

**M**OHAWK VALLEY WATER AUTHORITY  

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*COMPREHENSIVE ANNUAL FINANCIAL REPORT*  
March 31, 2014 and 2013

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## **INTRODUCTORY SECTION**

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



January 20, 2015

**CHAIRMAN'S MESSAGE:**

The New York State Department of Environmental Conservation (DEC) has granted the Mohawk Valley Water Authority's (MVWA) permit to expand water services to residents and businesses in the towns of Frankfort, Schuyler, Kirkland and Westmoreland.

The expansion of water services to these areas 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.

MVWA Executive Director Patrick J. Becher explains, "the discussions with the DEC throughout this application process have helped to define a clear path for expanding water service as our region welcomes increased economic development opportunities."

Total additional usage by the four towns is anticipated to be less than 100,000 gallons per day — roughly one-half of 1 percent of the MVWA's average daily use. This new permit opens access to 32 million gallons daily, which will meet current residential and business needs with room for future growth. Additional allotments will be accessed through a similar process. As previously agreed, the MVWA will make necessary system improvements to expand capacity as demand increases.

The next steps for the towns of Frankfort, Schuyler, Kirkland and Westmoreland include reviewing desired projects and securing funding sources.

These permits come after a lengthy legal battle with the Canal Corporation and New York State over MVWA's right to draw water from Hinckley Reservoir without payment to another party. An agreement was struck with the three parties following the legal battle whereby unfettered use by MVWA was confirmed and management of the reservoir into the future was the outcome of the agreement.

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

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

We look forward to continued growth in the future and increased economic development.

Elis DeLia  
Chairman of the Board

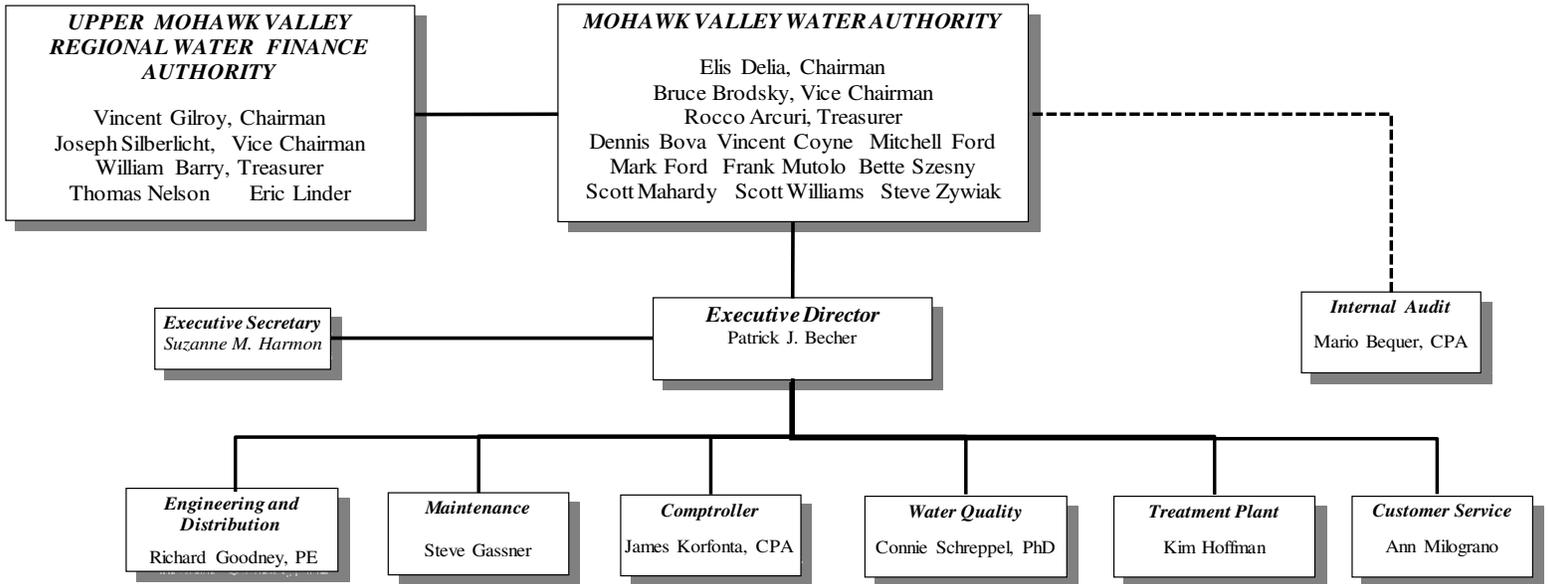
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# MOHAWK VALLEY WATER AUTHORITY

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## ORGANIZATIONAL CHART

As of March 31, 2014





January 20, 2015

To Members and Stakeholders of the Water Authority:

The Comprehensive Annual Financial Report of the Mohawk Valley Water Authority (“Water Authority”) for the fiscal year ended March 31, 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 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 year ended March 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 year ended March 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.

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**LETTER OF TRANSMITTAL-CONTINUED**

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

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

**HISTORY OF THE WATER SYSTEM**

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

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

## MOHAWK VALLEY WATER AUTHORITY

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### LETTER OF TRANSMITTAL-CONTINUED

#### THE WATER AUTHORITY

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

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

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

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

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

**LETTER OF TRANSMITTAL-CONTINUED**

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

**THE REPORTING ENTITY**

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

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

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

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

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

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

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**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.



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**LETTER OF TRANSMITTAL-CONTINUED**

**ECONOMIC OUTLOOK**

The Water Authority's customer base has remained 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.

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LETTER OF TRANSMITTAL-CONTINUED

**FISCAL YEAR 2014 IN REVIEW**

Water Production, Consumption and Water Sales

For fiscal year 2014, 7.4 billion gallons of water were treated at the filtration plant to meet customer demands. This is an increase of 50 million gallons from the previous year due to the installation and continued testing of the granulated activated carbon (GAC) and higher than normal amount of water main breaks caused by the change in temperatures during the later winter/spring months. Customers used 3.5 billion gallons of treated water, representing a decrease of 51 million gallons compared to the previous fiscal year and a decrease in consumption of 498 million gallons since fiscal 2005. The average production by the water treatment plant ranged from 19.2 million gallons per day to 22.4 million gallons, the water system's peak production for the fiscal year reached on July 19, 2013. All customers used an average of 9.7 million gallons per day of water during fiscal year 2014, nearly consistent with the prior 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. In fiscal year 2014, a water district in the town of Whitestown was acquired in the amount of \$542,000.

Unaccounted-for-water of approximately 40% is the result of an aging water system infrastructure; however, much effort has been put into identifying and correcting the sources. A third phase of leak detection has been completed and a third phase has begun by an outside engineering firm. The engineering firm's objectives are to follow-up on previous leaks detected as well as identify any new leaks throughout the system.

Overall annual consumption has dropped approximately 67 million cubic feet in the past 10 years. During fiscal year 2014, water consumption continued this trend by decreasing 16.2 million cubic feet to 470.3 million cubic feet as compared to the prior year. 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 fiscal year 2014 decreased \$100,000 to \$20.9 million compared to the previous year. Specifically, water sales in fiscal year 2014 decreased \$172,000 to \$19.3 million dollars. Other revenue sources increased \$73,000 to \$1.6 million.

Operating expenses increased \$590,000 to \$14.8 million in fiscal year 2014 – with nearly 70% of the increase attributed to depreciation and amortization. Other significant increases in operating expenses were health insurance and retirement benefits of \$104,000. The annual operating expense for granulated activated carbon (GAC) is nearly \$1 million on the operating budget.

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LETTER OF TRANSMITTAL-CONTINUED

FISCAL YEAR 2014 IN REVIEW-continued

Legal

Fiscal year 2014 was the first full year of operating under an agreement that was reached in February 2013 between the Mohawk Valley Water Authority, the Canal Corporation, and New York State securing water rights for the Water Authority. This agreement ensures the reservoir will have adequate water for public health, the environment, economic development, and a variety of recreational activities in Oneida and Herkimer counties. Also in the agreement, a new analytical tool was developed to ensure that water is available for drinking purposes into the foreseeable future. This analytical software program, known as the operational support tool (OST), was the result of an operations and water management study prepared by the Upstate Freshwater Institute and Barton & Loguidice Engineers with assistance from the Water Authority, Canal Corporation, and the State of New York.

Please see Note 16 for more details of the new tri-party agreement between the Water Authority, the Canal Corporation, and New York State.

**CAPITAL CONSTRUCTION**

As in the past years, capital projects continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive Capital Improvement Program (CIP) with the goal of improving the water system's infrastructure through increased system capacity and dependability. Specifically, target areas include upgrading storage and delivery, enhance water quality, identify and comply with pending regulatory requirements, protect the water source and its watershed, and reduce unaccounted-for water. Security improvements, as recommended in the Vulnerability Assessment report, are underway and will continue through subsequent years. The capital project committee of the Water Authority has identified \$60 million in projects over the next 15 years. These projects have been categorized into "priority type" and "project level".

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.

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LETTER OF TRANSMITTAL-CONTINUED

**CAPITAL CONSTRUCTION**-continued

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

The seven priority types are as follows:

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

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

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

Water Main Replacements

Replacement of five (5) water main lines was made within the City of Utica. The pipes replaced decades old lines of approximately 2,400 linear feet at total cost of \$320,000 for fiscal year 2014.

Meter Station Upgrade

The Yorkville pump station was upgrade at a cost of \$44,000.

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LETTER OF TRANSMITTAL-CONTINUED

**CAPITAL CONSTRUCTION**-continued

In addition to projects completed there are several projects that remained in process. An additional \$4.3 million was spent in fiscal year 2014 as project costs accumulated to \$9.9 million as of March 31, 2014. The following are the more significant projects still in process:

Construction of a Water Tank

The construction of one (1) 6 million gallon water storage tank in the Southern Reservoir continued in fiscal year 2014. The accumulated cost of this project as of March 31, 2014 is \$4.4 million.

Water Main Replacements

Replacement of two (2) 24 inch cast iron transmission pipes at the Canal Crossing. The pipes replaced were over 90 years old and were showing signs of failure. The accumulated cost of this project as of March 31, 2014 is \$1.0 million.

Water Consumption Monitoring Upgrade

The Advanced Meter Infrastructure (AMI) is currently being implemented to replace the current meter-reading system. The AMI system, when fully implemented, will benefit the customer by providing Water Authority staff instant consumption data as a tool to monitor fluctuations in water consumption, not only on a customer-basis, but from a system-wide monitoring level. The project-to-date cost as of March 31, 2014 is \$2.2 million.

The Water Authority facilities are constantly under renovation and improvement. These projects include roof replacements at various facilities, security fencing, building upgrades (i.e. Maintenance Department facility at Kemble Street), and pump station improvements. As of March 31, 2013, the accumulated cost of this category of projects is approximately \$2.3 million.

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LETTER OF TRANSMITTAL-CONTINUED

**FINANCIAL STABILITY**

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

Prudent financial planning plays a vital role in assuring the viability and stability of the water utility. The following events highlighted the importance of financial planning in fiscal year 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 1.9% for fiscal year 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 approved for fiscal year 2014, the Water Authority continued its multi-year capital project program. No new bonding occurred in fiscal year 2014; 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 fiscal 2013 and 2014 approved budgets incorporated portions of debt service related to existing bonds into the water rate structure.

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LETTER OF TRANSMITTAL-CONTINUED

- Cash Reserve Funding – The Board of the Water Authority continues to make a commitment to the long-term stability and growth of the water system by funding its reserves. In fiscal year 2007, a reserve was created by the Board with the goal of eliminating the need to bond for maintenance of capital construction. Over the past several years, the Board has committed to setting-aside funds to meet the annual capital maintenance costs currently estimated at between \$750,000 and \$1 million annually. In March of 2014, the Board funded this reserve an additional \$750,000. The current accumulated balance is \$2.3 million. No other reserves were funded.
- Operating Cash Surplus – The Water Authority experienced a decrease in operating cash during fiscal year 2014 of \$1.1 million. Over the past several years, operating cash has experienced healthy increases; however, due to a reduction in water sales and the systematic payout of operating cost attributed to the reduction.

