521,983
8,963,796	532,143	0	9,495,939	23,114,531
1,399,543	108,092	74,916	1,432,719	546,413
564,620	56,938	0	621,558	315,537
1,964,163	165,030	74,916	2,054,277	861,949
574,634	11,757	0	586,391	34,010
906,235	25,162	0	931,397	168,819
363,237	10,886	0	374,123	34,373
98,683	1,303	0	99,986	22,402
22,454	0	0	22,454	1
40,903	4,663	0	45,566	45,063
2,006,146	53,771	0	2,059,917	304,668
4,224,149	287,784	0	4,511,933	17,454,946
197,548	8,589	0	206,137	80,164
4,421,697	296,373	0	4,718,070	17,535,110
0	0	0	0	10,391,862
20,344,642	\$ 1,496,587	\$ 74,916	\$ 21,766,313	\$ 82,326,461

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF GOVERNMENTAL PILOT PAYMENTS

Years 2015 - 2036

YEAR	(1) ** TOWNS	(2) ** CITY OF UTICA	(3) ** SCHOOL DISTRICTS	(4) ** AUDITORIUM AUTHORITY VIA ONEIDA COUNTY	TOTAL
2015	\$ 86,517	\$ 355,000	\$ 211,962	\$ 665,500	\$ 1,318,979
2016	86,517	355,000	169,571	665,500	1,276,588
2017	86,517	455,000	127,180	665,500	1,334,197
2018	86,517	455,000	84,789	665,500	1,291,806
2019	86,517	455,000	42,398	732,050	1,315,965
2020	90,843	455,000	-	732,050	1,277,893
2021	90,843	455,000	-	732,050	1,277,893
2022	90,843	375,000	-	732,050	1,197,893
2023	90,843	375,000	-	732,050	1,197,893
2024	90,843	375,000	-	805,255	1,271,098
2025	90,843	375,000	-	805,255	1,271,098
2026	95,385	375,000	-	805,255	1,275,640
2027	95,385	425,000	-	805,255	1,325,640
2028	95,385	425,000	-	805,255	1,325,640
2029	95,385	425,000	-	885,748	1,406,133
2030	95,385	425,000	-	885,748	1,406,133
2031	95,385	425,000	-	885,748	1,406,133
2032	100,155	475,000	-	885,748	1,460,902
2033	100,155	475,000	-	885,748	1,460,902
2034	100,155	475,000	-	974,322	1,549,477
2035	100,155	475,000	-	974,322	1,549,477
2036	100,155	475,000	-	974,322	1,549,477
TOTAL	\$ 2,050,731	\$ 9,360,000	\$ 635,900	\$ 17,700,229	\$ 29,746,860

** - 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.

In accordance with enabling legislation enacted on December 19, 1996, PILOT payments will be made to the following municipalities or school districts:

(1) - to designated towns an initial annual amount of \$74,735 divided among the specified towns for a forty year (40) period starting the first calendar year after enactment of the enabling legislation (1997 to 2036). 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) - to the City of Utica an initial annual amount of \$200,000 for a 40 year period starting the first calendar year after enactment of the enabling legislation (1997 to 2036). The annual amount changes after a ten year period with incremental changes every five years as specified in the legislation. Following the 40 year period, the Water Authority will determine payments, if any, to the City of Utica.

(3) - to designated school districts an initial amount of \$975,000 for a twenty-two (22) year period divided among the various school districts. This initial amount is reduced by \$42,391 each year. Following year 2019, the Water Authority will determine payments, if any, to the designated school districts.

(4) - to Oneida County an initial amount of \$500,000 for a forty year (40) period starting the first calendar year after enactment of the enabling legislation (1997 to 2036) with 10% increases every sixth year. Following the forty year period, the Water Authority will determine a payment, if any, to Oneida County.

MOHAWK VALLEY WATER AUTHORITY

SCHEDULE OF DETAIL OPERATING REVENUES-BUDGET VS. ACTUAL

For the Nine Months Ended December 31, 2014

	Budget	Year Ended December 31, 2014	Favorable (Unfavorable) Variance	Percentage Variance
OPERATING REVENUE				
Metered Water Sales:				
Consumption	\$ 10,446,152	\$ 10,463,744	\$ 17,592	0.17%
System Charge	4,198,047	4,317,490	119,443	2.85%
Total Metered Water Sales	<u>14,644,199</u>	<u>14,781,234</u>	<u>137,035</u>	<u>0.94%</u>
Delinquency Charges:				
Settlements & Fines	11,250	24,000	12,750	113.33%
Quarterly -Penalties	311,248	277,408	(33,840)	(10.87%)
Quarterly-Unpaid Bill	166,500	213,855	47,355	28.44%
Monthly-Penalties	18,750	58,562	39,812	212.33%
Monthly-Unpaid Bill	6,000	0	(6,000)	(100.00%)
Overdue Charge	16,501	51,404	34,903	211.52%
Missed Appointments	1,600	1,000	(600)	(37.50%)
Shut Off/Turn On Fee	16,124	7,880	(8,244)	(51.13%)
Building Frontage Fee	0	0	0	0.00%
Posting of Property Fee	0	6,200	6,200	0.00%
Customer Denial of Access	1,800	35,683	33,883	1882.39%
Meter Installation/ Removal	0	0	0	0.00%
Collection Fee	11,250	0	(11,250)	(100.00%)
Total Delinquency Charges	<u>561,023</u>	<u>675,992</u>	<u>114,969</u>	<u>20.49%</u>
Fees and Ancillary Charges:				
Metered Line Charge	90,750	88,829	(1,921)	(2.12%)
Private Hydrant Rental	2,380	0	(2,380)	(100.00%)
Line Tap Charges	30,001	8,635	(21,366)	(71.22%)
Hydrant Permit Fees	11,250	12,922	1,672	14.86%
Water Rent Searches	26,252	29,400	3,148	11.99%
Inspection of New Water Mains	2,250	1,581	(669)	(29.73%)
Backflow Charges	101,250	97,950	(3,300)	(3.26%)
Replacement of Curb Box	7,500	4,500	(3,000)	(40.00%)
Termination of Services Charge	0	0	0	0.00%
Installation/Removal Fee	8,100	14,975	6,875	84.88%
Frozen Meter/ Lost Meter Charge	8,626	15,110	6,484	75.17%
Total Fees and Ancillary Charges	<u>288,359</u>	<u>273,902</u>	<u>(14,457)</u>	<u>(5.01%)</u>
Other Services:				
Billing and Collection Services	211,500	217,635	6,135	2.90%
Hydroelectric Power Revenue	67,500	65,030	(2,470)	(3.66%)
Total Other Services	<u>279,000</u>	<u>282,665</u>	<u>3,665</u>	<u>1.31%</u>
Total Operating Revenues	<u>\$ 15,772,581</u>	<u>\$ 16,013,793</u>	<u>\$ 241,212</u>	<u>1.53%</u>

SCHEDULE OF OPERATIONAL EXPENSES
For the Nine Months Ended December 31, 2014

	Administration	Finance & Accounting	Customer Service	Engineering	Water Distribution	Information Technology
OPERATING EXPENSES						
Personnel Costs:						
Salaries	\$ 219,518	\$ 315,393	\$ 163,861	\$ 199,287	\$ 59,567	\$ 142,469
Overtime	275	13,488	3,290	12,182	4,645	15,128
Wages	-	-	-	-	32,495	-
Health Insurance	50,786	118,972	49,473	70,593	32,609	59,976
Social Security	19,949	26,473	11,757	29,699	11,925	11,250
Retirement	63,176	96,439	45,626	81,641	48,775	51,417
Unemployment	-	-	-	-	-	-
Workman's Compensation	2,307	17,753	1,666	27,622	17,368	1,891
Total Personnel Costs	356,011	588,518	275,673	421,024	207,384	282,131
Office Equipment	-	263	-	151	2,374	103
Equipment	-	-	-	300	13,436	33,520
Printing	-	-	-	-	-	1,870
Street Repair Material	-	-	-	-	-	-
Paving	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-
Meters	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Electricity & Gas	-	-	-	-	-	-
Heat	-	-	-	-	-	-
Postage	-	-	-	-	-	-
Gas & Oil	-	-	-	-	-	-
Office Materials	469	682	-	-	-	-
Membership Dues	2,036	1,642	-	8,669	245	-
Travel	2,452	2,125	1,724	6,957	1,624	-
Supplies	-	-	56	8,209	4,129	13,974
Rent	-	-	-	-	-	158,117
Equipment Rental	-	-	-	-	-	-
Repairs	-	-	-	-	62,795	14,654
Vehicle Repair	-	-	-	-	-	-
Contracted Services	24,535	192,290	-	49,993	8,933	-
Employee Uniforms	-	1,024	-	922	-	-
Legal Expenses	82,781	-	-	-	-	-
Operational Expenses	17,085	-	-	-	-	-
Training and Education	1,179	-	-	3,461	191	10,039
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	\$ 486,548	\$ 786,544	\$ 277,453	\$ 499,686	\$ 301,111	\$ 514,408