In addition, the funding of capital reserves and maintenance of the required bond covenant known as the “debt covenant reserve” has been maintained. Operating surpluses will allow flexibility to fund unforeseen operating costs and emergency repairs.

- Debt Service Coverage – Continued strong fiscal management resulted in debt service coverage of 1.30 (See the debt service coverage schedule in the Statistical Section). The coverage is less than the rate consultant’s fiscal year 2014 cash coverage projection of 2.47. However, the rate consultant’s calculation includes the use of cash carried forward from previous fiscal years. When this amount is added, the coverage increases to 2.63, beyond the consultant’s projection. This will strengthen the Water Authority’s prospects for raising its future bond rating.
- Bond Rating – The Water Authority is currently the recipient of favorable credit ratings from both Standard and Poor’s Ratings Services and Moody’s Investors Service.

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

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

Moody’s Investors Service maintained the Water Authority’s rating of **A<sub>1</sub>**. The **A<sub>1</sub>** 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.

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**LETTER OF TRANSMITTAL-CONTINUED**

**CONTINUED OPERATIONAL EFFICIENCIES**

During previous years, the Water Authority has implemented improvement to its various technology platforms. These include Supervisory Control and Data Acquisition (SCADA) system, water modeling software, work order system to improve the water monitoring and improve operational efficiencies. While these systems continue to undergo changes and upgrades on an on-going basis, 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 20% complete and will take 3-5 years to finish.

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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.

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**LETTER OF TRANSMITTAL-CONTINUED**

**ADDITIONS TO UTILITY PLANT**

Capital construction completed for fiscal year 2014 amounted to \$713,000 compared to \$13.3 million in the previous fiscal year. Construction projects currently underway in the amount of \$9.9 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. In fiscal year 2014, a water district in the town of Whitestown was acquired in the amount of \$542,000. No utility assets were acquired from municipalities or private contractors during fiscal years 2013. Please see Note 5 – Utility Plant and Depreciation for further discussion on this topic.

**DEBT ADMINISTRATION**

No new bonds were issued during fiscal years 2014 or 2013. Existing construction money from the 2012, 2006 and 2003 series bonds in addition to the capital maintenance reserve provide funds for a continuation 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 *A<sub>1</sub>* and *A+*, respectively. Both ratings remain in the upper-medium grade scale and its revenue bonds are considered low credit risk. See “bond rating” under the Financial Stability section above.

At March 31, 2014, bonds totaling \$62.3 million were outstanding. In addition, a promissory note of \$6.0 million is due over the next 25 years to the City of Utica as part of the water system purchase agreement. See long-term debt note in the Notes to the Combined Financial Statements for more details.

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LETTER OF TRANSMITTAL-CONTINUED

**PAYMENT IN LIEU OF TAXES (PILOT) PAYMENTS**

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

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

**DISCLOSURE REQUIREMENTS**

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

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

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LETTER OF TRANSMITTAL-CONTINUED

**CASH MANAGEMENT**

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

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

An on-going slow recovery in the market during fiscal year 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 3.50% annually depending on the term of the certificate. All certificates are appropriately covered by FDIC limits.

Other trust funds are invested in either a Master Repurchase Agreement or State and Local Government Securities (SLGS). The Master Repurchase agreements have a return of 5.13% and the SLGS have a return ranging from 2.07% to 2.37%.

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

**LETTER OF TRANSMITTAL-CONTINUED**

**RISK MANAGEMENT AND LIABILITY INSURANCE**

The Water Authority carries general liability and property coverage for catastrophic losses on existing property, newly acquired property, floods, fire, and limited coverage on other miscellaneous property. Currently, there is a \$55 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 fiscal year 2014 audit is the second year of their three-year term. Marvin & Company's report is included in the Financial Section of this report.

**AWARDS/PUBLICATIONS**

**Financial Reporting.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended March 31, 2013. This is the eleventh consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe this 2014 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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**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**

<b>Member</b>	<b>Committees</b>	<b>Board Term Ending</b>
<b>ELIS DELIA, CHAIRMAN OF THE BOARD</b>	Capital Projects Committee Chair; Budget and Finance; Governance	December 31, 2016
<b>BRUCE BRODSKY, VICE CHAIRMAN</b>	Audit Committee Chair; Capital Projects; Budget and Finance	December 31, 2014
<b>ROCCO ARCURI, TREASURER</b>	Budget & Finance Committee Chair; Audit and Personnel Committees	December 31, 2016
<b>DENNIS BOVA</b>	Operations and Capital Projects	December 31, 2014
<b>VINCENT COYNE</b>	Governance Committee Chair; Capital Projects; Budget and Finance; Audit and Personnel Committees	December 31, 2014
<b>MARK FORD</b>	Personnel Committee Chair and Operations Committee	December 31, 2016
<b>MITCHELL FORD</b>	Operations Committee Chair; Capital Projects	December 31, 2015
<b>FRANK MUTOLO</b>	Operations Committee	December 31, 2015
<b>SCOTT MAHARDY</b>	Personnel Committee	December 31, 2016
<b>BETTE SZESNY</b>	Personnel, Operations and Governance	December 31, 2000*
<b>STEVE ZYWIAK</b>	Capital Projects Committee	December 31, 2015
<b>SCOTT WILLIAMS</b>	Operations Committee	December 31, 2013*

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

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**MOHAWK VALLEY WATER AUTHORITY**

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**FINANCE AUTHORITY BOARD MEMBERS  
AND PRINCIPAL OFFICERS**

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

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

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

**CERTIFICATE OF ACHIEVEMENT**

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

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



Government Finance Officers Association

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

Presented to

**Mohawk Valley Water Authority  
New York**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**March 31, 2013**

Executive Director/CEO

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Kevin J. McCoy, CPA

Thomas W. Donovan, CPA

Frank S. Venezia, CPA

James E. Amell, CPA

Carol A. Hausamann, CPA

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 of the Financial Statements**

We have audited the accompanying combined statements of net position, the related combined statements of revenue, expenses and changes in net position, and cash flows of Mohawk Valley Water Authority (Authority) as of and for the years ended March 31, 2014 and 2013, and the related notes to the combined financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of Mohawk Valley Water Authority, as of March 31, 2014 and 2013, and the respective changes in their net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Correction of Error**

As described in Note 15 to the combined financial statements, errors in the calculation of material inventory and water maintenance piping and related parts used in the repair and maintenance of the water system were discovered by management during the current year. These errors resulted in the understatement of amounts previously reported as material inventory as of March 31, 2013 and overstatement of amounts previously reported as system repair and maintenance for the year ended March 31, 2013. Accordingly, amounts reported for material inventory and system repair and maintenance have been restated in the March 31, 2013 financial statements now presented. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 34 through 56 and the Schedule of Funding Progress for Retiree Health Plan on page 108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the combined financial statements of Mohawk Valley Water Authority as a whole. The introductory section on pages 5 through 29 and the statistical section on pages 122 through 154 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary schedules on pages 111 through 119 are presented for purposes of additional analysis and are also not a required part of the combined financial statements. These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The information on these schedules has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole. The introductory section

and statistical sections have not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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* and should be considered in assessing the results of our audit.

*Marvin and Company, P.C.*

Latham, New York  
January 20, 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 fiscal years ended March 31, 2014, and 2013. The information contained in the MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historic summaries of activities and financial performance included in the Supplementary Information and Statistical Sections of this report.

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

***WATER SYSTEM HIGHLIGHTS***

- Capital projects in the amount of \$700,000 were completed and another \$9.9 million are in various stages of construction as part of an aggressive multi-year capital plan to remediate system deficiencies and provide enhanced transmission and distribution facilities. A tank under construction at the Southern Reservoir and the Advanced Meter Infrastructure (AMI) being installed throughout the service area account for the largest share of Work In Progress.
- Following 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 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

*WATER SYSTEM HIGHLIGHTS-continued*

- Fiscal year 2014 was the first full 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."

Moody's Investors Service maintained the Water Authority's rating of **A<sub>1</sub>**. The rating is considered "upper-medium grade and the obligations are subject to low credit risk". The rating assigned to the Water Authority's 2012 revenue bonds indicated a "well managed utility with good long-term planning" and a "growing cash position".

- For fiscal year 2014, annual consumption decreased 17 million cubic feet (MCF) from 487 MCF to 470 MCF; a reduction of approximately 3.3%. This is the first time since fiscal year 2010 that consumption has decreased by more than ten million cubic feet. For fiscal years 2013 & 2012 consumption was down each fiscal year less than 1%. The service areas comprising approximately 75% of the annual consumption consist of: the City of Utica, 238 MCF or 51%; the Town of New Hartford, 66 MCF or 14%; and the Town of Marcy, 48 MCF or 10%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

***WATER SYSTEM HIGHLIGHTS--continued***

- Overall operating revenue was under budget by \$320,000 or 1.5%. Specifically, water sales dipped by \$568,000 to \$19.3 million. The decrease in water sales is due to the decrease in overall consumption. This substantial decrease in consumption was partially mitigated by an increase in the water rates of 1.9%.
- Delinquency charges exceeded budget by \$47,000 or 6.1% primarily due to late penalties charged on delinquent account balances. Fees and ancillary charges were higher than budget by \$175,000 due to additional revenue on backflow and fire line charges. Other Services exceeded budget by \$24,000 due to more revenue realized from power production at the Water Authority's two hydro-electric facilities.
- Continued pressure from the decrease in consumption while increases in debt service costs to fund on-going capital maintenance and improvements to the water system resulted in an increase in water rates for fiscal year 2014. Operating expenses increased \$590,000 compared to the prior year. Non-operating revenues & expenses decreased \$199,000 primarily to a decrease in interest expense on outstanding debt, PILOT payments and a slight decrease in post-employment health benefits.

Operating costs were under budget \$1.8 million after removing depreciation and amortization costs. There were operating differences in the maintenance and engineering departments related to budgeted positions that were not filled during fiscal year 2014.

- Accounting rules require bond closing costs to be expensed when incurred rather than capitalized and amortized as an asset. In fiscal year 2013, included in operating costs are bond closing costs of \$357,000 related to the 2012 revenue bonds. No bonds were issued in fiscal year 2014.

***FINANCIAL STATEMENTS FOR FISCAL YEAR 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).

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MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

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*FINANCIAL STATEMENTS FOR FISCAL YEAR 2014—continued*

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

**Combined Statements of Net Position**

As of March 31, 2014, the Water Authority's net position increased to nearly \$38.0 million as compared to \$35.3 million for the fiscal year ended 2013. Just as in fiscal years past, the majority of the balance is invested in utility plant, net of related debt at \$25.6 million and \$21.7 million as of fiscal years 2014 and 2013, respectively. In addition, \$663,000 is restricted for the repair and improvement of the water infrastructure as stipulated under the original General Bond Resolution. Also, \$3.5 million is legally restricted for debt service. The remaining balance of \$8.2 million is considered unrestricted. However, the board of directors has set-aside \$783,000 to meet future debt service requirements; \$929,000 for repairs, replacement and renewal of system assets; \$630,000 for operation and maintenance of water system assets; \$2.3 million for capital maintenance; and \$148,000 to fund specific board projects.

During fiscal year 2014, management discovered an understatement in the quantity and value of parts inventory at March 31, 2013. As a result, the Combined Statement of Net Position and Combined Statement of Revenue, Expenses and Changes in Net Position for March 31, 2013 were restated. The effect was a \$161,583 increase in the value of inventory on the Combined Statement of Net Position and a decrease in operating expenses on the Statement of Revenues, Expenses and Changes in Net position for the same amount.

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

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

*Combined Statements of Net Position--continued*

<b>COMBINED STATEMENTS OF NET POSITION</b>			
	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
<b>Assets</b>		(restated)	(restated)
Utility Plant, Net	\$ 81,664,500	\$ 78,453,037	\$ 75,324,815
Restricted Assets	18,700,724	20,955,135	13,969,864
Current Assets	10,848,546	11,923,103	11,676,019
Total Assets	<u>111,213,770</u>	<u>111,331,275</u>	<u>100,970,698</u>
Deferred Outflows of Resources	2,197,054	2,413,144	2,340,767
	<u>\$ 113,410,824</u>	<u>\$ 113,744,419</u>	<u>\$ 103,311,465</u>
<b>Liabilities</b>			
Long-Term Obligations, Less Current Installments	65,457,233	68,508,257	62,368,274
Current Liabilities	6,772,327	7,031,948	5,988,698
Other Liabilities	2,819,876	2,513,421	2,183,213
Total Liabilities	<u>75,049,436</u>	<u>78,053,626</u>	<u>70,540,185</u>
Deferred Inflows of Resources	377,882	389,417	98,967
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	25,595,974	21,674,806	19,704,594
Restricted Debt Service and Repair & Improvements	4,124,783	3,982,611	3,235,307
Unrestricted	8,262,749	9,643,959	9,732,412
Total Net Position	<u>37,983,506</u>	<u>35,301,376</u>	<u>32,672,313</u>
	<u>\$ 113,410,824</u>	<u>\$ 113,744,419</u>	<u>\$ 103,311,465</u>

**Assets**

- Fiscal year 2014 total assets had a slight decrease of \$118,000 compared to fiscal year 2013. There was a decrease of approximately \$900,000 in cash offset by the use of bonded funds to construct infrastructure recorded in utility plant. 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.
- Comparing fiscal year 2013 to the previous fiscal year, total assets increased by \$10.3 million. This is the result of proceeds received from the issuance of 2012 serial bonds.
- Deferred outflows of resources consist of deferred amounts from bond refundings, discounts on revenue bonds and unamortized bond costs, primarily bond insurance premiums.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

*Combined Statements of Net Position--continued*

Assets--continued

- Utility plant consists of land, equipment, treatment and storage facilities and distribution lines. This utility plant is recorded at cost less related accumulated depreciation. In addition, there are numerous capital projects making up the balance of construction work-in-progress. As of March 31, 2014 and 2013, utility plant is \$81.7 million and \$78.5 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 March 31, 2014 and 2013, restricted assets are \$18.7 million and \$21.0 million, respectively. The decrease for fiscal year 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 March 31, 2014, the AMI project is approximately 20% complete.
- Current assets represent operating, restricted and board-designated cash, receivables, inventory, and prepaid expenses. Current assets were approximately \$10.9 and \$11.9 million as of March 31 2014 and 2013, respectively. Cash represents the largest decrease in current asset of \$900,000 at \$8.2 million. The majority of the operating cash decrease was related to paying down suppliers. Water receivables, net, remained about the same at \$1.9 million. Inventory decreased by \$36,400 to \$615,000 as products purchased in prior years at bulk rates were placed in service during the current fiscal year.
- Deferred outflow of resources consists of deferred amounts from bond refundings of \$865,051; bond discounts of \$1,149,877 and unamortized bond insurance premiums of \$182,116. These amounts are amortized over the life of their respective bonds.

**MOHAWK VALLEY WATER AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**

*Combined Statements of Net Position-continued*

<b>UTILITY PLANT ASSETS</b>			
	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
		(restated)	(restated)
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000
Water Transmission and Storage	30,673,709	30,673,709	17,406,474
Water Treatment Facilities	22,253,180	21,921,748	21,914,748
Distribution	32,058,976	31,118,488	31,118,488
Office & Lab Equipment	2,310,132	2,221,034	2,151,869
Vehicles & Maintenance Equipment	2,830,091	2,516,783	2,305,297
	<u>91,176,088</u>	<u>89,501,762</u>	<u>75,946,876</u>
Less: Accumulated Depreciation	(20,344,642)	(18,304,428)	(16,620,891)
	<u>70,831,446</u>	<u>71,197,334</u>	<u>59,325,985</u>
Construction Work-in-Process	9,851,248	6,273,897	15,017,024
Land	981,806	981,806	981,806
Net Utility Plant	<u>\$ 81,664,500</u>	<u>\$ 78,453,037</u>	<u>\$ 75,324,815</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.

- Meter station upgrades at the Yorkville pump station in the amount of \$43,593;
- Water main replacements at the following locations:

<u>Location</u>	<u>Size and Length of Water Mains</u>	<u>Amount</u>
➤ Andres Ave., Utica	612 Linear feet of 8 Inch Mains	\$100,217
➤ Faas Ave., Utica	641 Linear feet of 8 Inch Mains	\$84,671
➤ Kernan Ave., Utica	525 Linear feet of 8 Inch Mains	\$66,674
➤ Winner Ave., Utica	547 Linear feet of 8 Inch Mains	\$50,981
➤ Mathews Ave., Utica	75 Linear feet of 3/4 Inch Mains	\$16,868

**MANAGEMENT’S DISCUSSION AND ANALYSIS-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 \$4.4 million;
- Advanced Meter Infrastructure to identify unusual consumption trends, and provide an increased response time to customers, among other features. Current cost is \$2.2 million;
- Piping was installed under the Erie Canal at a cost of \$999,000 through the use of a directional-drilling process;
- Upgrade and additions to the existing SCADA system used to monitor water flows and key infrastructure performance throughout the system at a current cost of \$164,000;
- Installation of a piping system and storage tank at the Oriskany Airport Park with current costs of \$463,000;
- Kemble Street Maintenance facility upgrades at a current cost of \$309,000;
- Roof replacements at Oneida Street and Hinman Road pump stations at a current cost of \$169,000.

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 1.60 and 1.67 as of March 31, 2014 and 2013, 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.

<b>Ratio of Current Assets to Current Liabilities</b>			
	<b>FY 2014</b>	<b>FY 2013</b> (restated)	<b>FY 2012</b> (restated)
Current Assets	\$ 10,848,546	\$ 11,923,103	\$ 11,676,019
Current Liabilities	\$ 6,772,327	\$ 7,031,948	\$ 5,988,698
Current Ratio	<u>1.60</u>	<u>1.70</u>	<u>1.95</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED***Combined Statements of Net Position-continued***Liabilities-continued**

- Long-term obligations consist primarily of water revenue bonds acquired to finance the water system's multi-year capital improvement plan. During fiscal year 2013, the Water Authority issued \$15.6 million bonds to finance future capital projects and to refinance \$6.8 million of the existing 2003 revenue bonds. As a general rule, the Board of the Water Authority bundles capital projects together for financing through the Upper Mohawk Valley Regional Water Finance Authority every two-to-three years in order to keep financing costs and other related expenses to a minimum. In addition to revenue bonds, long-term obligations also contain a promissory note payable to the City of Utica, a component of the original purchase of the water system in 1996.
- Other Liabilities consist of the actuarially-determined amount owed to retirees for post-employment health benefits. This liability is affected by amounts paid for retiree health insurance premiums and any funds set-aside to offset future obligations. To date, the Water Authority has not set aside any assets to fund future liabilities. See the Note on Post-Employment Benefits Other Than Pensions in the Notes to the Combined Financial Statements.
- Deferred Inflows of Resources represent bond premiums paid on various revenue bonds issued to finance capital projects. A bond premium of \$287,732 is currently carried as part of the 2012 revenue bonds in August 2012.

**Water Revenue Bonds**

As of March 31, 2014, the Water Authority has seven water revenue bond series outstanding totaling \$62.3 million. The Series 1996B bonds, 2001A bonds and the 2001B bonds were all funded through the New York State Drinking Water Revolving Fund administered by the Environmental Facilities Corporation (EFC), a public benefit corporation of the State of New York. The 1996B bonds were paid in full during fiscal year 2013. The 2001A Series bonds are the result of an advanced refunding of the original 1996A Series bonds used to purchase the water system from the City of Utica. In fiscal 2007, the Water Authority issued \$20,335,000 of revenue bonds to fund several large capital projects and to partially advance refund portions of the 1999 and 2000 series bonds. The remaining portions of the 1999 series bonds were paid in full during fiscal 2012. During fiscal year 2013, \$15.6 million in 2012 series bonds were issued in part to fund on-going capital projects and to advance refund \$6.8 million of existing 2003 series revenue bonds. No bonds were issued during fiscal year 2014.

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

**MOHAWK VALLEY WATER AUTHORITY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED**

*Combined Statements of Net Position-continued*

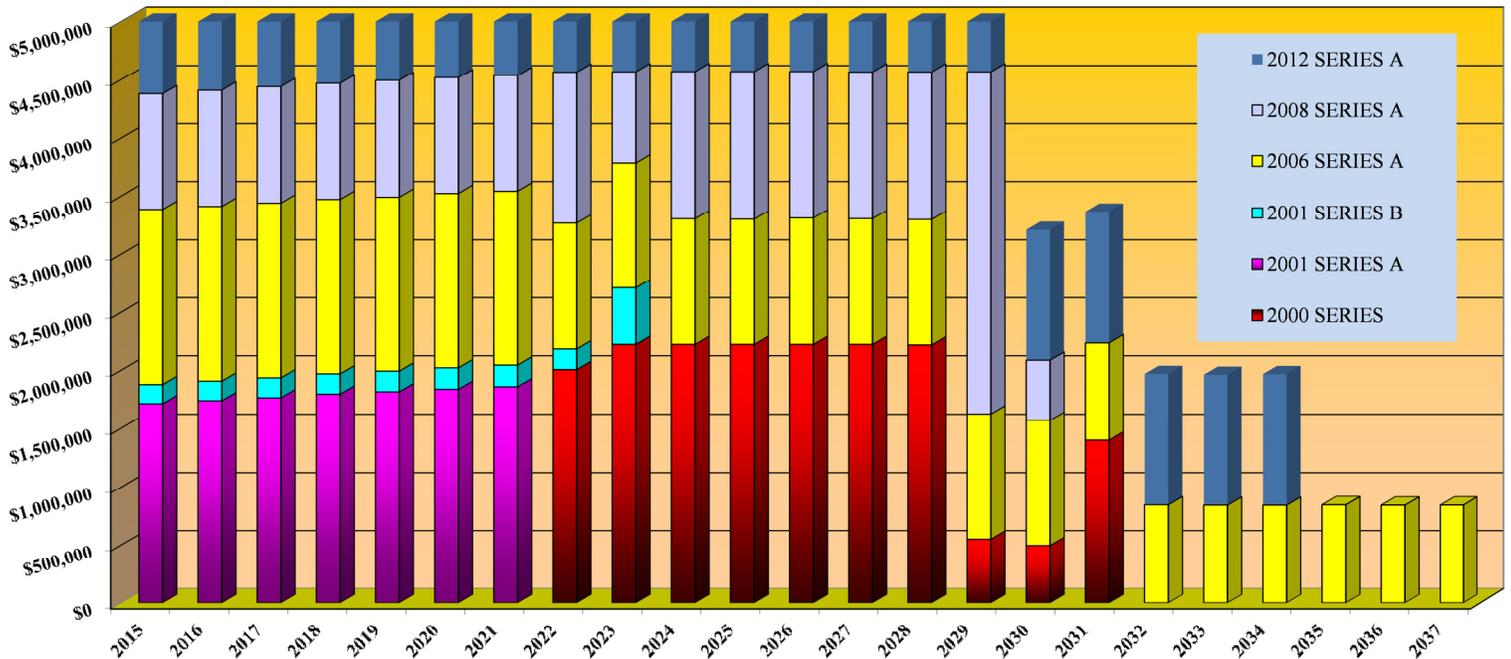
Water revenue bond series outstanding as of March 31, 2014, 2013 and 2012 follows:

Water Revenue Serial Bonds		Principal Outstanding Balance March 31, 2014		Principal Outstanding Balance March 31, 2013		Principal Outstanding Balance March 31, 2012
1996B	\$	0	\$	0	\$	160,000
2000		4,513,720		4,513,720		4,788,720
2001A		11,435,000		12,860,000		14,240,000
2001B		1,665,000		1,790,000		1,915,000
2003		0		200,000		7,000,000
2006A		17,620,000		18,345,000		18,765,000
2008A		11,470,000		11,760,000		11,880,000
2012		15,635,000		15,635,000		0
<b>Total</b>	<b>\$</b>	<b><u>62,338,720</u></b>	<b>\$</b>	<b><u>65,103,720</u></b>	<b>\$</b>	<b><u>58,748,720</u></b>

Additional information on the Water Authority’s long-term debt can be found in Note 8 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***Combined Statement of Net Position-continued***Net Position**

The Water Authority's net position as of March 31, 2014 and 2013 was \$38.0 million and \$35.3 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 \$25.6 million, and \$21.7 million as of March 31, 2014 and 2013, respectively. The unspent debt proceeds offsetting invested in utility plant, net of related debt consist of construction fund amounts of \$4.7 million and bond reserve funds of \$5.8 million as of March 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 March 31, 2014 and 2013, amounts restricted for debt service was \$3.5 million and \$3.3 million, respectively. Also, \$663,000 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 \$8.3 million in unrestricted as of March 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 March 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.
  - \$929,000 for the Repair, Renewal and Replacement of utility assets and \$630,000 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.