MOHAWK VALLEY WATER AUTHORITY

Water Quality	Treatment Plant	Maintenance	General Services	Total Operating Expenses	Budget (Cash Basis)	Favorable (Unfavorable) Variance
\$ 256,012	\$ 298,793	\$ 322,894	\$ -	\$ 1,977,794	\$ 2,718,000	\$ 740,206
3,018	34,585	114,870	-	201,481	179,329	(22,152)
27,127	-	676,787	-	736,409	966,000	229,591
73,472	67,935	350,789	162,923	1,037,528	972,900	(64,628)
19,871	24,198	96,354	-	251,476	299,087	47,611
89,009	72,230	311,916	-	860,229	1,180,542	320,313
-	-	-	2,263	2,263	2,250	(13)
7,915	25,283	216,814	-	318,619	154,245	(164,374)
<u>476,424</u>	<u>523,024</u>	<u>2,090,424</u>	<u>165,186</u>	<u>5,385,799</u>	<u>6,472,353</u>	<u>1,086,554</u>
-	-	445	-	3,336	2,375	(961)
10	29,695	19,481	-	96,442	116,085	19,643
-	-	-	2,995	4,865	23,954	19,089
-	-	61,094	-	61,094	78,000	16,906
-	-	630,557	-	630,557	353,500	(277,057)
-	-	133,766	-	133,766	42,625	(91,141)
-	-	11,827	-	11,827	22,300	10,473
-	-	-	113,040	113,040	101,250	(11,790)
-	-	-	246,849	246,849	249,200	2,351
-	-	-	30,481	30,481	40,620	10,139
-	-	-	79,794	79,794	55,775	(24,019)
-	-	-	119,447	119,447	138,400	18,953
271	351	-	20,878	22,651	19,531	(3,120)
10,881	-	200	-	23,673	22,808	(865)
10,608	2,538	2,828	-	30,856	51,880	21,024
57,358	1,577,275	108,724	-	1,769,725	1,972,778	203,053
-	-	-	81,091	239,208	81,151	(158,057)
-	-	4,229	-	4,229	4,000	(229)
1,830	63,518	103,537	-	246,334	177,350	(68,984)
-	-	71,308	-	71,308	59,000	(12,308)
11,809	433,888	61,754	-	783,202	670,304	(112,898)
326	1,761	5,659	-	9,692	3,925	(5,767)
-	-	-	-	82,781	28,300	(54,481)
-	-	1,557	-	18,642	11,775	(6,867)
4,025	1,580	1,187	-	21,662	55,399	33,737
-	-	-	177,555	177,555	178,674	1,119
-	-	-	(55,723)	(55,723)	-	55,723
-	-	-	-	-	-	-
-	-	-	2,824	2,824	-	(2,824)
-	1,875	-	-	1,875	6,325	4,450
1,518	-	-	-	1,518	2,700	1,182
-	-	-	4,650	4,650	-	(4,650)
-	-	-	7,507	7,507	13,150	5,643
-	-	-	-	-	78,000	78,000
-	-	-	-	-	221,525	221,525
-	-	-	-	-	-	-
-	-	-	147,453	147,453	-	(147,453)
-	-	-	1,485,725	1,485,725	-	(1,485,725)
<u>\$ 575,060</u>	<u>\$ 2,635,505</u>	<u>\$ 3,308,577</u>	<u>\$ 2,629,752</u>	<u>\$ 12,014,644</u>	<u>\$ 11,355,012</u>	<u>\$ (659,632)</u>

MOHAWK VALLEY WATER AUTHORITY

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

For the Nine Months Ended December 31, 2014

	Independent Lab Services	Other Nonoperating Activities	Total Nonoperating Activities	Budget (Cash Basis)	Favorable (Unfavorable) Variance
NONOPERATING REVENUE					
Investment Income from Restricted Funds	\$ -	\$ 158,422	\$ 158,422	\$ 187,501	(29,079)
Investment Income from Operating Funds	-	5,496	5,496	3,299	2,197
Laboratory Fees	67,293	-	67,293	89,952	(22,659)
State and Federal Grants	-	28,000	28,000	-	28,000
Miscellaneous Income, Net	-	97,939	97,939	41,247	56,692
Gain on Sale of Scrap and Equipment	-	11,982	11,982	-	11,982
Returned Check Charges	-	4,560	4,560	4,126	434
Rent Income-Cell Tower	-	8,928	8,928	8,928	-
Cash Carried Forward	-	-	-	757,726	(757,726)
Bond Proceeds	-	-	-	-	-
Timer Harvest Sales	-	44,800	44,800	-	44,800
Realized Gain/ (Loss) on Investments	-	25,919	25,919	-	25,919
Total Nonoperating Revenue	\$ 67,293	\$ 386,046	\$ 453,339	\$ 1,092,779	\$ (639,440)
NONOPERATING EXPENSES					
Post Employment Health Benefits	\$ -	\$ 61,224	\$ 61,224	\$ -	\$ 61,224
Total Personnel Costs	-	61,224	61,224	-	61,224
Office Equipment	-	-	-	-	-
Vehicles and Machinery	-	-	-	-	-
Equipment	-	-	-	-	-
Telephone	-	-	-	-	-
Light & Power	-	-	-	-	-
Heat	-	-	-	-	-
Postage	-	-	-	-	-
Gas & Oil	-	-	-	-	-
Office Materials	-	-	-	-	-
Travel	-	-	-	-	-
Supplies	-	-	-	-	-
Rent	-	-	-	-	-
Contracted Services	-	-	-	-	-
Operational Expenses	-	-	-	-	-
Insurance	-	-	-	-	-
Shipping Charges	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-
Interest Expense	-	1,905,880	1,905,880	4,406,969	(2,501,089)
Pilot Payments:					
School Districts	-	197,854	197,854	197,854	-
Oneida County	-	499,121	499,121	499,121	-
Towns	-	64,090	64,090	65,154	(1,064)
City of Utica	-	341,250	341,250	341,250	-
O & M Reserve	-	-	-	-	-
Repair, Renewal & Replacement Reserve	-	-	-	-	-
Debt Covenant Reserve	-	-	-	-	-
"Pay-As-You Go" Capital Maintenance Reserve	-	-	-	-	-
Replenish R&I Fund	-	-	-	-	-
Total Nonoperating Expenses	\$ -	\$ 3,069,419	\$ 3,069,419	\$ 5,510,348	\$ (2,440,929)
Nonoperating Income, net	\$ 67,293	\$ (2,683,373)	\$ (2,616,080)	\$ (4,417,569)	\$ 1,801,489

MOHAWK VALLEY WATER AUTHORITY

BOARD-ADOPTED 2015 BUDGET-CASH BASIS

2015

REVENUES

Water Sales	\$ 19,530,851
Delinquency Charges	705,500
Fees and Ancillary Charges	355,600
Other Services	517,000
Cash Carried Forward	697,416
Interest Income and Miscellaneous Items	343,804
Total Revenues	<u>\$ 22,150,171</u>

OPERATING EXPENSES

Administrative	\$ 663,777
Finance and Accounting	1,096,795
Customer Services	380,724
Engineering	888,032
Water Distribution	578,902
Information Technology	550,452
Water Quality Lab--(In-house & Outside Services)	762,177
Treatment Plant	2,727,141
Maintenance	3,948,146
General Services	1,505,322
Long-Term Asset Purchases	101,000
Cash Financed Construction / Equipment	<u>943,000</u>

Total Operating Expenses 14,145,468

OTHER EXPENSES

Existing Debt Service & Promissory Note	6,017,181
Pilot Payments	1,437,522
"Pay As You Go" Capital Maintenance Reserve	<u>550,000</u>
Total Other Expenses	<u>8,004,703</u>
Total Expenses	<u>\$ 22,150,171</u>

STATISTICAL SECTION

Statistical Section— Contents

MOHAWK VALLEY WATER AUTHORITY

Contents	Page
FINANCIAL TRENDS	119
<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	124
<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	135
<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	138
<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	140
<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>	

NET POSITION BY COMPONENT

Last Ten Years

	<u>MARCH YEAR END</u>				<u>DECEMBER</u>
	<u>2011</u>	<u>2012</u> (restated)	<u>2013</u> (restated)	<u>2014</u>	<u>2014</u>
NET POSITION					
Invested In Utility Plant, Net of Related Debt	\$ 12,329,769	\$ 19,704,594	\$ 21,674,806	\$ 25,595,974	\$ 27,981,757
Restricted For:					
Repair and Improvement	621,715	652,870	659,763	662,829	670,880
Debt Service	0	2,582,437	3,322,848	3,461,954	2,258,136
Unspent Construction Proceeds	3,829,810	0	0	0	0
Other Than Construction Proceeds	8,298,245	0	0	0	0
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	766,869	766,869	766,869	783,271	783,271
Repair, Replacement and Renewal Reserve	895,946	924,043	929,140	929,350	940,647
Operating & Maintenance Reserve	596,743	618,987	626,116	629,512	637,159
Capital Maintenance Reserve	1,603,740	1,315,387	2,067,338	2,282,526	2,310,253
Reserve For Board Projects	147,638	147,638	147,638	147,638	147,638
Other Unrestricted	2,540,738	5,959,488	5,106,858	3,490,452	3,636,834
Total Net Position	<u>\$ 31,631,213</u>	<u>\$ 32,672,313</u>	<u>\$ 35,301,376</u>	<u>\$ 37,983,506</u>	<u>\$ 39,366,575</u>
			FISCAL YEAR		
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
NET POSITION					
Invested In Utility Plant, Net of Related Debt	\$ 13,372,977	\$ 4,454,666	\$ 6,382,862	\$ 7,966,593	\$ 9,640,148
Restricted For:					
Repair and Improvement	527,728	543,387	438,714	598,689	611,772
Unspent Construction Proceeds	0	15,998,066	6,436,408	14,852,834	8,506,163
Other Than Construction Proceeds	0	6,283,039	7,255,904	8,398,940	9,417,748
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	487,362	650,456	650,456	710,807	763,948
Repair, Replacement and Renewal Reserve	321,335	590,306	862,944	872,920	886,003
Operating & Maintenance Reserve	292,133	426,104	563,742	573,718	586,801
Capital Maintenance Reserve	0	0	0	526,280	1,064,987
Reserve For Board Projects	147,638	147,638	147,638	147,638	147,638
Other Unrestricted	(2,171,195)	(10,842,981)	(925,846)	(8,983,938)	(3,269,952)
Total Net Position	<u>\$ 12,977,978</u>	<u>\$ 18,250,681</u>	<u>\$ 21,812,822</u>	<u>\$ 25,664,481</u>	<u>\$ 28,355,256</u>