**MOHAWK VALLEY WATER AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**

**Changes in Revenue, Expenses, and in Net Position**

In fiscal year 2014, operating revenues decreased by \$99,620 from the prior year. Operating expenses incurred for the purpose of producing revenue increased by \$590,000 from the prior year. Net operating income shows the relationship between revenue earned and expenses incurred was \$6.1 million for fiscal year 2014, also down \$689,000 from the prior year. Non-operating expenses, which are considered not directly related to operating income, decreased \$200,000 from the prior year due primarily to interest expense that decreased \$220,000 resulting from savings realized from refinanced bond completed in prior years. 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. The Water Authority's net position increased \$2.7 million for fiscal year 2014.

<b>SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>			
	<b>FY 2014</b>	<b>FY 2013</b> (restated)	<b>FY 2012</b> (restated)
Operating Revenues	\$ 20,920,928	\$ 21,020,548	\$ 20,429,500
Operating Expenses	<u>14,791,748</u>	<u>14,202,188</u>	<u>13,631,611</u>
Net Operating Revenue	6,129,180	6,818,360	6,797,889
Non-operating Revenues (Expenses):			
Investment Income	218,251	221,579	225,341
Interest Expense	(2,494,143)	(2,714,726)	(2,518,531)
PILOT Payments	(1,514,359)	(1,556,746)	(1,445,725)
Other	<u>(199,274)</u>	<u>(139,404)</u>	<u>(86,056)</u>
Total Non-operating Expenses	<u>(3,989,525)</u>	<u>(4,189,297)</u>	<u>(3,824,971)</u>
Income before Capital Contribution	2,139,655	2,629,063	2,972,918
Capital Contribution	542,475	0	0
Increase in Net Position	2,682,130	2,629,063	2,972,918
Net Position			
Net Position, Beginning of Year	35,301,376	32,672,313	31,631,066
Cumulative Effect of Changes in Accounting Principles	0	0	(837,350)
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>(1,094,321)</u>
Net Position, Beginning of Year, Restated	<u>35,301,376</u>	<u>32,672,313</u>	<u>29,699,395</u>
Net Position, End of Year	\$ <u>37,983,506</u>	\$ <u>35,301,376</u>	\$ <u>32,672,313</u>

**MOHAWK VALLEY WATER AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**

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

***Water Rates***

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

<b>RATE HISTORY</b>							
Fiscal Year	Rate Increase		Fiscal Year	Rate Increase		Fiscal Year	Rate Increase
1999	0.00%		2004	9.50%		2009	7.10%
2000	8.00%		2005	5.00%		2010	5.60%
2001	5.00%		2006	8.74%		2011	7.90%
2002	5.40%		2007	13.50%		2012	2.00%
2003	6.00%		2008	8.30%		2013	2.00%
						2014	1.90%

***Water Sales, Consumption and Production***

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

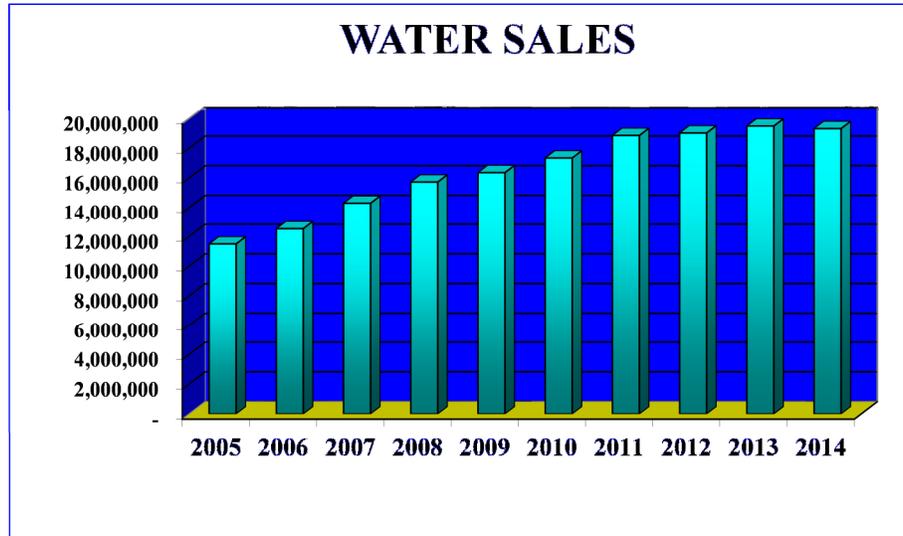
<b>OPERATING REVENUES</b>			
	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
		(restated)	(restated)
Water Sales:			
Quarterly Customers	\$ 14,571,855	\$ 14,804,693	\$ 14,170,697
Monthly Customers	4,745,913	4,685,476	4,852,581
Other Operating Revenue	1,603,160	1,530,379	1,406,222
Total Operating Revenues	<u>\$ 20,920,928</u>	<u>\$ 21,020,548</u>	<u>\$ 20,429,500</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

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

Water Sales, Consumption and Production-continued

For fiscal year 2014, water sales decreased by \$172,000 or (0.9%) to \$19.3 million. This is due in part to a greater decrease consumption compared to the prior year – while an increase in water rates mitigated the loss in revenue. As compared to the prior year, Water consumption decreased 17 million cubic feet (MCF) to 470 million cubic feet. This is



an average of 1.3 MCF or 10.0 MG consumed per day. This decrease is partially attributed to closer to normalized climate in fiscal year 2014 as compared to the prior year when higher temperatures and dryer conditions were experienced throughout the service area.

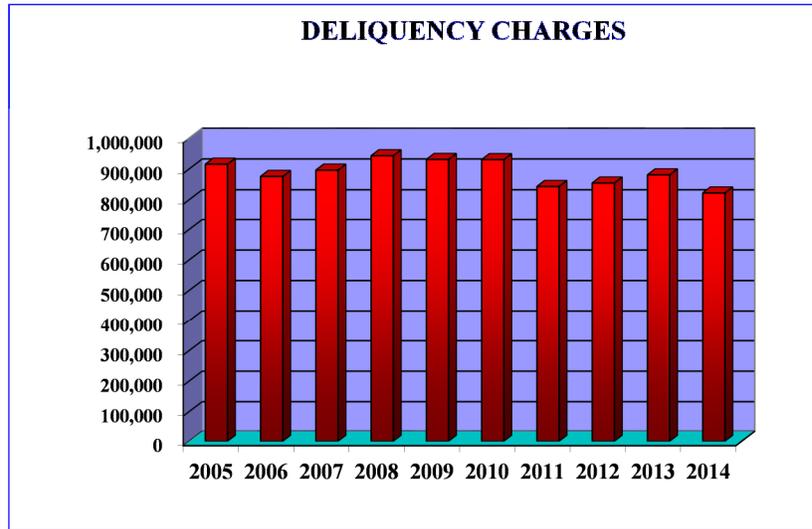
Water production at the treatment plant increased during fiscal year 2014 by 6.6 MCF (50 million gallons) to a high level of 985 million cubic feet (7.4 billion gallons). Significantly higher water production during December through March was due to the higher than normal amount of water main breaks caused by the change in temperatures. In addition, the change-out of granulated active carbon in the three contact beds at the treatment plant required additional use of water circulating through the plant.

MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED

Changes in Revenue, Expenses, and Net Position-continued

*Delinquency Charges*

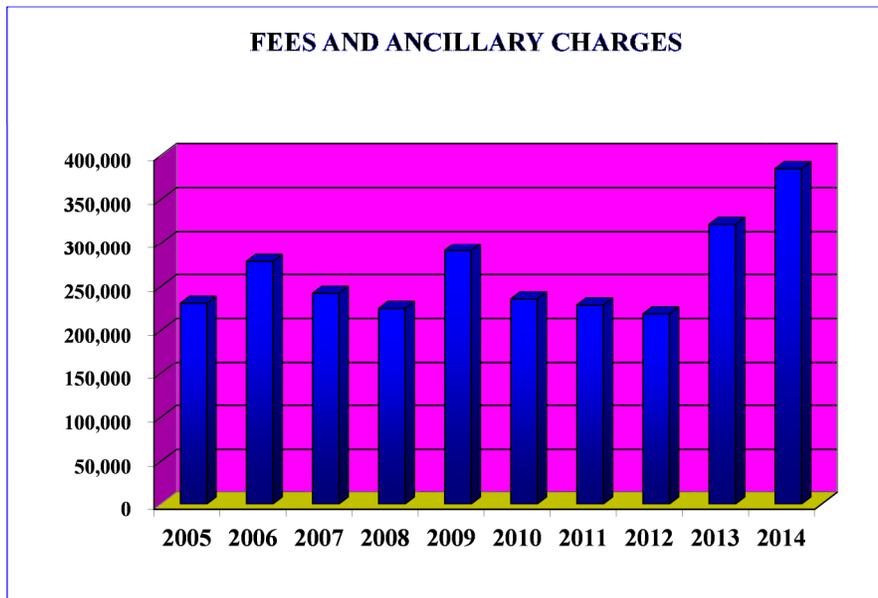
Operating revenue is supplemented by charges on delinquent accounts, ancillary fees and other service charges. Of these amounts, delinquency charges account for over 52% of the total. Penalties, tampering fees and shut-off/turn-on fees were in line with the previous year. Enforcement of delinquent accounts has continued into the current fiscal year. Accounts that are grossly overdue or a high dollar value



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

*Ancillary Fees*

Ancillary-type fees were higher in fiscal year 2014 by \$63,000 primarily because of significant increases in fire-line and back flow charges. Compared to budget, these fees were up 84% also in the two areas of fire-line and backflow charges. Hydrant permit fees, water rent searches and replacement of curb boxes also saw healthy increases compared to budget. Reductions in service terminations and line taps offset some of these increases.



**MANAGEMENT’S DISCUSSION AND ANALYSIS-CONTINUED**

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

***Operating Expenses***

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

Before amortization and depreciation, operating expenses increased \$296,000 to \$12.6 million from the prior year. Depreciation and amortization increased to \$2.2 million as fixed assets were brought into service.

<b>OPERATING EXPENSES</b>			
	<b>FY 2014</b>	<b>FY 2013</b> (restated)	<b>FY 2012</b> (restated)
Operating Expenses	\$ 12,620,713	\$ 12,324,596	\$ 11,828,955
Depreciation and Amortization	<u>2,171,035</u>	<u>1,877,592</u>	<u>1,802,656</u>
Total Operating Expenses	\$ <u>14,791,748</u>	\$ <u>14,202,188</u>	\$ <u>13,631,611</u>

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

- The majority of the Water Authority’s employees are members of one of two unions, with the exception of a few non-represented employees. The International Brotherhood of Teamsters, Local Union 182, represents the office staff, operations staff, field labor staff, and foremen. The Management Employees Association represents the remainder of the represented employees. The agreement with the Management Employees Association expires as of March 31, 2016. The agreement with the International Brotherhood of Teamsters, Local Union 182 expired as of March 31, 2013. Presently there are no discussions with the International Brotherhood of Teamsters and a state of impasse has been declared in the negotiation process.
- Payroll expenses are down \$274,000 during the fiscal year at \$3.9 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

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

*Operating Expenses-continued*

- Health insurance, retirement benefits and social security are major portions of employee benefits. Active employee health insurance increased by \$64,000 in fiscal year 2014 due to the restructuring of the employees' health insurance program to include a health insurance reimbursement program. Retirees' health insurance costs increased \$40,000 compared to the prior fiscal year partly due to the number of retirees. In addition, state-mandated retirement costs increased 12% to \$1.0 million, a significant benefit afforded Water Authority employees.
- Litigation expenses decreased by \$156,000 in fiscal year 2014 in large part to the settlement of the lawsuit between the Water Authority and New York State over management and water rights of the Hinckley Reservoir. On February 1, 2013, an agreement and new operating protocol was agreed to 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 fiscal year 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.
- Paving costs increased by \$99,000 compared to the prior year caused by the resurfacing of road cuts from water breaks in the previous year.
- Meters expense increased by \$54,000 in fiscal year 2014 as more meters are being upgraded for the Advanced Metering Infrastructure (AMI) capital project.
- Utilities for all operation went up \$92,000 as the Northeast is experiencing increases in energy costs.
- Contracted services at the Treatment Plant were above budget by \$68,000 due to sludge removal of residual amounts accumulated from previous years.

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**

***Non-operating Revenues and Expenses***

Non-operating revenues expenses are budgeted annually and tracked by category. The following table summarizes non-operating expenses incurred in fiscal years 2014, 2013 and 2012:

<b>NON-OPERATING REVENUES AND EXPENSES</b>			
	<b>FY 2014</b>	<b>FY 2013</b> (restated)	<b>FY 2012</b> (restated)
Investment Income	\$ 218,251	\$ 221,579	\$ 225,341
Interest Expense	(2,494,143)	(2,714,726)	(2,518,531)
PILOT Payments	(1,514,359)	(1,556,746)	(1,445,725)
Realized Gains/Loss on Investments	(75,742)	(17,817)	292,476
Other	<u>(123,532)</u>	<u>(121,587)</u>	<u>(378,532)</u>
Total Non-operating Expenses	\$ <u>(3,989,525)</u>	\$ <u>(4,189,297)</u>	\$ <u>(3,824,971)</u>

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

- Investment income from operating accounts and trust fund proceeds experienced a slight decrease in earnings of \$3,300 as market yields continued to go lower.
- 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 to fiscal year 2012 as interest expense increased in \$196,000 primarily due to the new 2012 revenue bonds that closed in August 2012.
- 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 in fiscal year 2014 was slightly lower by \$42,000 due to 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. In fiscal year 2014, a net loss of \$76,000 was realized compared to a loss of \$18,000 in the previous year and a \$292,500 net gain in the fiscal year 2012. Early redemptions and sale of investments during the prior year account for the large gain in the fiscal year 2012.
- Other net expenses were about the same as prior year as actuarially determined post-retirement health cost has stabilized.

**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**

**Cash Flows**

The following table summarizes the sources and uses of cash during fiscal years 2014, 2013 and 2012:

<b>SUMMARY OF CASH FLOW ACTIVITIES</b>			
	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
		(restated)	(restated)
<b>Cash Flows From:</b>			
Operating Activities	\$ 7,964,191	\$ 9,090,594	\$ 7,795,600
Non-Capital Financing Activities	(1,201,782)	(1,698,625)	(1,362,923)
Investing Activities	2,401,396	(6,786,365)	2,290,399
Capital & Related Financing Activities	<u>(10,070,428)</u>	<u>(592,660)</u>	<u>(7,730,721)</u>
Net Increase in Cash	(906,623)	12,944	992,355
Cash, Beginning of Year	<u>9,135,488</u>	<u>9,122,544</u>	<u>8,130,189</u>
Cash, End of Year	\$ <u>8,228,865</u>	\$ <u>9,135,488</u>	\$ <u>9,122,544</u>

The Authority's available cash decreased in fiscal year 2014 to \$8.2 million.

Cash-flow generated from operating activities decreased due to reductions in other receipts and increases in cash payments to suppliers. Collections from customers actually increased as balances from previous years were collected. Yet, overall cash from operations decreased due to timing of payments to suppliers at the end of the fiscal year. Also, payments to employees decreased slightly.

Cash used for non-capital financing activities, consisting primarily of PILOT payments to other municipalities, decreased slightly during the fiscal year. All payments to towns and schools decreased in accordance to the enacting legislation; however, the decrease in cash was similar on a year-to-year basis due to a prepayment of PILOT payments in fiscal year 2013.

Cash used for investing activities consists of amounts from the purchase, sale and interest on investments. In fiscal year 2013, 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 in fiscal year 2014 experienced a large change from the prior fiscal year as proceeds from the series 2012 bond were expended for capital projects.

The \$8.2 million cash at year-end consists of \$5.8 million available from unrestricted operations; \$1.5 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

**OUTLOOK FOR FISCAL 2015**

**Infrastructure**

Completion of capital projects, enhancing current technology and increasing customer payment options are some of the goals established for fiscal year 2015. 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.

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 and Agreement**

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

**OUTLOOK FOR FISCAL 2014-continued**

**Four Town Permit**

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.

**Financial Operations**

Fiscal year 2015 budget includes a 2.9% water rate increase as compared to a 1.9% and 2.0% increase in fiscal years 2014 and 2013, respectively. For fiscal year 2014, water consumption decreased by 16 million cubic feet. As a result, the Water Authority has planned for a mild drop in consumption during fiscal year 2015 resulting in an expected decrease in water sales of 2.1%. A slight increase in other revenue (fire line charges and backflow charges) is projected in the budget. Operating expenses are budgeted to increase slightly by \$45,000 or 0.32% when compared to fiscal year 2014. 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.

The use of granulated activated carbon (GAC) as part of the filtration process has been incorporated into the budget. The amount budgeted for fiscal 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 experience reasonable increases;
- 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

**OUTLOOK FOR FISCAL 2015**-continued

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

1. decrease in water sales of 2.1% to a projected \$19.2 million resulting from a loss of water consumption;
2. fees and ancillary charges increase \$172,000;
3. interest earned from investments remain consistent at \$328,000;
4. use of \$795,000 of surpluses accumulated from prior years to balance the budget;
5. salaries and wages increases of \$64,000;
6. legal fees budgeted at the same level of \$110,000 to reflect the conclusion of the litigation and negotiation with the Teamster's bargaining unit;
7. paving cost increased by \$28,000 to \$505,000;
8. retirement costs increases by \$61,000 to annual payment of \$1,005,000;
9. health insurance premiums expected to increase 5.7% to \$1.5 million;
10. worker compensation premiums increasing by \$82,000
11. chemical costs at the treatment plant decreasing \$95,000;
12. debt service will decrease approximately \$180,000 a result of past refinancing on current bond issues;
13. PILOT payments to other governments reduced \$42,000;
14. capital maintenance reserve funding in the amount of \$405,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS-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 **A<sub>1</sub>**. The **A<sub>1</sub>** 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](http://www.mvwa.us).

AUDITED FINANCIAL STATEMENTS

**COMBINED STATEMENTS OF NET POSITION**

March 31, 2014 and 2013

	<b>ASSETS</b>	
	<b>2014</b>	(Restated) <b>2013</b>
<b>UTILITY PLANT, AT COST</b>		
Water Rights & Other Intangible Assets	\$ 1,050,000	\$ 1,050,000
Water Transmission and Storage	30,673,709	30,673,709
Treatment	22,253,180	21,921,748
Distribution	32,058,976	31,118,488
Office & Lab Equipment	2,310,132	2,221,034
Vehicles & Maintenance Equipment	2,830,091	2,516,783
	<u>91,176,088</u>	<u>89,501,762</u>
Accumulated Depreciation	(20,344,642)	(18,304,428)
	70,831,446	71,197,334
Construction Work in Process	9,851,248	6,273,897
Land	981,806	981,806
Net Utility Plant, at Cost	<u>81,664,500</u>	<u>78,453,037</u>
<b>RESTRICTED ASSETS</b>		
Serial Bond Funds	13,901,320	16,502,834
PILOT Payment Fund	125,217	0
Repair and Improvement Fund	4,504,216	4,282,357
Promissory Note Fund	169,971	169,944
Net Restricted Funds	<u>18,700,724</u>	<u>20,955,135</u>
<b>CURRENT ASSETS</b>		
Cash:		
Unrestricted/ Undesignated	5,834,547	6,941,400
Board Designated Funds:		
Debt Covenant Reserve	783,271	766,869
Proceeds From Timber Sales	147,638	147,638
Sewer Charges Collected	1,463,409	1,279,582
Billed Water Receivables, Net of Allowance of \$377,351 in 2014 and \$371,378 in 2013	1,874,471	1,868,874
Grants Receivable	0	13,800
Lab Fees Receivable	3,287	15,528
Interest Receivable	34,280	38,756
Miscellaneous Receivables	12,197	8,136
Materials Inventory	615,889	652,299
Prepaid Expenses	79,557	190,221
Total Current Assets	<u>10,848,546</u>	<u>11,923,103</u>
<b>TOTAL ASSETS</b>	<u>111,213,770</u>	<u>111,331,275</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,197,054</u>	<u>2,413,144</u>
	<u>\$ 113,410,824</u>	<u>\$ 113,744,419</u>

See notes to combined financial statements.

## MOHAWK VALLEY WATER AUTHORITY

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### LIABILITIES AND NET ASSETS

	<b>2014</b>	(Restated) <b>2013</b>
LONG-TERM OBLIGATIONS, LESS CURRENT INSTALLMENTS	<u>\$ 65,457,233</u>	<u>\$ 68,508,257</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	251,158	753,448
Construction Contracts (Includes retainages of \$206,647 in 2014 and \$112,153 in 2013)	206,647	291,299
Accrued Liabilities	253,273	206,439
Lease Payable	22,634	17,685
Accrued Interest	1,228,161	1,328,621
Compensated Absences	268,000	268,000
Sewer Service Collections Due to Municipalities	1,463,409	1,279,582
Current Portion of Promissory Note	129,045	121,874
Current Portion of Revenue Bonds Payable	<u>2,950,000</u>	<u>2,765,000</u>
Total Current Liabilities	<u>6,772,327</u>	<u>7,031,948</u>
<b>OTHER LIABILITIES</b>		
Postemployment Benefits Other Than Pension	<u>2,819,876</u>	<u>2,513,421</u>
<b>TOTAL LIABILITIES</b>	<u>75,049,436</u>	<u>78,053,626</u>
DEFERRED INFLOWS OF RESOURCES	<u>377,882</u>	<u>389,417</u>
<b>NET POSITION</b>		
Invested In Capital Assets, Net of Related Debt	25,595,974	21,674,806
Restricted For:		
Repair and Improvement	662,829	659,763
Debt Service	3,461,954	3,322,848
Unrestricted	<u>8,262,749</u>	<u>9,643,959</u>
Total Net Position	<u>37,983,506</u>	<u>35,301,376</u>
	<u>\$ 113,410,824</u>	<u>\$ 113,744,419</u>

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See notes to combined financial statements.