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CHANGE IN NET POSITION

Last Ten Years

Year Ended	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
March 2006	14,034,397	10,617,185	3,417,212	(2,798,375)	618,837	57,202	-	676,039
March 2007	15,811,154	11,173,624	4,637,530	(2,130,258)	2,507,272	2,765,431	-	5,272,703
March 2008	17,258,046	11,929,047	5,328,999	(2,580,279)	2,748,720	813,421	-	3,562,141
March 2009	17,975,633	11,933,479	6,042,154	(3,906,997)	2,135,157	1,716,502	-	3,851,659
March 2010	18,829,615	11,958,526	6,871,089	(4,180,314)	2,690,775	-	-	2,690,775
March 2011	20,282,694	12,470,677	7,812,017	(4,536,207)	3,275,810	-	-	3,275,810
March 2012 (restated)	20,429,500	13,631,611	6,797,889	(3,824,971)	2,972,918	-	1,931,671	1,041,247
March 2013 (restated)	21,020,548	14,202,188	6,818,360	(4,189,297)	2,629,063	-	-	2,629,063
March 2014	20,920,928	14,791,748	6,129,180	(3,989,525)	2,139,655	542,475	-	2,682,130
December 2014	16,013,793	12,014,644	3,999,149	(2,616,080)	1,383,069	-	-	1,383,069

SOURCE: FINANCE & ACCOUNTING

OPERATING REVENUE BY SOURCE

Last Ten Years

<u>Year End</u>	<u>Water Sales</u>	<u>Delinquency Charges</u>	<u>Fees and Ancillary Charges</u>	<u>Other Services</u>	<u>Total</u>
March 2006	12,521,307	876,287	278,513	358,290	14,034,397
March 2007	14,298,975	896,739	242,258	373,182	15,811,154
March 2008	15,726,802	943,449	225,158	362,637	17,258,046
March 2009	16,359,906	931,350	290,982	393,395	17,975,633
March 2010	17,342,710	930,792	235,926	320,187	18,829,615
March 2011	18,855,703	843,693	229,040	354,258	20,282,694
March 2012 (restated)	19,023,278	854,927	218,970	332,325	20,429,500
March 2013 (restated)	19,490,169	881,430	322,044	326,905	21,020,548
March 2014	19,317,768	822,682	385,245	395,233	20,920,928
December 2014	14,781,234	675,992	273,902	282,665	16,013,793

MOHAWK VALLEY WATER AUTHORITY

OPERATING EXPENSES

Last Ten Years

Year End	General & Administrative ⁽¹⁾	Finance & Accounting	Customer Service	Engineering	Water Distribution ⁽²⁾	Information Technology	Water Quality
March 2006	2,024,689	799,044	290,466	579,537	0	417,376	653,471
March 2007	2,168,194	780,071	305,187	484,375	0	493,231	661,478
March 2008	2,564,538	817,450	317,576	478,593	0	540,703	686,389
March 2009	2,149,756	786,457	331,072	465,117	0	517,798	704,810
March 2010	2,095,334	831,001	350,214	309,608	245,258	561,268	740,055
March 2011	2,284,277	882,848	431,190	385,479	322,426	604,205	738,464
March 2012 (restated)	2,066,149	989,175	367,778	498,373	314,460	656,214	703,536
March 2013 (restated)	2,732,069	1,010,453	393,419	518,226	265,624	664,554	730,000
March 2014	2,370,081	1,079,131	381,086	579,381	319,019	683,212	759,464
December 2014	1,483,122	786,544	277,453	499,686	301,111	514,408	575,060

Year End	Water Treatment	Water System Maintenance	Depreciation & Amortization	Total Operating Expenses
March 2006	1,179,651	3,238,153	1,434,798	10,617,185
March 2007	1,323,379	3,467,588	1,490,121	11,173,624
March 2008	1,378,908	3,551,980	1,592,910	11,929,047
March 2009	1,793,749	3,539,849	1,644,871	11,933,479
March 2010	1,660,728	3,465,778	1,699,282	11,958,526
March 2011	1,592,493	3,538,455	1,690,839	12,470,677
March 2012 (restated)	2,386,367	3,846,903	1,802,656	13,631,611
March 2013 (restated)	2,575,892	3,434,359	1,877,592	14,202,188
March 2014	2,721,736	3,727,603	2,171,035	14,791,748
December 2014	2,635,505	3,308,577	1,633,178	12,014,644

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 operating year.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

NON-OPERATING REVENUE AND EXPENSES

Last Ten Years

<u>Year End</u>	<u>PILOT Payments</u>	<u>Interest Expense</u>	<u>Interest Income</u>	<u>Lab Fees & Grants</u>	<u>Other Expense</u>	<u>Other Revenue</u>	<u>Total Non-operating Expenses</u>
March 2006	1,474,939	2,016,393	(342,640)	(194,112)	47,980	(204,185)	2,798,375
March 2007	1,446,289	1,858,641	(755,746)	(410,071)	48,711	(57,566)	2,130,258
March 2008	1,599,086	2,332,711	(1,085,977)	(254,178)	46,951	(58,314)	2,580,279
March 2009	1,553,163	2,380,045	(451,057)	(144,185)	627,332	(58,301)	3,906,997
March 2010	1,510,885	2,875,515	(411,998)	(143,174)	599,615	(250,530)	4,180,314
March 2011	1,471,913	2,965,973	(286,169)	(63,090)	466,665	(19,085)	4,536,207
March 2012 (restated)	1,445,725	2,518,531	(225,341)	(88,214)	547,704	(373,434)	3,824,971
March 2013 (restated)	1,556,746	2,714,726	(221,579)	(81,956)	348,025	(126,665)	4,189,297
March 2014	1,514,359	2,494,143	(218,251)	(68,223)	382,197	(114,700)	3,989,525
December 2014	1,102,315	1,905,880	(163,918)	(67,293)	61,224	(222,128)	2,616,080

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY**HISTORICAL COLLECTION RATES**

Last Ten Years

YEAR ENDED	HISTORICAL COLLECTION RATES		
	TOTAL BILLING	TOTAL RECEIPTS	PERCENT COLLECTED
December 2014	\$ 16,013,793	\$ 15,718,090	98.15%
March 2014	\$ 20,920,928	\$ 21,219,400	101.43%
March 2013	\$ 21,020,548	\$ 20,800,008	98.95%
March 2012	\$ 20,429,500	\$ 20,142,896	98.60%
March 2011	\$ 20,282,694	\$ 20,224,293	99.71%
March 2010	\$ 18,829,615	\$ 18,933,230	100.55%
March 2009	\$ 17,975,633	\$ 17,494,548	97.32%
March 2008	\$ 17,258,046	\$ 17,405,009	100.85%
March 2007	\$ 15,811,154	\$ 15,779,921	99.80%
March 2006	\$ 14,034,397	\$ 14,323,829	102.06%

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 Years

YEAR ENDED	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)	
December 2014	711,675,124	344,466,100	367,209,024	51.60%	28.43	4.23	\$ 486.12
March 2014	985,065,209	470,292,500	514,772,709	52.26%	27.63	4.11	472.28
March 2013	978,367,814	486,508,454	491,859,360	50.27%	27.13	4.04	463.68
March 2012	947,768,337	479,638,300	468,130,037	49.39%	26.59	3.96	454.64
March 2011	850,944,655	488,856,400	362,088,255	42.55%	26.07	3.88	445.72
March 2010	849,447,431	490,113,900	359,333,531	42.30%	24.36	3.59	413.12
March 2009	877,841,217	507,776,900	370,064,317	42.16%	22.82	3.32	383.68
March 2008	926,153,431	529,231,400	396,922,031	42.86%	21.31	3.09	357.12
March 2007	887,479,597	520,453,200	367,026,397	41.36%	20.00	2.86	331.62
March 2006	903,145,771	537,603,200	365,542,571	40.47%	16.92	2.50	287.68

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 Years

Service Area	Nine Months Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2008	Year Ended March 31, 2007	Year Ended March 31, 2006
City of Utica	\$ 7,330,650	\$ 9,666,555	\$ 9,772,778	\$ 9,601,733	\$ 9,491,800	\$ 8,674,450	\$ 8,405,599	\$ 7,874,046	\$ 7,154,097	\$ 6,232,632
Town of Deerfield	360,520	450,919	459,658	441,120	442,616	412,550	373,926	375,912	348,161	324,079
Town of Frankfort	181,425	229,676	218,864	225,150	235,868	197,958	192,589	181,810	158,175	138,016
Town of Kirkland	316,535	398,844	391,958	391,233	394,992	333,233	277,295	304,451	254,055	223,909
Town of Marcy	1,163,086	1,470,196	1,470,841	1,374,827	1,379,791	1,287,743	1,184,880	1,176,092	1,036,356	900,329
Town of New Hartford	2,168,024	2,846,363	2,858,406	2,778,467	2,737,046	2,535,455	2,290,201	2,241,366	2,017,970	1,779,129
Town of Schuyler	185,571	238,010	240,045	235,977	234,744	207,957	182,223	180,248	157,752	136,700
Town of Trenton	119,887	160,351	157,268	153,345	158,271	147,261	129,252	147,869	137,149	118,854
Town of Westmoreland	20,152	26,358	26,406	24,701	24,737	19,114	26,650	48,741	35,833	29,125
Town of Whitestown	933,095	1,223,162	1,254,633	1,204,222	1,207,508	1,146,534	1,052,600	1,038,191	979,370	861,253
Village of Holland Patent	49,022	63,888	64,654	65,434	69,444	61,136	54,528	53,479	51,423	43,494
Village of New Hartford	277,019	358,614	383,285	365,062	372,572	342,600	369,877	319,306	295,676	271,300
Village of New York Mills	424,807	542,128	545,783	546,276	522,088	501,834	446,174	431,785	407,752	360,102
Village of Oriskany	235,857	306,058	303,990	284,571	283,234	263,944	250,719	249,587	232,724	209,871
Village of Stittville	38,615	55,006	52,454	51,134	50,735	47,371	42,946	43,152	39,032	34,121
Village of Washington Mills	241,177	314,756	317,880	323,604	316,438	284,735	271,939	262,953	243,980	208,207
Village of Whitesboro	417,023	551,644	552,657	546,267	531,738	510,279	472,353	452,620	430,094	373,703
Village of Yorkville	318,769	415,240	418,609	410,155	402,081	368,556	336,155	339,605	319,376	276,483
TOTAL	\$ 14,781,234	\$ 19,317,768	\$ 19,490,169	\$ 19,023,278	\$ 18,855,703	\$ 17,342,710	\$ 16,359,906	\$ 15,721,213	\$ 14,298,975	\$ 12,521,307