**MOHAWK VALLEY WATER AUTHORITY**

**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Years Ended March 31, 2014 and 2013

	2014	(Restated) 2013
<b>OPERATING REVENUE</b>		
Metered Water Sales	\$ 19,317,768	\$ 19,490,169
Delinquency Charges	822,682	881,430
Fees and Ancillary Charges	385,245	322,044
Other Services	395,233	326,905
Total Operating Revenue	20,920,928	21,020,548
<b>OPERATING EXPENSES</b>		
Administrative	627,238	802,224
Finance & Accounting	1,079,131	1,010,453
Customer Service	381,086	393,419
Engineering	579,381	518,226
Water Distribution	319,019	265,624
Information Technology	683,212	664,554
Water Quality Maintenance	759,464	730,000
Treatment	2,721,736	2,575,892
System Repair & Maintenance	3,727,603	3,434,359
General Services	1,742,843	1,929,845
Amortization of Bond Expenses	204,555	208,494
Depreciation	1,966,480	1,669,098
Total Operating Expenses	14,791,748	14,202,188
<b>NET OPERATING REVENUE</b>	6,129,180	6,818,360
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Investment Income	218,251	221,579
Interest Expense	(2,494,143)	(2,714,726)
PILOT Payments	(1,514,359)	(1,556,746)
Independent Lab Services, Net	68,223	81,956
Realized Gain/ (Loss) on Investments	(75,742)	(17,817)
Post Employment Health Benefits	(306,455)	(330,208)
Other Income, Net	92,888	126,665
Timber Harvest Sales	21,812	0
Total Nonoperating Expense	(3,989,525)	(4,189,297)
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	2,139,655	2,629,063
<b>CAPITAL CONTRIBUTIONS</b>	542,475	0
Increase in Net Position	2,682,130	2,629,063
<b>NET POSITION</b>		
Net Position, Beginning of Year, Restated	35,301,376	32,672,313
Net Position, End of Year	\$ 37,983,506	\$ 35,301,376

See notes to combined financial statements.

**MOHAWK VALLEY WATER AUTHORITY**

**COMBINED STATEMENTS OF CASH FLOWS**

Years Ended March 31, 2014 and 2013

	<b>2014</b>	(restated) <b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 21,219,400	\$ 20,800,008
Payments to Suppliers	(9,277,616)	(8,424,543)
Payments to Employees	(4,552,255)	(4,683,613)
Other Receipts	<u>574,662</u>	<u>1,398,742</u>
Net Cash Provided By Operating Activities	7,964,191	9,090,594
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payments to Other Governments	<u>(1,201,782)</u>	<u>(1,698,625)</u>
Net Cash Used In Noncapital Financing Activities	(1,201,782)	(1,698,625)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received From Investments	222,727	216,723
Purchase of Investments	(75,742)	(10,296,536)
Proceeds from Sale of Investments and Maturities of Investment Securities	<u>2,254,411</u>	<u>3,293,448</u>
Net Cash Provided (Used) By Investing Activities	2,401,396	(6,786,365)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(4,793,854)	(4,629,456)
Proceeds from Issuance of Revenue Bonds	0	8,825,000
Other Nonoperating Revenue and Expense, net	204,903	193,329
Principal Payments on Long-Term Bonds	(2,765,000)	(2,470,000)
Principal Payments on Promissory Note	(121,874)	(115,101)
Capital Contributions	0	
Interest Paid	<u>(2,594,603)</u>	<u>(2,396,432)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(10,070,428)</u>	<u>(592,660)</u>
Net Increase (Decrease) in Cash	(906,623)	12,944
Cash, Beginning of Year	<u>9,135,488</u>	<u>9,122,544</u>
Cash, End of Year	<u>\$ 8,228,865</u>	<u>\$ 9,135,488</u>

See notes to combined financial statements.

**MOHAWK VALLEY WATER AUTHORITY**

**COMBINED STATEMENTS OF CASH FLOWS-CONTINUED**

Years Ended March 31, 2014 and 2013

	<b>2014</b>	(restated) <b>2013</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	6,129,180	\$ 6,818,360
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	1,966,480	1,669,098
Amortization of Bond Expenses	204,555	218,073
Use of Equipment for Utility Plant Improvements	73,734	102,738
Disposition of Assets	0	(88,299)
(Increase) Decrease in Operating Assets:		
Billed Water Receivables & Other Receivables	(5,627)	(129,217)
Materials Inventory	36,411	(3,847)
Prepaid Expenses	(18,086)	47,823
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(502,260)	440,922
Accrued Liabilities	65,465	(4,599)
Compensated Absences	14,339	19,542
Net Cash Provided By Operating Activities	<u>\$ 7,964,191</u>	<u>\$ 9,090,594</u>
 <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Disposition of Assets	<u>\$ 0</u>	<u>\$ (88,299)</u>
Change in Fair Value of Investments	<u>\$ (75,742)</u>	<u>\$ (17,817)</u>
Post Employment Benefits Other than Pension	<u>\$ 306,455</u>	<u>\$ 330,208</u>

See notes to combined financial statements.

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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The regional water system includes facilities within the following jurisdictions:

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

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

Currently there are approximately 38,000 residential and 1,000 commercial customers. Total population served by the water system is estimated in the range of 120,000 to 130,000 customers. The average daily production for the current fiscal year is 20.2 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**

March 31, 2014 and 2013

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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**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**

March 31, 2014 and 2013

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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**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.

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

Implementation of this statement required restatement of the cost of capital assets regarding capitalized interest on the Combined Statements of Net Position and the Combined Statements of Revenues, Expenses and Changes in Net Position. Also, modification to the disclosure in the Summary of Significant Accounting Policies was required.

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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**Accounting Changes-continued**

Also during fiscal year 2013, the Authority implemented Governmental Accounting Standards Board Statement Number 65 – *Items Previously Reported as Assets and Liabilities*. This new statement required restatement of certain items previously reported as assets or liabilities. For the Water Authority, the items requiring restatement were limited to deferred bond issuance costs. Deferred bond issuance costs were restated to exclude all bond costs, other than premiums paid for bond insurance. This required restatement of the previously reported beginning net position to reflect the expense of certain previously deferred bond issuance costs. Also, modification to the disclosure in the Summary of Significant Accounting Policies was required.

**Budgets and Budgetary Accounting**

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

**Vacation Leave, Sick Leave, and Compensatory Absences**

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

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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**Retirement Plan**

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

**Cash and Cash Equivalents**

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

**Receivables**

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

**Inventory**

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

**Prepaid Expenses**

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Utility Plant**

Utility Plant acquired by the Water Authority with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized and recorded on the Statement of Net Position. Such assets are stated at cost including interest capitalized during construction, where applicable. Cost includes material, direct 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.

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.

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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**Investments**

Investments are stated at fair value.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain fiscal 2013 amounts have been reclassified to conform with current report classifications.

**NOTE 2 – CASH**

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

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

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 102% of the cost of the repurchase agreement.

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 2 – CASH – CONTINUED**

The Water Authority has an investment program whereby cash received into its capital trust accounts are invested in certificates of deposit or repurchase agreements in an effort to maximize earnings. In addition, other idle cash has been invested in money market accounts backed by proper collateral. During both fiscal years 2014 and 2013, interest earnings on capital investments have been in the range of .01%-5.13%.

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

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

**Cash and Cash Equivalents**

	<b>Fiscal Year 2014</b>		<b>Fiscal Year 2013</b>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand Deposits	\$ 8,289,212	8,228,865	\$ 9,014,478	\$ 9,135,488

**Investments**

	<b>Credit Rating</b>	<b>Fiscal Year 2014</b>	<b>Fiscal Year 2013</b>
Cash and Accrued Income		\$ 909,928	\$ 2,313,410
U.S. Treasury Bills		0	0
Federated U.S. Treasury Cash Reserves #632	Aaa*	5,188,484	4,241,571
Dreyfus Government Prime Cash Management	Aaa*	2,393,360	3,061,251
BNY Cash Reserves	A1*	161,207	161,179
State and Local Government Series (SLGS)		0	0
SLGS, 2.375%, due 11/15/2020	Aaa*	1,710,000	1,710,000
SLGS, 2.07%, due 05/15/2022	Aaa*	287,700	287,700
Certificates of Deposit		6,999,164	8,129,143
Master Repurchase Agreements	Aaa*	1,050,881	1,050,881
<b>Total Investments</b>		<u>\$ 18,700,724</u>	<u>\$ 20,955,135</u>

\*-Moody's Investors Service

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 2 – CASH – CONTINUED**

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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 88% and 105% at March 31, 2014 and March 31, 2013, respectively. A \$3 million dollar interbank transfer was made on March 31, 2014 causing a temporarily reduced amount of collateralization. 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**

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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 8 under "bond covenants" for a listing of the more significant covenants).

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 3 – RESTRICTED ASSETS-CONTINUED**

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

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

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

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

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 3 – RESTRICTED ASSETS-CONTINUED**

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**Repair and Improvement Fund**

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

**Promissory Note Fund**

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

**Bond Redemption Fund**

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

**Construction Fund**

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

**Special Operating/Capitalized Interest Fund**

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

**Cost of Issuance Fund**

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

**Trust Fund Investments**

The composition and estimated fair values for each fund's financial instruments as of March 31, 2014 and 2013 (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.

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**MOHAWK VALLEY WATER AUTHORITY**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 3 – RESTRICTED ASSETS – CONTINUED**

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	<b>2014</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>1996B Series Bonds</b>		
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
<b>1999 Series Bonds</b>		
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
<b>2000 Series Bonds</b>		
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
<b>2001A Series Bonds</b>		
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
<b>2001B Series Bonds</b>		
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**

March 31, 2014 and 2013

**NOTE 3 – RESTRICTED ASSETS – CONTINUED**

	2014	
	<u>Carrying Amount</u>	<u>Fair Value</u>
<b>2003 Series Bonds</b>		
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	<u>1,595,400</u>	<u>1,595,400</u>
<b>2006A Series Bonds</b>		
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	<u>2,284,526</u>	<u>2,289,940</u>
<b>2008A Series Bonds</b>		
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	<u>1,459,610</u>	<u>1,461,520</u>
<b>2012 Series Bonds</b>		
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	<u>4,147,256</u>	<u>4,149,412</u>
<b>R &amp; I Fund, Pilot Fund, Promissory Note</b>		
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	<u>4,815,376</u>	<u>4,799,404</u>
<b>Total Value of All Restricted Investments</b>	<u>\$ 18,703,588</u>	<u>\$ 18,700,724</u>

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**MOHAWK VALLEY WATER AUTHORITY**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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**NOTE 3 – RESTRICTED ASSETS – CONTINUED**

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	2013	
	<u>Carrying Amount</u>	<u>Fair Value</u>
<b>1996B Series Bonds</b>		
Cash Equivalents – Fed. US Treasury Cash Reserves	32,951	32,951
Certificates of Deposit	200,000	205,988
Value of 1996B Bonds	<u>232,951</u>	<u>238,939</u>
<b>1999 Series Bonds</b>		
Cash Equivalents – Fed. US Treasury Cash Reserves	13,653	13,653
Master Repurchase Investment 5.13%, 08/01/2029	263,662	263,662
Value of 1999 Series Bonds	<u>277,315</u>	<u>277,315</u>
<b>2000 Series Bonds</b>		
Cash	27,105	27,105
Cash Equivalents – Fed. US Treasury Cash Reserves	86,814	86,869
Master Repurchase Investment 5.13%, 04/01/2030	787,219	787,219
Value of 2000 Series Bonds	<u>901,138</u>	<u>901,193</u>
<b>2001A Series Bonds</b>		
Cash	160,109	160,109
Cash Equivalents – Fed. US Treasury Cash Reserves	561,880	561,880
US Treasury Notes-SLGS 2.3748% 11/15/2020	1,710,001	1,710,001
Value of 2001 A Series Bonds	<u>2,431,990</u>	<u>2,431,990</u>
<b>2001B Series Bonds</b>		
Cash	13,366	13,366
Cash Equivalents – Fed. US Treasury Cash Reserves	119,983	119,983
US Treasury Notes-SLGS 2.07% 5/15/2022	287,700	287,700
Value of 2001 B Series Bonds	<u>421,049</u>	<u>421,049</u>

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 3 – RESTRICTED ASSETS – CONTINUED**

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 4 – ACCOUNTS RECEIVABLE**

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**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, 98% of water accounts billed are eventually collected. At March 31, 2014 and 2013, an allowance for uncollectible accounts of water sales has been established in the amount of \$377,351 and \$371,378, respectively.