SOURCE: FINANCE & ACCOUNTING

NUMBER OF WATER CUSTOMERS—BY TYPE

Last Ten Years

YEAR ENDED	RESIDENTIAL WATER CUSTOMERS ⁽¹⁾	COMMERCIAL/ GOVERNMENTAL WATER CUSTOMERS ^{(1), (2)}	TOTAL CUSTOMERS
December 31, 2014	35,601	3,326	38,927
March 31, 2014	35,593	3,324	38,917
March 31, 2013	35,500	3,309	38,809
March 31, 2012	35,558	3,311	38,869
March 31, 2011	35,585	3,348	38,933
March 31, 2010	35,602	3,352	38,954
March 31, 2009	35,628	3,332	38,960
March 31, 2008	35,633	3,311	38,944
March 31, 2007	35,589	3,288	38,877
March 31, 2006	35,299	3,291	38,590

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 Years

Water Rates (Per 1,000 cubic feet)

Effective Date/ TIERS	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006	April 1, 2005
Block I	\$ 31.03	\$ 30.16	\$ 29.60	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11
Block II	30.41	29.55	29.00	28.44	27.89	25.73	23.91	22.18	20.14	17.53
Block III	30.10	29.25	28.71	28.15	27.61	25.58	23.66	22.45	19.63	16.79
Block IV	20.48	19.90	19.53	19.15	18.79	16.32	15.30	14.18	13.49	11.75
Block V	-	-	-	-	-	-	-	-	10.43	8.52

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

Effective Date/ METER SIZE	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006	April 1, 2005
5/8 inch	\$ 28.43	\$ 27.63	\$ 27.13	\$ 26.59	\$ 26.07	\$ 24.36	\$ 22.82	\$ 21.31	\$ 20.00	\$ 16.92
3/4 inch	31.28	30.40	29.84	29.25	28.68	26.79	25.11	23.44	22.00	18.61
1 inch	71.10	69.09	67.82	66.49	65.17	60.90	57.06	53.27	50.00	42.31
1 1/2 inch	142.19	138.18	135.63	132.97	130.35	121.80	114.12	106.55	99.99	84.61
2 inch	227.51	221.10	217.01	212.75	208.55	194.87	182.60	170.48	159.99	135.38
3 inch	455.01	442.19	434.02	425.51	417.11	389.74	365.20	340.95	319.97	270.76
4 inch	710.96	690.92	678.16	664.86	651.73	608.98	570.62	532.74	499.96	423.06
6 inch	1,421.92	1,381.85	1,356.31	1,329.72	1,303.46	1,217.95	1,141.25	1,065.47	999.92	846.12
8 inch	2,275.07	2,210.96	2,170.10	2,127.55	2,085.54	1,948.72	1,826.00	1,704.76	1,599.87	1,353.80

SOURCE: FINANCE & ACCOUNTING

MONTHLY BILLED WATER RATES

Last Ten Years

Water Rates (Per 1,000 cubic feet)

Effective Date/ TIERS	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006	April 1, 2005
Block I	\$ 31.03	\$ 30.16	\$ 29.60	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11
Block II	30.41	29.55	29.00	28.44	27.89	25.73	23.91	22.18	20.14	17.53
Block III	30.10	29.25	28.71	28.15	27.61	25.58	23.66	22.45	19.63	16.79
Block IV	20.48	19.90	19.53	19.15	18.79	16.32	15.30	14.18	13.49	11.75
Block V	-	-	-	-	-	-	-	-	10.43	8.52

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

Effective Date/ METER SIZE	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006	April 1, 2005
5/8 inch	\$ 9.48	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 8.00	\$ 8.00	\$ 7.00	\$ 7.00	\$ 6.00
3/4 inch	10.43	10.13	9.95	9.75	9.56	8.93	8.37	7.81	7.33	6.20
1 inch	23.70	23.03	22.61	22.16	21.72	20.30	19.02	17.76	16.67	14.10
1 1/2 inch	47.40	46.06	45.21	44.32	43.45	40.60	38.04	35.52	33.33	28.20
2 inch	75.84	73.70	72.34	70.92	69.52	64.96	60.87	56.83	53.33	45.13
3 inch	151.67	147.40	144.67	141.84	139.04	129.91	121.73	113.65	106.66	90.25
4 inch	236.99	230.31	226.05	221.62	217.24	202.99	190.21	177.58	166.65	141.02
6 inch	473.97	460.62	452.10	443.24	434.49	405.98	380.42	355.16	333.31	282.04
8 inch	758.36	736.99	723.37	709.18	695.18	649.57	608.67	568.25	533.29	451.27

SOURCE: FINANCE & ACCOUNTING

LARGEST CUSTOMERS

Nine Months Ended December 31, 2014

Usage Rank	Monthly Billed Customers	Consumption in in Cubic Feet	Billings
1	Oneida County Sewer District	14,589,200	\$ 308,346
2	Midstate Correctional Facility	10,878,900	229,286
3	Matt Brewing Company, Inc.	8,330,900	181,772
4	Marcy Correctional	5,641,500	120,104
5	Hamilton College	5,137,700	109,573
6	St. Lukes Hospital	4,342,600	100,325
7	Municipal Housing - Armory & Tilden	3,253,100	78,571
8	Masonic Home	2,934,300	73,743
9	Maplehurst Bakery (formerly Granny's Kitchen)	2,497,700	55,165
10	Special Metals	2,484,400	55,706
11	Con Med Corporation	2,240,800	61,736
12	St. Elizabeth Hospital	2,213,600	56,899
13	Wal-Mart Distribution Center	1,982,800	49,201
14	G&K Services (formerly Tri-State Laundry)	1,913,100	44,216
15	Faxton Hospital	1,739,500	46,116
16	OFFICE OF MENTAL HLT BSC-41534	1,665,800	38,469
17	Property Serv. LLC, Intercoastal (apt. complex)	1,590,400	36,924
18	Yahmundasis Golf Club	1,519,800	34,965
19	Mohawk Valley Community College (MVCC)	1,450,500	45,887
20	Utica College	1,287,600	35,317
TOTALS		77,694,200	\$ 1,762,321
% of Monthly Consumption / Revenue		47.07%	31.58%
% of Total Consumption / Revenue		22.57%	11.78%

Usage Rank	Quarterly Billed Customers	Consumption in in Cubic Feet	Billings
2	Oneida County Correctional Facility	1,158,600	22,658
1	Garden Home Mgmt. (Millgate Meadows)	1,030,700	27,411
3	Dinitto Farms, LLC	650,600	15,574
4	Town of Westmoreland	647,700	19,567
5	Riverside Enterprise , LLC. (Riverside Mall)	552,500	27,286
6	Brookside Mobile Park, Chadwicks	443,100	11,794
7	Cranesville Block	373,700	10,373
8	Olive Garden	361,300	13,062
9	Juliano's Laundromat	356,300	10,016
10	Visions Hotel - Marsh Enterprises	351,200	10,082
11	Colonial Laundromat - NY Mills	325,300	9,125
12	M. D. Buck Memorial Apartments	311,700	10,252
13	Jensen's Cherrywood Community, LLC	307,100	11,671
14	BNY Mellon Corp. (A/P Center)	294,600	11,375
15	Royal Meadows II (Mobil Park)	293,500	8,730
16	Oneida County Buildings & Grounds	262,700	10,079
17	Delmonico's Steak House	255,500	7,784
18	Our Lady of Lourdes Church	254,400	9,394
19	Foluntainhead Group	249,400	7,657
20	Donovan Town Park	245,700	6,801
TOTALS		8,725,600	\$ 260,694
% of Quarterly Consumption / Revenue		4.87%	2.78%
% of Total Consumption / Revenue		2.53%	1.74%

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

LARGEST CUSTOMERS

Fiscal Year 2014 (April 2013-March 2014)

Usage Rank	CUSTOMER	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	19,517,200	\$ 400,779
2	Midstate Correctional Facility	12,633,400	259,809
3	Matt Brewing Company, Inc.	10,763,000	228,412
4	St. Lukes Hospital	8,115,200	176,632
5	Marcy Correctional	7,634,900	157,852
6	Hamilton College	5,933,300	120,989
7	Municipal Housing - Armory & Tilden	3,996,300	95,009
8	St. Elizabeth Hospital	3,716,600	90,306
9	Masonic Home	3,684,300	94,395
10	Utica College	3,553,500	82,181
11	Maplehurst Bakery (formerly Granny's Kitchen)	3,422,700	73,310
12	Special Metals	3,334,700	72,554
13	Con Med Corporation	2,718,900	75,003
14	Wal-Mart Distribution Center	2,504,900	60,700
15	Marcy Psychiatric Center	2,383,200	53,066
16	G&K Services (formerly Tri-State Laundry)	2,306,000	52,415
17	Utica Zoo (see note)	2,298,000	(Note)
18	Mohawk Valley Community College	2,250,800	65,243
19	Faxton Hospital	2,250,100	58,760
20	Property Serv. LLC, Intercoastal (apt. complex)	1,671,600	38,906
TOTALS		104,688,600	\$ 2,256,321
% of Monthly Consumption / Revenue		47.50%	31.55%
% of Total Consumption / Revenue		22.26%	11.68%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Garden Home Mgmt. (Millgate Meadows)	1,609,900	\$ 40,204
2	Oneida County Correctional Facility	1,435,600	38,490
3	Town of Westmoreland	877,700	25,633
4	Riverside Enterprise , LLC. (Riverside Mall)	858,500	37,778
5	Dinitto Farms, LLC	828,900	19,411
6	Brookside Mobile Park, Chadwicks	545,700	14,383
7	Juliano's Laundromat	479,400	13,064
8	Oneida County Buildings & Grounds	436,200	14,940
9	M. D. Buck Memorial Apartments	431,600	13,773
10	Cranesville Block	430,700	12,095
11	Precision Car Wash - Oneida Street	394,400	11,343
12	Precision Car Wash - Commercial Drive	373,400	10,890
13	BNY Mellon Corp. (A/P Center)	365,700	13,946
14	Jensen's Cherrywood Community, LLC	358,900	12,103
15	Colonial Laundromat - NY Mills	349,600	9,543
16	AMA Realty	332,200	13,353
17	Royal Meadows II (Mobil Park)	331,100	10,059
18	Our Lady of Lourdes Church	328,200	11,973
19	Gills 04, Inc. (DBA Denny's - North Genesee)	323,600	9,908
20	Heritage Acres (Trailer Park)	319,700	9,554
TOTALS		11,411,000	\$ 342,443
% of Quarterly Consumption / Revenue		4.57%	2.82%
% of Total Consumption / Revenue		2.43%	1.77%

- 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 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	174,298
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	61,570
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	\$ 2,207,877
% of Monthly Consumption / Revenue		59.60%	47.12%
% of Total Consumption / Revenue		21.39%	11.33%

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%

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 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	101,195
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	\$ 2,228,010
%			
% of Monthly Consumption / Revenue		59.39%	45.91%
% of Total Consumption / Revenue		21.44%	11.71%

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		4.11%	2.35%
% of Total Consumption / Revenue		2.62%	1.75%

- 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

SCHEDULE OF DEBT SERVICE

Year	2000 SERIES		2001 SERIES A			2001 SERIES B		
	Partially Refunded Principal	Interest	Principal	Interest	Administrative Subsidy	Principal	Interest	Administrative Subsidy
2015	0	0	1,520,000	497,129	(278,600)	135,000	75,222	(42,448)
2016	0	0	1,570,000	423,713	(230,232)	140,000	68,554	(37,379)
2017	0	0	1,630,000	346,940	(182,621)	145,000	61,536	(32,319)
2018	0	0	1,685,000	266,255	(136,048)	150,000	54,176	(27,334)
2019	0	0	1,745,000	181,499	(90,024)	160,000	46,325	(22,324)
2020	0	0	1,810,000	92,853	(44,827)	165,000	37,990	(17,263)
2021	628,026	1,376,974				170,000	29,357	(12,240)
2022	658,318	1,571,682				470,000	12,488	(4,661)
2023	620,319	1,609,681						
2024	584,416	1,645,584						
2025	550,476	1,679,525						
2026	518,408	1,711,592						
2027	487,008	1,737,992						
2028	113,630	436,370						
2029	96,263	398,737						
2030	256,856	1,143,045						
2031								
2032								
2033								
2034								
2035								
2036								
2037								
	\$ 4,513,720	\$ 13,311,182	\$ 9,960,000	\$ 1,808,389	\$ (962,352)	\$ 1,535,000	\$ 385,648	\$ (195,968)

SOURCE: FINANCE & ACCOUNTING

SCHEDULE OF DEBT SERVICE

Year	2006 SERIES A		2008 SERIES A		2012 SERIES A		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	790,000	715,376	325,000	672,001	435,000	536,907	5,380,587
2016	830,000	674,876	345,000	655,251	600,000	521,382	5,561,165
2017	870,000	632,376	360,000	637,626	620,000	503,082	5,591,620
2018	910,000	587,876	385,000	619,001	640,000	480,982	5,614,908
2019	955,000	546,026	400,000	596,876	660,000	454,982	5,633,360
2020	990,000	507,126	425,000	571,094	695,000	427,882	5,659,855
2021	600,000	475,326	765,000	533,906	720,000	399,582	5,685,931
2022	620,000	450,538	290,000	500,938	750,000	370,182	5,689,485
2023	650,000	423,938	800,000	466,876	785,000	342,425	5,698,239
2024	675,000	395,782	855,000	415,157	805,000	316,587	5,692,526
2025	715,000	366,244	900,000	360,313	830,000	290,010	5,691,568
2026	740,000	335,325	960,000	302,188	865,000	262,475	5,694,988
2027	770,000	303,175	1,030,000	240,000	890,000	233,956	5,692,131
2028	805,000	269,769	2,825,000	119,531	920,000	202,819	5,692,119
2029	840,000	234,752	500,000	15,625	955,000	168,835	3,209,212
2030	640,000	203,362			990,000	133,581	3,366,844
2031	670,000	175,345			1,025,000	97,060	1,967,405
2032	695,000	146,519			1,060,000	59,269	1,960,788
2033	725,000	116,344			1,105,000	20,028	1,966,372
2034	760,000	84,788					844,788
2035	790,000	51,850					841,850
2036	825,000	17,531					842,531
2037							
	\$ 16,865,000	\$ 7,714,244	\$ 11,165,000	\$ 6,706,383	\$ 15,350,000	\$ 5,822,026	\$ 93,978,272

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

DEBT SERVICE COVERAGE

Last Ten Years

	<u>March 2006</u>	<u>March 2007</u>	<u>March 2008</u>	<u>March 2009</u>	<u>March 2010</u>	<u>March 2011</u>	<u>March 2012</u>	<u>March 2013</u>	<u>March 2014</u>	<u>December 2014</u>
REVENUE										
Operating Revenue	\$ 14,034,397	\$ 15,811,154	\$ 17,258,046	\$ 17,975,633	\$ 18,829,615	\$ 20,282,694	\$ 20,429,500	\$ 21,020,548	\$ 20,920,928	\$ 21,175,099
Non-Operating Revenue	740,937	1,223,386	1,398,469	641,607	845,027	395,607	713,758	437,485	352,913	521,655
	14,775,334	17,034,540	18,656,515	18,617,240	19,674,642	20,678,301	21,143,258	21,458,033	21,273,841	21,696,754
EXPENSES										
Operating Expenses less depreciation, amortization, bad debts and expenses paid from bond proceeds	8,376,422	9,569,948	10,143,320	10,476,462	10,183,806	10,700,798	11,481,713	12,159,428	12,482,859	12,519,718
Non-Operating Expenses	47,980	48,711	46,951	58,103	39,326	27,263	26,769	25,102	27,480	43,458
	8,424,402	9,618,659	10,190,271	10,534,565	10,223,132	10,728,061	11,508,482	12,184,530	12,510,339	12,563,176
Net Revenue, before PILOTS and Promissory Note	6,350,932	7,415,881	8,466,244	8,082,675	9,451,510	9,950,240	9,634,776	9,273,503	8,763,501	9,133,578
PILOTS	1,474,939	1,446,289	1,599,086	1,553,163	1,510,885	1,471,913	1,445,725	1,556,746	1,514,359	1,479,040
Promissory Note, Net	380,715	380,715	480,715	480,715	480,715	480,715	480,715	480,722	480,710	480,715
	1,855,654	1,827,004	2,079,801	2,033,878	1,991,600	1,952,628	1,926,440	2,037,468	1,995,069	1,959,755
Net Revenue	\$ 4,495,278	\$ 5,588,877	\$ 6,386,443	\$ 6,048,797	\$ 7,459,910	\$ 7,997,612	\$ 7,708,336	\$ 7,236,035	\$ 6,768,432	\$ 7,173,823
Debt Service	\$ 3,262,411	\$ 3,449,670	\$ 4,248,694	\$ 4,296,845	\$ 4,951,060	\$ 5,112,362	\$ 4,854,129	\$ 5,153,060	\$ 5,207,112	\$ 5,315,959
Debt Service Coverage	1.38	1.62	1.50	1.41	1.51	1.56	1.59	1.40	1.30	1.35
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. For December 2014, the calculation was performed on a rolling twelve month period (January 2014 to December 2014) in accordance with the master bond resolution.

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CENSUS DATA-BY SERVICE AREA

December 2014

	2013 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:	233,585	234,878	235,469	\$ 5,863,684,255	91,075	113,060	\$ 25,103	\$ 48,729	41	53.2%	24.5%	8.7%	6.60%
City of Utica	61,808	62,235	60,651	\$ 1,091,096,624	24,041	27,929	\$ 17,653	\$ 30,942	35	52.7%	20.8%	5.7%	7.00%
Town of New Hartford	22,020	22,166	21,172	\$ 803,487,780	9,317	10,711	\$ 36,489	\$ 59,569	47	39.1%	31.4%	19.9%	5.60%
Whitestown	18,710	18,667	18,635	\$ 537,762,820	7,650	9,599	\$ 28,742	\$ 54,435	42	51.5%	30.6%	9.7%	5.60%
Kirkland	10,279	10,315	10,138	\$ 314,825,212	3,448	5,064	\$ 30,628	\$ 61,955	39	35.2%	33.8%	21.4%	5.60%
Marcy	9,170	8,982	9,469	\$ 183,079,050	2,190	3,056	\$ 19,965	\$ 64,368	40	54.6%	22.7%	4.8%	5.60%
Westmoreland	6,129	6,138	6,207	\$ 150,669,207	2,383	4,981	\$ 24,583	\$ 79,602	48	56.3%	28.6%	7.2%	5.60%
Trenton	4,494	4,498	4,670	\$ 125,382,600	1,744	2,354	\$ 27,900	\$ 68,143	41	51.3%	26.3%	14.3%	5.60%
Deerfield	4,273	4,273	3,906	\$ 125,275,814	1,619	2,358	\$ 29,318	\$ 66,434	44	58.4%	29.0%	9.9%	5.60%
Whitesboro	3,735	3,772	3,943	\$ 90,723,150	1,703	1,908	\$ 24,290	\$ 46,779	40	60.6%	25.0%	6.5%	5.60%
New York Mills	3,323	3,327	3,191	\$ 6,287,116	1,582	1,906	\$ 1,892	\$ 35,047	37	53.6%	28.4%	9.2%	5.60%
Yorkville	2,662	2,689	2,675	\$ 60,073,354	1,111	1,380	\$ 22,567	\$ 41,156	36	63.6%	17.9%	2.7%	5.60%
Clark Mills	1,914	1,905	1,424	\$ 52,906,788	976	954	\$ 27,642	\$ 49,719	44	47.8%	29.3%	12.6%	5.60%
Village of New Hartford	1,835	1,847	1,886	\$ 64,571,815	976	923	\$ 35,189	\$ 51,098	49	33.1%	33.3%	29.0%	5.60%
Oriskany	1,390	1,400	1,459	\$ 36,202,550	523	811	\$ 26,045	\$ 57,125	46	56.5%	29.4%	27.6%	5.60%
Holland Patent	455	458	461	\$ 11,479,195	154	308	\$ 25,229	\$ 63,750	38	47.9%	32.9%	14.3%	5.60%
Herkimer County:	64,181	64,519	64,427	\$ 2,366,417,651	64,181	30,010	\$ 36,871	\$ 64,181	43	55.6%	24.2%	7.6%	8.40%
Frankfort	7,595	7,636	7,478	\$ 186,593,960	3,191	3,906	\$ 24,568	\$ 48,449	44	51.3%	26.0%	7.7%	7.90%
Schuyler	3,426	3,420	3,385	\$ 79,287,918	1,429	1,648	\$ 23,143	\$ 44,957	46	54.5%	19.4%	13.5%	7.90%