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 4 – ACCOUNTS RECEIVABLE – CONTINUED**

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**Lab Fees Receivable**

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

The Water Authority considers lab fees receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. No such charges were recorded for the years ended March 31, 2014 and 2013.

**Interest Receivable**

Restricted trust funds used primarily to fund capital projects, as security to bond holders and to pay down outstanding debt, have been invested in various investment programs that periodically earn interest. Investments consist primarily of certificates of deposits, state and local government securities (SLGS) and repurchase agreements. This interest accrues over time and is paid out upon request or as stipulated in the investment agreement. Interest is periodically transferred out of various trust funds to pay down on outstanding debt service. For fiscal years 2014 and 2013, accrued interest receivable on these investments was recorded in the amount of \$34,280 and \$38,756, respectively.

**Grants Receivable**

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

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

During both fiscal years 2014 and 2013, no grants were received from either Oneida or Herkimer Counties.

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 4 – ACCOUNTS RECEIVABLE – CONTINUED**

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**Miscellaneous Receivables**

The receivable balance consists primarily of hydrant permits and usage fees associated with private fire protection apparatus. In addition, fees may be owed by various towns for annual hydrant permits.

The Water Authority considers miscellaneous receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. Immaterial amounts considered uncollectible, if any, are charged to operations when that determination is made. During fiscal years 2014 and 2013, no such charges were recorded to operations.

**NOTE 5 – UTILITY PLANT AND DEPRECIATION**

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**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.

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED**

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**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 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 for the fiscal year 2014 is \$542,475.

No contributed property was received in fiscal years 2013.

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED**

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

	<b>Balance 3/31/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 3/31/2014</b>
<b>Utility Plant, not being depreciated</b>				
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
<b>Total Utility Plant, not being depreciated</b>	<b>8,305,703</b>	<b>4,290,793</b>	<b>713,442</b>	<b>11,883,054</b>
<b>Utility Plant, being depreciated</b>				
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
<b>Total Utility Plant, being depreciated</b>	<b>88,451,762</b>	<b>1,674,326</b>	<b>0</b>	<b>90,126,088</b>
<b>Less Accumulated Depreciation for:</b>				
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)
<b>Total Accumulated Depreciation</b>	<b>(18,304,428)</b>	<b>(2,040,214)</b>	<b>0</b>	<b>(20,344,642)</b>
<b>Total Utility Plant, being depreciated, net</b>	<b>70,147,334</b>	<b>(365,888)</b>	<b>0</b>	<b>69,781,446</b>
<b>Total Utility Plant, net</b>	<b>\$ 78,453,037</b>	<b>\$ 3,924,905</b>	<b>\$ 713,442</b>	<b>\$ 81,664,500</b>

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED**

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

Depreciation charged to expense at March 31, 2014 and 2013 was \$1,966,480 and \$1,669,098, respectively. Use of company-owned equipment to improve infrastructure was charged to the respective capital project.

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 6 – DEFERRED INFLOWS OF RESOURCES**

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

	<u><b>FY 2014</b></u>	<u><b>FY 2013</b></u>
Premiums on Bonds:		
2012 Series Bonds	\$ 287,733	\$ 294,831
2006 Series Bonds	68,751	71,876
2000 Series Bonds	21,398	22,710
	<u>\$ 377,882</u>	<u>\$ 389,417</u>

For fiscal year 2014 and 2013, respectively, amortization of \$11,535 and \$19,926 were charged to operations. Estimated future amortization is \$11,507 in each of the next five fiscal years.

**NOTE 7 – SEWER AND WATER SERVICE COLLECTIONS**

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

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

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

<b>Local Government</b>	<b>2014</b>	<b>2013</b>
<b>Oneida County</b>	\$ 1,239,528	\$ 1,098,570
<b>City of Utica</b>	197,556	169,798
<b>Village of Holland Patent</b>	817	1,987
<b>Town of Marcy</b>	9,529	7,563
<b>Village of Bridgewater</b>	15,979	1,663
<b>Total</b>	<b>\$ 1,463,409</b>	<b>\$ 1,279,581</b>

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 8 – LONG-TERM DEBT**

The revenue bonds and promissory note outstanding at March 31, 2014 and 2013 bear annual interest, amortize premiums or discounts and mature as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Underlying Rating</u>	<u>Year of Maturity</u>	<u>Percent Interest Rate</u>	<u>Original Issue</u>	<u>Balance at March 31,</u>	
						<u>2014</u>	<u>2013</u>
<b>REVENUE BONDS:</b>							
<b>2000 Series (Partially Advanced Refunded)</b>	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						21,398	22,682
Total Long-Term						<u>\$ 4,535,118</u>	<u>\$ 4,536,402</u>
<b>2001 Series A** (Advanced Refunding)</b>	Refunding of 1996A Bonds	Baa1	2020	3.43%-5.13%	\$26,716,006	\$ 11,435,000	\$ 12,860,000
Less: Current Maturities						1,475,000	1,425,000
Less: Bond Discount						970,630	1,116,224
Total Long-Term						<u>\$ 8,989,370</u>	<u>\$ 10,318,776</u>
<b>2001 Series B** (Advanced Refunding)</b>	System Improvement	Baa1	2022	3.02%-5.31%	\$ 2,876,300	\$ 1,665,000	\$ 1,790,000
Less: Current Maturities						130,000	125,000
Total Long-Term						<u>\$ 1,535,000</u>	<u>\$ 1,665,000</u>
<b>2003 Series (Advanced Refunding)</b>	System Improvement	A3	2034	2.00%-4.75%	\$ 8,385,000	\$ 0	\$ 200,000
Less: Current Maturities						0	200,000
Less: Bond Discount						0	0
Total Long-Term						<u>\$ 0</u>	<u>\$ 0</u>
<b>2006 Series A</b>	System Improvement/ Partial Refunding-1999 & 2000 Series	A3	2036	4.00%-5.00%	\$20,325,000	\$ 17,620,000	\$ 18,345,000
Less: Current Maturities						755,000	725,000
Add: Bond Premium						68,751	71,876
Total Long-Term						<u>\$ 16,933,751</u>	<u>\$ 17,691,876</u>
<b>2008 Series A</b>	System Improvement	A3	2030	3.00%-6.25%	\$12,220,000	\$ 11,470,000	\$ 11,760,000
Less: Current Maturities						305,000	290,000
Less: Bond Discount						179,256	191,409
Total Long-Term						<u>\$ 10,985,744</u>	<u>\$ 11,278,591</u>
<b>2012 Series</b>	System Improvement/ Partial Refunding-2003 Series	A1/A+	2033	3.00%-4.00%	\$15,635,000	\$ 15,635,000	\$ 15,635,000
Less: Current Maturities						285,000	0
Add: Bond Premium						287,733	294,831
Total Long-Term						<u>\$ 15,637,733</u>	<u>\$ 15,929,831</u>
<b>PROMISSORY NOTE:</b>							
<b>City of Utica Note</b>	Water System Purchase Agreement	N/A	2036	Approx. 5.8%	\$ 7,000,000	\$ 5,976,197	\$ 6,098,071
Less: Current Maturities						129,045	121,874
Total Long-Term						<u>\$ 5,847,152</u>	<u>\$ 5,976,197</u>

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

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 8 – LONG-TERM DEBT – CONTINUED**

<b>2012 SERIES BONDS</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 285,000	\$ 547,706	\$ 832,706
2016	435,000	536,906	971,906
2017	600,000	521,381	1,121,381
2018	620,000	503,081	1,123,081
2019	640,000	480,981	1,120,981
2020	660,000	454,981	1,114,981
2021-2025	3,755,000	1,856,656	5,611,656
2026-2030	4,460,000	1,158,103	5,618,103
2031-2034	4,180,000	309,937	4,489,937
	15,635,000	6,369,732	22,004,732
Less: Current Portion	285,000	0	285,000
Add: Bond Premium	287,733	0	287,733
	\$ 15,637,733	\$ 6,369,732	\$ 21,431,999

<b>2008 A SERIES BONDS</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 305,000	\$ 687,750	\$ 992,750
2016	325,000	672,000	997,000
2017	345,000	655,250	1,000,250
2018	360,000	637,625	997,625
2019	385,000	619,000	1,004,000
2020	400,000	596,875	996,875
2021-2025	3,135,000	2,487,969	5,622,969
2026-2030	6,215,000	1,037,656	7,252,656
	11,470,000	7,394,125	18,864,125
Less: Current Portion	305,000	0	305,000
Less: Bond Discount	179,256	0	179,256
	\$ 10,985,744	\$ 7,394,125	\$ 18,379,869

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**MOHAWK VALLEY WATER AUTHORITY**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 8 – LONG-TERM DEBT – CONTINUED**

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	<b>2006 A SERIES BONDS</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 755,000	\$ 754,000	\$ 1,509,000
2016	790,000	715,375	1,505,375
2017	830,000	674,875	1,504,875
2018	870,000	632,375	1,502,375
2019	910,000	587,875	1,497,875
2020	955,000	546,025	1,501,025
2021-2025	3,535,000	2,252,707	5,787,707
2026-2030	3,870,000	1,509,387	5,379,387
2031-2035	3,490,000	726,537	4,216,537
2036-2037	1,615,000	69,381	1,684,381
	<u>17,620,000</u>	<u>8,468,537</u>	<u>26,088,537</u>
Less: Current Portion	755,000	0	755,000
Add: Bond Premium	<u>68,751</u>	<u>0</u>	<u>68,751</u>
	<u>\$ 16,933,751</u>	<u>\$ 8,468,537</u>	<u>\$ 25,402,288</u>

	<b>2001 B SERIES BONDS</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 130,000	\$ 81,522	\$ 211,522
2016	135,000	75,222	210,222
2017	140,000	68,553	208,553
2018	145,000	61,536	206,536
2019	150,000	54,176	204,176
2020-2023	<u>965,000</u>	<u>126,165</u>	<u>1,091,165</u>
	1,665,000	467,174	2,132,174
Less: Current Portion	<u>130,000</u>	<u>0</u>	<u>130,000</u>
	<u>\$ 1,535,000</u>	<u>\$ 467,174</u>	<u>\$ 2,002,174</u>

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**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 8 – LONG-TERM DEBT – CONTINUED**

**2001 A SERIES BONDS**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 1,475,000	\$ 566,896	\$ 2,041,896
2016	1,520,000	497,128	2,017,128
2017	1,570,000	423,713	1,993,713
2018	1,630,000	346,940	1,976,940
2019	1,685,000	266,255	1,951,255
2020-2021	3,555,000	274,351	3,829,351
	11,435,000	2,375,283	13,810,283
Less: Current Portion	1,475,000	0	1,475,000
Less: Bond Discount	970,630	0	970,630
	\$ 8,989,370	\$ 2,375,283	\$ 11,364,653

**2000 SERIES BONDS (Partially Refunded)**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 0	\$ 0	\$ 0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020-2024	1,906,663	4,558,337	6,465,000
2025-2029	2,253,938	7,211,063	9,465,001
2030-2031	353,119	1,541,781	1,894,900
	4,513,720	13,311,181	17,824,901
Less: Current Portion	-	0	-
Add: Bond Premium	21,398	0	21,398
	\$ 4,535,118	\$ 13,311,181	\$ 17,846,299

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 8 – LONG-TERM DEBT – CONTINUED**