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CENSUS DATA—LARGEST AREA EMPLOYERS

December 2014

	Business	Industry	No. of Full Time Mohawk Valley Employees	Percentage of County Employment
1	Mohawk Valley Health Systems	Health care	4,740	4.19%
2	Oneida Indian Nation Enterprises	Resort and casino	4,500	12.49% *
3	Resource Center for Independent Living	Independent living facility	1,935	1.71%
4	Remington Arms	Gun Manufacturer	1,403	4.44% **
5	Utica City School District	Educational institution	1,334	1.18%
6	Met Life, Inc.	Insurance / Finance	1,200	1.06%
7	Upstate Cerebral Palsy	Human Services / Education	1,145	1.01%
8	Wal Mart	Distribution Center	950	0.84%
9	Defense Finance and Accounting Service	Accounting Services	950	0.84%
10	Birmie Bus Service	Transportation	923	0.82%
11	ConMed Corporartion	Medical Equipment Manufacturer	900	0.80%
12	Masonic Care Community of New York	Nursing Home & Research	900	0.80%
13	Rome City School District	Educational institution	846	0.75%
14	BNY Mellon Bank	Bank Office	835	0.74%
15	Rome Memorial Hospital	Medical Facility	791	0.70%
16	ARC Oneida-Lewis Chapter	Not for Profit - Human Services	715	0.63%
17	The Hartford Insurance Company	Insurance	700	0.62%
18	Hamilton College	Educational Institution	670	0.59%
19	Bank of America	Finance Services	650	0.57%
20	Charles T. Sitrin Health Care Center, Inc.	Health care	605	0.54%

*--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 Years

	December 31, 2014	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Estimated Population Served	130,000	130,000	130,000	130,000	126,000	120,000	120,000	120,000	120,000	120,000
Employees Headcount	98	97	97	97	100	93	94	96	95	97
Billed Consumption (in million gallons)	2,577	3,518	3,639	3,588	3,657	3,666	3,798	3,959	3,893	4,039
Average Daily Consumption (in million gallons)	9.4	10.0	10.0	10.0	10.0	10.0	10.4	10.8	10.7	11.1
Average Daily Peak Consumption (in million gallons)	11	11	12	12	11	11	12	12	12	13
Average Daily Consumption per Person (in gallons)	54	74	77	75	80	84	87	90	89	92
Operating Information										
Treatment Plant Capacity in MGD ⁽²⁾	32	32	32	32	32	32	32	32	32	32
Treated Water Tanks and Reservoir Capacity ^{(3), (4)}	435.5	451.0	451.0	444.0	432.0	432.0	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⁾	605.3	603.0	603.0	602.0	602.0	598.0	598.0	660.0	648.0	701.0
Active Taps-End of Year ⁽¹⁾	37,490	37,468	37,447	37,470	38,433	38,406	38,375	38,334	38,280	38,159
Fire Hydrants Operated & Maintained ⁽¹⁾	4,155	4,156	4,128	4,119	4,115	4,100	4,094	4,063	4,039	3,945
Financial Information										
Gross Property, Plant & Equipment ⁽³⁾	\$ 104.1	\$ 102.0	\$ 96.8	\$ 91.9	\$ 89.0	\$ 82.5	\$ 75.9	\$ 71.3	\$ 60.5	\$ 55.9
Net Property, Plant & Equipment after depreciation ⁽³⁾	\$ 82.3	\$ 81.7	\$ 78.5	\$ 75.3	\$ 73.9	\$ 68.9	\$ 63.6	\$ 60.4	\$ 50.9	\$ 47.5
Additions to Property, Plant & Equipment ⁽³⁾	\$ 2.1	\$ 5.2	\$ 4.9	\$ 3.0	\$ 12.2	\$ 7.0	\$ 5.3	\$ 10.7	\$ 4.7	\$ 1.1
Restricted Assets ⁽³⁾	\$ 15.6	\$ 18.7	\$ 21.0	\$ 14.0	\$ 17.5	\$ 22.8	\$ 27.7	\$ 17.0	\$ 25.4	\$ 11.6
Total Long-Term Debt ⁽³⁾	\$ 62.1	\$ 65.5	\$ 68.5	\$ 62.4	\$ 56.7	\$ 59.1	\$ 61.3	\$ 51.7	\$ 53.8	\$ 41.5
Rate Increases	2.90%	1.90%	2.00%	2.00%	7.90%	5.60%	7.10%	8.30%	13.50%	8.74%
Operating Revenues ⁽³⁾	\$ 16.0	\$ 20.9	\$ 21.0	\$ 20.4	\$ 20.3	\$ 18.8	\$ 18.0	\$ 17.3	\$ 15.8	\$ 14.0
Operating Expenses ⁽³⁾	\$ 12.0	\$ 14.8	\$ 14.2	\$ 13.6	\$ 12.5	\$ 12.0	\$ 11.9	\$ 11.9	\$ 11.2	\$ 10.6
Operating Income ⁽³⁾	\$ 4.0	\$ 6.2	\$ 6.8	\$ 6.8	\$ 7.8	\$ 6.8	\$ 6.1	\$ 5.4	\$ 4.6	\$ 3.4
Debt Service & Promissory Note ⁽³⁾	\$ 3.8	\$ 5.7	\$ 5.6	\$ 5.3	\$ 5.6	\$ 5.4	\$ 5.7	\$ 4.7	\$ 2.2	\$ 1.7
Amortization & Depreciation Expense ⁽³⁾	\$ 1.6	\$ 2.2	\$ 1.9	\$ 1.8	\$ 1.7	\$ 1.7	\$ 1.6	\$ 1.6	\$ 1.5	\$ 1.4
Net Increase (Decrease) In Net Position ⁽³⁾	\$ 1.4	\$ 2.7	\$ 2.6	\$ 3.0	\$ 3.3	\$ 2.7	\$ 3.9	\$ 3.6	\$ 5.3	\$ 0.7

(1) Estimates

(3) In Millions of Dollars

(2) MGD = Million Gallons per Day

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

SOURCE: FINANCE & ACCOUNTING

WATER PRODUCTION

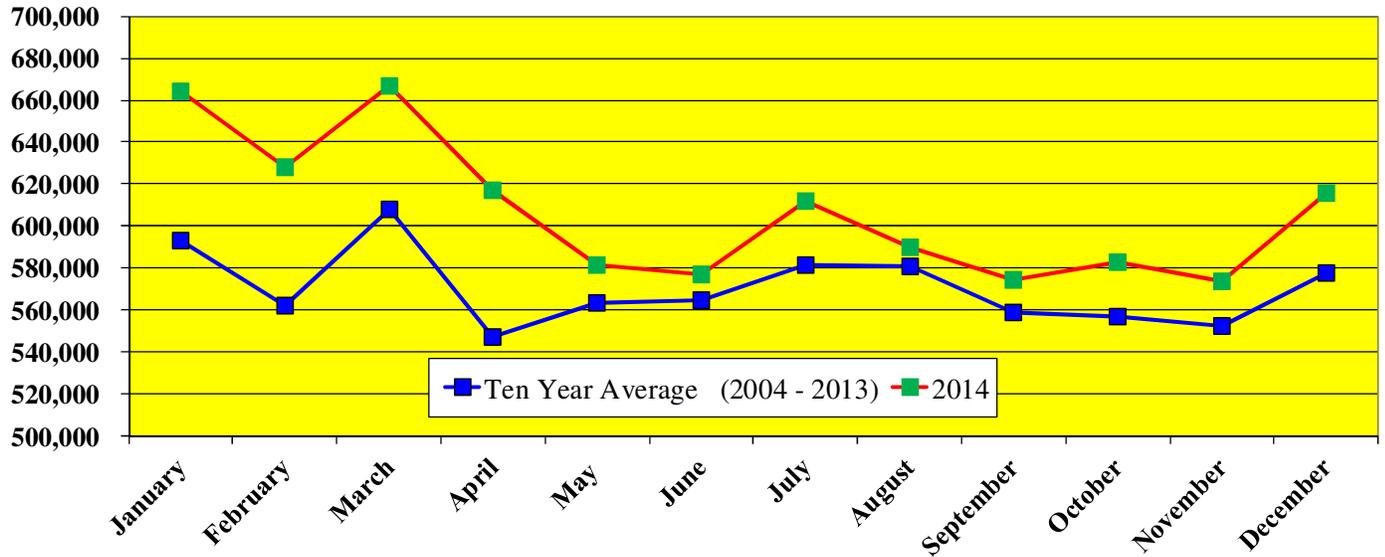
Last Ten Years

PER 1,000 GALLONS

	<u>2014</u>	<u>Ten Year Average (2004 - 2013)</u>
January	664,400	592,800
February	627,900	562,150
March	666,900	607,790
April	617,300	547,260
May	581,300	562,960
June	577,000	564,860
July	612,000	581,360
August	590,000	580,660
September	574,100	558,910
October	582,600	556,700
November	573,900	552,330
December	615,500	577,620
Total	<u>7,282,900</u>	<u>6,845,400</u>

PER 1,000 GALLONS

MONTHLY WATER PRODUCTION



SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

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

Service Area	Year Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2008	Year Ended March 31, 2007	Year Ended March 31, 2006
City of Utica	230,949,900	238,237,300	248,453,654	244,963,800	246,179,300	245,657,500	252,629,200	261,495,500	259,993,800	267,081,100
Town of Deerfield	9,045,600	8,462,700	9,087,900	8,744,800	9,084,900	9,110,400	9,535,600	9,721,200	9,739,600	11,445,900
Town of Frankfort	6,936,400	6,829,600	6,412,900	6,992,900	7,825,300	6,841,900	7,823,600	7,469,000	6,744,000	6,839,000
Town of Kirkland	13,532,300	12,923,400	12,630,000	13,122,600	13,681,800	12,378,900	13,159,800	13,769,000	12,339,300	13,003,800
Town of Marcy	49,383,800	48,201,200	45,965,700	43,539,400	44,831,800	46,089,500	49,867,900	51,276,400	50,267,800	51,315,000
Town of New Hartford	63,838,100	65,497,000	68,103,500	67,707,400	68,900,800	70,388,800	71,769,900	73,515,300	70,099,500	73,376,100
Town of Schuyler	5,664,600	5,561,000	5,822,200	5,876,800	6,135,900	5,390,000	5,200,100	5,608,200	5,167,600	5,236,700
Town of Trenton	6,678,900	6,595,900	6,666,700	6,698,500	7,183,600	7,595,200	7,260,700	9,749,200	10,286,700	9,713,200
Town of Westmoreland	664,600	893,800	920,100	857,600	884,900	982,500	1,289,300	2,267,900	2,304,400	2,067,900
Town of Whitestown	24,165,400	25,019,700	26,971,600	25,370,400	27,498,200	29,926,800	32,100,500	34,345,200	32,871,700	35,311,700
Village of Holland Patent	1,137,800	1,155,800	1,239,400	1,272,200	1,485,200	1,354,600	1,329,900	1,358,900	1,438,500	1,414,600
Village of New Hartford	7,424,100	7,530,400	9,033,200	8,383,100	9,036,200	8,852,000	7,074,800	9,427,300	9,007,300	9,312,700
Village of New York Mills	10,296,300	10,439,100	11,036,300	11,209,900	11,250,500	11,468,400	12,436,400	11,704,400	12,171,400	12,297,100
Village of Oriskany	6,019,500	6,142,300	6,478,300	6,685,500	6,413,100	6,442,600	6,610,900	7,074,600	7,266,700	7,643,600
Village of Stittville	997,700	1,107,400	1,059,700	1,041,200	1,105,700	1,087,100	1,101,200	1,216,300	1,127,800	1,178,600
Village of Washington Mills	6,602,300	6,629,900	6,843,700	7,300,200	7,490,000	6,508,600	7,224,800	7,523,300	7,350,900	7,796,100
Village of Whitesboro	10,400,100	10,730,200	11,138,600	11,255,200	11,252,500	11,669,200	12,708,700	12,374,900	12,810,400	12,962,700
Village of Yorkville	8,133,300	8,335,800	8,645,000	8,616,800	8,616,700	8,369,900	8,653,600	9,334,800	9,465,800	9,607,400
TOTAL	461,870,700	470,292,500	486,508,454	479,638,300	488,856,400	490,113,900	507,776,900	529,231,400	520,453,200	537,603,200

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ANNUAL CONSUMPTION (IN CUBIC FEET) – BY MONTH
Last Ten Calendar Years

Month	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
January	39,486,300	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
February	40,128,700	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
March	37,435,500	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
April	35,254,700	34,948,800	37,718,800	37,998,200	39,530,900	39,528,800	37,897,600	43,291,600	41,992,600	42,115,800
May	36,501,300	39,249,000	39,807,700	37,672,600	39,770,400	40,616,100	45,773,800	42,691,500	41,221,000	43,316,900
June	38,173,600	39,134,300	40,961,000	38,631,100	39,950,300	40,616,700	43,013,800	44,380,400	43,997,600	46,307,100
July	38,682,700	39,607,100	41,384,400	42,528,000	42,436,700	42,184,250	40,389,900	44,165,900	43,477,700	47,780,500
August	44,334,300	45,057,700	48,016,400	44,530,000	45,979,600	44,646,750	47,622,200	50,987,200	47,531,500	51,488,300
September	40,435,300	41,190,400	47,271,000	46,256,500	45,006,600	44,157,100	44,308,900	49,035,000	48,171,400	51,311,100
October	40,094,000	37,754,200	40,217,900	40,563,000	42,548,600	42,941,600	44,528,100	44,283,200	43,378,800	46,937,500
November	38,196,600	40,229,200	42,414,400	39,872,500	40,785,000	43,014,600	46,569,200	45,322,800	47,244,100	47,422,700
December	32,793,600	36,071,300	36,414,900	37,194,100	38,061,600	35,274,800	38,266,600	39,672,900	40,571,400	42,490,200
TOTAL	461,516,600	465,543,954	488,598,800	480,032,700	491,202,900	492,387,500	513,771,000	526,697,600	518,290,600	548,148,400

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ACTIVE METERS – BY SIZE
Last Ten Years

METER SIZE	December 2014	March 2014	March 2013	March 2012	March 2011	March 2010	March 2009	March 2008	March 2007	March 2006
5/8"	36,627	36,616	36,504	36,558	36,613	36,641	36,645	36,640	36,605	36,310
3/4"	562	564	559	563	568	570	568	558	551	559
1"	508	509	512	514	526	523	517	520	514	513
1 1/4"	-	-	-	-	-	-	-	-	-	-
1 1/2"	238	244	239	241	236	232	232	227	227	226
2"	215	218	222	224	221	224	230	231	231	242
3"	60	60	60	61	59	56	56	58	57	59
4"	57	55	56	56	59	60	63	66	63	63
6"	24	22	23	23	22	22	23	25	24	25
8"	1	1	1	1	1	1	1	1	1	-
Combined	57	55	54	50	51	48	48	51	52	49
Fire	578	573	575	578	577	577	577	567	552	544
TOTAL	38,927	38,917	38,805	38,869	38,933	38,954	38,960	38,944	38,877	38,590

SOURCE: FINANCE & ACCOUNTING

ACTIVE METERS – BY LOCATION

Last Ten Years

SERVICE AREA	December 2014	March 2014	March 2013	March 2012	March 2011	March 2010	March 2009	March 2008	March 2007	March 2006
City of Utica	19,027	19,024	18,991	19,132	19,167	19,213	19,275	19,346	19,422	19,367
Town of Deerfield	1,277	1,277	1,269	1,259	1,258	1,251	1,252	1,233	1,225	1,211
Town of Frankfort	289	286	284	285	285	286	286	287	286	283
Town of Kirkland	486	486	482	479	481	482	481	481	481	472
Town of Marcy	2,130	2,126	2,108	2,092	2,099	2,072	2,052	2,033	2,004	1,989
Town of New Hartford	5,569	5,563	5,548	5,534	5,514	5,521	5,506	5,474	5,437	5,355
Town of Schuyler	371	379	375	375	378	377	376	371	360	357
Town of Trenton	255	260	261	253	253	258	252	251	244	204
Town of Westmoreland	1	1	1	1	1	1	1	1	1	1
Town of Whitestown	3,062	3,059	3,045	3,024	3,018	3,013	2,999	2,999	2,969	2,948
Village of Holland Patent	174	177	177	174	181	182	181	181	181	180
Village of New Hartford	788	789	787	785	786	787	786	785	791	790
Village of New York Mills	1,305	1,301	1,296	1,285	1,293	1,293	1,300	1,303	1,293	1,286
Village of Oriskany	669	667	672	667	668	668	663	660	660	662
Village of Stittville	151	148	147	155	159	154	155	151	151	151
Village of Washington Mills	796	798	794	801	807	805	804	801	782	742
Village of Whitesboro	1,481	1,482	1,478	1,474	1,485	1,490	1,493	1,488	1,486	1,490
Village of Yorkville	1,096	1,094	1,090	1,094	1,100	1,101	1,098	1,099	1,104	1,102
TOTAL	38,927	38,917	38,805	38,869	38,933	38,954	38,960	38,944	38,877	38,590

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

ANNUAL METER INSTALLATION – BY SERVICE AREA
Last Ten Years

SERVICE AREA	December 31, 2014	March 2014	March 2013	March 2012	March 2011	March 2010	March 2009	March 2008	March 2007	March 2006
City of Utica	526	1,177	2,650	1,428	1,600	1,920	1,811	1,756	1,174	1,455
Town of Deerfield	35	206	97	72	107	126	85	111	69	94
Town of Frankfort	13	13	60	20	47	28	30	20	12	15
Town of Kirkland	6	9	49	49	19	13	14	18	29	20
Town of Marcy	70	298	119	145	242	195	126	262	122	151
Town of New Hartford	111	140	693	497	846	537	308	516	381	359
Town of Schuyler	7	16	101	25	23	48	37	36	21	33
Town of Trenton	11	44	11	20	10	13	35	31	55	14
Town of Westmoreland	-	-	-	-	-	1	-	-	-	-
Town of Whitestown	49	229	416	351	294	239	265	233	152	193
Village of Holland Patent	2	13	2	3	11	26	80	17	9	11
Village of New Hartford	11	9	8	64	131	57	49	68	38	51
Village of New York Mills	12	19	292	90	233	144	71	135	100	62
Village of Oriskany	16	40	133	84	44	75	46	61	46	53
Village of Stittville	15	61	4	11	43	15	13	47	65	14
Village of Washington Mills	11	12	118	30	37	232	174	88	56	37
Village of Whitesboro	28	46	386	77	147	138	100	116	92	112
Village of Yorkville	22	14	261	71	175	74	59	93	57	65
TOTAL	945	2,346	5,400	3,037	4,009	3,881	3,303	3,608	2,478	2,739

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

CAPITAL PROJECT ACTIVITY

December 2014

CAPITAL PROJECT	LOCATION	MARCH 31, 2014	ADDITIONS	SUBTRACTIONS	DECEMBER 31, 2014
New Tank--Pre-Design	Airport Industrial Park	\$ 85,395	\$ 0	\$ 85,395	\$ 0
Airport Tank & Mains	Oriskany Airport Park	462,808	17,527	0	480,335
Emergency Generator	Administrative Offices	10,946	0	0	10,946
SCADA System	System Wide	164,504	55,208	0	219,712
Water Quality Improvement	System Wide	374,517	0	374,517	0
Canal Crossing	Marcy	998,593	10,854	0	1,009,448
Security Surveillance	System Wide	25,041	0	0	25,041
Third Water Intake Line	Water Treatment Plant	24,377	0	0	24,377
Pump Station Improvements	System Wide	139,343	228,041	0	367,384
Security Fencing	System Wide	19,475	0	0	19,475
Storage Building	Kemble Street Maintenance Yard	6,103	0	0	6,103
Health & Safety Improvements	System Wide	12,316	0	0	12,316
Transition Main Improvements	System Wide	11,826	0	0	11,826
Water Tank	Southern Reservoir--Low Zone	4,420,705	225,426	0	4,646,131
Valve Installation	Erie Street	37,856	0	37,856	0
Roof Replacement	Oneida Street Pump Station	87,584	4,085	91,669	0
Roof Replacement	Hinman Road Pump Station	81,598	12,978	94,576	0
Fence & Gates	System Wide	8,462	0	0	8,462
Main Replacement	Memorial Drive, Utica	31,379	0	31,379	0
Facility Upgrades	Kemble Street Maintenance Yard	308,613	82,412	391,024	0
Tank Repairs	Holland Patent	7,939	0	0	7,939
Arterial Highway Betterments	Arterial/ Route 12, City of Utica	51,174	2,434	0	53,607
Automated Meter Infrastructure	System Wide	2,184,681	1,190,099	0	3,374,780
Main Replacement	Thomas Street, Utica	110,545	0	110,545	0
Facility Upgrades	Water Treatment Plant	0	19,799	0	19,799
Main Replacement	Dawes Avenue, Utica	119,597	0	119,597	0
Water System Capacity Plan	System Wide	38,492	0	38,492	0
Main Replacement	Park Place, Holland Patent	27,379	0	27,379	0
Facility Repairs	Water Treatment Plant	0	2,852	0	2,852
Metering and Billing	Westmoreland	0	41,977	0	41,977
Tank Painting	Gilbert Road, Whitesboro	0	400	0	400
Pipe Bridge Repairs	Water Treatment Plant	0	20,953	0	20,953
Smart Grid Water Study	System Wide	0	28,000	0	28,000
Total Construction In Progress		\$ 9,851,248	\$ 1,943,043	\$ 1,402,430	\$ 10,391,862

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

STAFFING STATISTICS

Last Ten Years

	December 31 st					March 31 st				
	2014	2014	2013	2012	2011	2010	2009	2008	2007	2006
ADMINISTRATION:										
Executive Director	1	1	1	1	1	1	1	1	1	1
Comptroller / Deputy Comptroller	2	2	2	2	2	2	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	6
Meter Reading	6	6	6	6	6	6	6	6	5	6
Information Technology	5	5	5	5	5	5	5	5	5	5
Accounting/Billing	3	3	3	3	4	4	5	4	4	4
Public Relations	1	-	-	-	-	-	-	-	-	1
Administrative Support Staff		1	1	1	1	1	1	1	1	1
ADMINISTRATION - SUBTOTAL	26	26	26	26	27	27	27	26	25	27
SYSTEM MAINTENANCE:										
Water System Maintenance	36	36	36	37	38	36	36	36	36	36
Meter Service Shop	6	5	5	5	4	5	5	5	5	5
Engineering	7	7	7	6	5	6	10	10	10	10
Capital Projects	0	-	-	-	2	2	-	-	-	-
Water Distribution	5	5	5	4	4	4	-	-	-	-
Water Treatment	8	8	8	9	9	9	9	9	9	9
Lab Operations and System Monitoring	8	8	8	8	8	7	7	7	7	7
Maintenance Support Staff	2	2	2	2	3	3	3	3	3	3
SYSTEM MAINTENANCE - SUBTOTAL	72	71	71	71	73	72	70	70	70	70
TOTAL EMPLOYEES	98	97	97	97	100	99	97	96	95	97

SOURCE: FINANCE & ACCOUNTING

MOHAWK VALLEY WATER AUTHORITY

OPERATING CAPACITY

Last Ten Years

	December 31 st	March 31 ST								
	2014	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water Capacity :										
Treatment Plant	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD
Treated Water Reservoirs - Standby ⁽³⁾	386 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG
Treated Water Tanks (Active)	49.5 MG	49.5 MG	49.5 MG	43.5 MG	31 MG	31 MG	21 MG	21 MG	21 MG	21 MG
Facilities :										
Transmission Mains	42.8 Miles	42.8 Miles	42.8 Miles	42.8 Miles	42.8 Miles	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles
Distribution Mains	562.5	560 Miles	560 Miles	558.9 Miles	558.9 Miles	554.5 Miles	554.5 Miles	617 Miles	606 Miles	658 Miles
Supply Mains	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles
Pump Stations (Active)	19	19	21	21	21	21	21	22	21	19
Pressure Regulators	135	135	129	129	126	123	123	123	105	92
Altitude Valves	19	19	19	19	19	19	19	19	18	27
Meter Stations	14	14	14	14	14	14	14	14	14	13
Storage Tanks - Active ⁽¹⁾	27	28	28	28	25	25	25	24	23	27
Pump Control Valves	5	5	5	5	5	5	5	5	5	4
Other Facilities ⁽²⁾	24	24	24	24	24	22	22	21	14	14

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

SOURCE: FINANCE & ACCOUNTING

SCHEDULE OF INSURANCE IN FORCE

Year Ended December 31, 2014

TYPE	PREMIUM	CONTRACTS	COVERAGE
I. Property & Liability Protection			
General Liability	\$66,619	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2015 - 12/31/2015	Operations of Water Authority-Govt. Subdivision Budget
Crime Policy / Governmaent Crime	\$892	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2015 - 12/31/2015	Operations of Water Authority-Govt. Subdivision Budget
Property	\$35,526	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2015 - 12/31/2015	Building and Personal Property
Equipment Breakdown	\$19,514	The Hartford Steamboiler Inspection and Insurance Company FBP2345558 01/01/2014 - 01/01/2015	
Inland Marine Coverage	\$5,286	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2015 - 12/31/2015	Scheduled Property
Owner's & Contractor's Protective Protective Liability	\$250	American Alternative Insurance Corp Policy No. GPPA-PF-6055470-01 / 00 01/01/2014 - 01/01/2015	General Liability
II. Casualty			
Automobile Policy	\$52,658	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-02 / 000 01/01/2014 - 01/01/2015	List of Declared Vehicles and Equipment and hired and non-owned autos
Excess Liability Coverage Umbrella	\$70,029	American Alternative Insurance Corp Policy No. GPPA-XS-3052265-01 01/01/2015 - 12/31/2015	Extends failure to supply water
III. Employee Protection			
Public Officials' Liability Policy	\$15,805	American Alternative Insurance Corp Policy No. GPPA-PF-6055464-01 / 00 01/01/2015 - 12/31/2015	Claims Made
Workers' Compensation	\$299,519	Public Employer Risk Management Association, Inc., Policy No. WC 0001380-00 (1) 01/01/2015 - 12/31/2015	Statutory Coverage
TOTAL PREMIUM	\$452,222		

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 and Completed Operations Aggregate	\$0 Deductible
\$ 1,000,000 - Damage to properties rented to MVWA	\$0 Deductible
\$ 1,000,000 - Personal and Advertising injury	\$0 Deductible
\$ 1,000,000 - Fire Damage	\$0 Deductible
\$ 5,000 - Medical Expense per person	\$0 Deductible
\$ 500,000 - Employee theft	\$ 5,000 Deductible
\$ 250,000 - Forgery and Alteration	\$ 5,000 Deductible
\$ 250,000 - Inside the premises-theft of money / securities	\$ 5,000 Deductible
\$ 250,000 - Outside the premises-theft of money / securities	\$ 5,000 Deductible
\$ 100,000 - Computer fraud / funds transfer fraud / money orders	\$ 5,000 Deductible
\$ 100,000 - Money Orders	\$ 5,000 Deductible
\$ 55,363,994 - Blanket Building and Contents	\$ 0 Deductible
\$ 250,000 - Business Income Limit (per occurrence)	\$ 5,000 Deductible
\$ 250,000 - Extra Expense (per occurrence)	\$ 5,000 Deductible
\$ 1,000,000 - Earthquake / Flood (each occurrence / annual)	\$ 25,000 Deductible
\$ 104,000 - Pipe Bridge (each)	\$ 5,000 deductible
\$ 25,000 - Property in transit	\$ 0 Deductible
\$ 25,000,000 - Limited to property and off-premise damage	\$ 0 Deductible
\$ 100,000 - Perishable goods	\$ 5,000 Deductible
\$ 100,000 - Data Restoration	\$ 0 Deductible
\$ 250,000 - Demolition / ordinance (per occurrence)	\$ 5,000 Deductible
\$ 25,000 - Mold, Green, Pollution, Wet Dry Rot	\$ 5,000 Deductible
\$ 100,000 - Hazardous expense	\$ 5,000 Deductible
\$ 5,000 - Water contamination	\$ 0 Deductible
\$ 149,533 - subject to a per item limit of \$10,000	\$1,000 Deductible
\$ 25,000 - watercraft	\$1,000 Deductible
\$ 100,000 - Lease / Rented equipment	\$1,000 Deductible
\$ 1,000,000 - Each Occurrence / \$3,000,000 General Aggregate	\$ 0 Deductible
\$ 2,000,000 - General Aggregate	\$ 0 Deductible
Per Accident :	
\$ 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
Limits of Insurance:	
\$ 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	\$0 Deductible
Self-Insured Retention = \$10,000	\$0 Deductible
Unlimited	\$0 Deductible

COMPLIANCE SECTION

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

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

**Board of Directors
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 nine months ended December 31, 2014, 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 June 19, 2015.

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 opinion 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 combined 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*.

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
June 19, 2015