**PROMISSORY NOTE**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 129,045	\$ 351,670	\$ 480,715
2016	136,639	344,076	480,715
2017	144,679	336,036	480,715
2018	153,193	327,522	480,715
2019	162,208	318,507	480,715
2020-2024	965,958	1,437,618	2,403,576
2025-2029	1,285,642	1,117,933	2,403,575
2030-2034	1,711,128	692,449	2,403,577
2035-2037	1,287,705	154,437	1,442,142
	<u>5,976,197</u>	<u>5,080,248</u>	<u>11,056,445</u>
Less: Current Portion	<u>129,045</u>	<u>0</u>	<u>129,045</u>
	<u>\$ 5,847,152</u>	<u>\$ 5,080,248</u>	<u>\$ 10,927,400</u>

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 8 – LONG-TERM DEBT – CONTINUED**

Long-term liability activity for the fiscal year ended March 31, 2014, was as follows:

	Long-Term Obligations March 31, 2013	Additions	Reductions	Long-Term Obligations March 31, 2014	Due Within One Year
Revenue Bonds	\$ 62,338,720	\$ -	\$ (2,950,000)	\$ 59,388,720	\$ 2,950,000
Promissory Note	5,976,197	-	(129,045)	5,847,152	129,045
Capital Leases	38,648	43,500	(29,818)	52,330	22,634
Compensated Absences	154,692	282,694	(268,355)	169,031	268,000
Total Liabilities	<u>\$ 68,508,257</u>	<u>\$ 326,194</u>	<u>\$ (3,377,218)</u>	<u>\$ 65,457,233</u>	<u>\$ 3,369,679</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

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**NOTE 8 – LONG-TERM DEBT – CONTINUED**

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**Advance Refundings**

On July 25, 2012, the Water Authority issued \$15,635,000 of Series 2012 revenue bonds, to provide funds for both capital projects and to purchase State and Local Government securities (SLGS) that were placed into an escrow fund for the purpose of generating resources for paying the future debt service on \$6,860,000 of 2003 series bonds. The SLGS purchased have variable interest rates ranging from .08% to .16%. Portions of the 2003 series bonds are considered partially refunded; as a result, the portions the bond series are also considered defeased, and the liability has been removed from the statement of net position. These new bonds were issued at a premium of \$310,350, which is being amortized over the life of the new debt issue.

As a result of this advance refunding, the Water Authority reduced its total debt service requirements by \$731,773 over the life of the 2003 series bonds, respectively, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$539,639.

**Prior Years' Defeasance of Debt**

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

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

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**NOTE 8 – LONG-TERM DEBT – CONTINUED**

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**Prior Years' Defeasance of Debt--continued**

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

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

**Bond Covenants**

The financing agreements relating to all the current and future bonding contain various covenants pertaining to the use and maintenance of the trust funds established from the proceeds of each bonding. At March 31, 2014 and 2013, 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.

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

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**NOTE 8 – LONG-TERM DEBT – CONTINUED**

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**Bond Covenants-continued**

- The Board has enforced the payment of any and all amounts owed for the use of the regional system. The Board has enforced those amounts delinquent at fiscal year-end as a lien against the property.
- The Board has not furnished or supplied any product, use or service of the regional system free of charge or at nominal charge to any person, firm or corporation, public or private, except any municipality in pursuit of its governmental function.
- The Water Authority's expenses for the month of March were covered and there were no shortfalls.
- The debt service reserve fund includes separate amounts for each series of bonds issued. The required amount maintained in the fund equals the debt service reserve requirement.
  - a. The debt service reserve requirement is the lesser of the maximum annual debt service over the bond's life or 125% of the average annual debt service or the maximum amount allowed without jeopardizing the tax-exempt status of the bonds.
- Initial funding for the repair and improvement fund in the amount of \$500,000 (currently \$663,000) 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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**NOTE 8 – LONG-TERM DEBT – CONTINUED**

**Bond Covenants – Continued**

- The promissory note fund is at least equal to the accrued promissory note payment.
- The PILOT payments fund is at least equal to the required PILOT payments and any shortfall from previous months.
- The repair and improvement fund deposit amounts, if any, are specified in the annual budget to meet monthly requirements including any shortfalls from preceding months.
- The Board transferred the amount, if any, remaining in the general account, to the bond redemption and accumulated surplus fund at the end of the fiscal year.
- The Board will make available funds to pay all required subordinated indebtedness.

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**NOTE 9 – DEFERRED OUTFLOWS OF RESOURCES**

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

	<b>2014</b>	<b>2013</b>
Amounts deferred on defeasance of debt:		
Series 2012 Bonds	\$ 405,301	\$ 427,714
Series 2006 Bonds	459,750	480,648
Authority Financing Costs:		
Bond Discounts	1,149,886	1,307,633
Bond Insurance	182,116	197,149
	\$ 2,197,053	\$ 2,413,144

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

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**NOTE 10 – OTHER LONG-TERM LIABILITIES**

Compensated absences represent unused vacation and compensatory time payable in the future. The balance at March 31, 2014 and 2013 were \$437,031 and \$422,692, respectively.

**MOHAWK VALLEY WATER AUTHORITY**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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**NOTE 11 – NET POSITION**

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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:

	<b>2014</b>	<b>2013</b>
Internal Commitments:		
Debt Service Covenant	\$ 783,271	\$ 766,869
Repair, Replacement and Renewal Reserve	929,350	929,140
Operating & Maintenance Reserve	629,512	626,116
Capital Maintenance Reserve	2,282,526	2,067,338
Reserve For Board Projects	<u>147,638</u>	<u>147,638</u>
Total	<u>\$ 4,772,297</u>	<u>\$ 4,537,101</u>

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**NOTE 12 – EMPLOYEES' PENSION PLAN**

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**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.

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

NOTE 12 – EMPLOYEES' PENSION PLAN-CONTINUED

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**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**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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**NOTE 12 – EMPLOYEES' PENSION PLAN – CONTINUED**

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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:

	<b><u>Actual</u></b> <b><u>Contributions</u></b>	<b><u>Percentage of</u></b> <b><u>Covered Payroll</u></b>
<b>2014</b>	\$ 1,004,985	21.4%
<b>2013</b>	\$ 897,364	18.8%
<b>2012</b>	\$ 665,564	14.4%
<b>2011</b>	\$ 532,857	12.3%
<b>2010</b>	\$ 339,758	7.6%

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

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**NOTE 13 – DEFERRED COMPENSATION PLAN**

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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-eight (28) employees contributed to the plan during fiscal year 2014.

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

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

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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**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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

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

The number of participants as of April 1, 2013, the effective date of the annual OPEB valuation, follows:

Active Employees	78
Retired Employees	16
Dependents	8
Disabled	<u>0</u>
Total	<u><u>102</u></u>

**Funding Policy**

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

**Annual Other Postemployment Benefit Cost**

For the year ended March 31, 2014, the Authority's Annual Required Contribution (ARC) is \$587,243. The net annual OPEB cost consists of the ARC amount less an adjustment of \$137,804; interest earned on the net OPEB obligations of \$88,707 less payments for current health insurance premiums for retirees and their beneficiaries totaling \$231,691. The result was an increase in the Net OPEB Obligation of \$306,455 for the year ended March 31, 2014.

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**MOHAWK VALLEY WATER AUTHORITY**

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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

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The Water Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 were as follows:

<b>Annual OPEB Cost and Net OPEB Obligation</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
Annual Required Contribution	\$587,243	\$564,580	\$735,947
Interest on Net OPEB Obligation	88,707	76,416	57,408
Adjustment to Annual Required Contribution	(137,804)	(118,709)	(89,182)
Annual OPEB Cost	<u>538,146</u>	<u>522,287</u>	<u>704,173</u>
Contributions made	(231,691)	(192,079)	(156,469)
Increase in Net OPEB Obligation	306,455	330,208	547,704
Net OPEB Obligation - beginning of year	<u>2,513,421</u>	<u>2,183,213</u>	<u>1,635,509</u>
Net OPEB Obligation - end of year	<u>\$2,819,876</u>	<u>\$2,513,421</u>	<u>\$2,183,213</u>
Percentage of Annual OPEB Cost contributed	43.05%	36.78%	22.22%

**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 dollar open basis.

<b>Funded Status</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
Actuarial Accrued Liability (AAL)	\$5,783,723	\$5,531,117	\$7,333,745
Actuarial Value of Assets	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	5,783,723	5,531,117	7,333,745
Funded Ratio (Assets as a percentage of AAL)	0.00%	0.00%	0.00%
Annual Covered Payroll	3,936,658	4,196,738	4,625,825
UAAL as a Percentage of Covered Payroll	146.92%	131.80%	158.54%

**MOHAWK VALLEY WATER AUTHORITY**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

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

**Actuarial Methods and Assumptions-continued**

Measurement Date	March 31, 2014	March 31, 2013	March 31, 2012
Investment Rate of Return	3.50%	3.50%	3.50%
Expected Return on Plan Assets	N/A	N/A	N/A
Expected Return on Employer's Assets	3.50%	3.50%	3.50%
Rate of compensation increase	N/A	N/A	N/A
Inflation Rate	2.50%	3.00%	3.00%

**Assumed pre-65 medical trend rates at March 31**

Health care cost trend rate assumed for next fiscal year	8.00%
Assumed cost trend rate to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2023

**Assumed post-65 medical trend rates at March 31**

Health care cost trend rate assumed for next fiscal year	6.00%
Assumed cost trend rate to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2023

**Assumed prescription drug trend rates at March 31**

Health care cost trend rate assumed for next fiscal year	8.00%
Assumed cost trend rate to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2023

**Additional Information**

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 15 – PRIOR YEAR RESTATEMENT**

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Fiscal year ending March 31, 2013 Statement of Revenues, Expenses and Changes in Net Position has been restated to reflect inventory items existing during the year that were erroneously expensed. These inventory items consisted of water maintenance piping and related parts used in the repair and maintenance of the water system. Prior to this restatement, these amounts were expensed in the Statement of Revenues, Expenses and Changes in Net Position as being used in the repair of the water system's distribution mains. The overall effect of omitting these items as inventory required a reduction to the system repair and maintenance expense category of \$161,583.

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

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Litigation

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

The following are significant lawsuits currently being adjudicated, settled or concluded:

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

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

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

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

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NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 2014 and 2013

**NOTE 16 – COMMITMENTS AND CONTINGENCIES-CONTINUED**

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Litigation-continued

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

The Water Authority's final claim that it can withdraw water from Hinckley Reservoir free from compensation obligation to the State, and the State's counterclaim that the Water Authority is obligated to comply with the 1917 Agreement, were tentatively scheduled to be tried before the Oneida County Supreme Court commencing in March 2012. Both parties agreed to a temporary stay in order to conduct settlement discussions.

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

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

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

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 16 – COMMITMENTS AND CONTINGENCIES-CONTINUED**

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Agreement

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

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

The agreement provides the following provisions:

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

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

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**NOTES TO COMBINED FINANCIAL STATEMENTS**

March 31, 2014 and 2013

**NOTE 16 – COMMITMENTS AND CONTINGENCIES-CONTINUED**

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Risk Management

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

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

Commitments

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

Future minimum rental payments required under the operating lease, that has initial or remaining noncancellable lease terms in excess of one year as of March 31, 2014, are as follows:

2015	\$ 108,000
2016	108,000
2017	108,000
2018	108,000
2019	108,000
Thereafter	<u>863,070</u>
Total	<u>\$ 1,403,070</u>

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

Expense for all rental space and property easements amounted to \$108,099 and \$108,017 for the years ending March 31, 2014 and 2013, respectively.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**MOHAWK VALLEY WATER AUTHORITY**

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**SCHEDULE OF FUNDING PROGRESS FOR THE OPEB LIABILITY**

For Fiscal Year Ended March 31, 2014

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
	<b>(a)</b>	<b>(b)</b>	<b>(b-a)</b>	<b>(a/b)</b>	<b>(c)</b>	<b>((b-a)/c)</b>
April 1, 2014	\$ -	\$ 5,783,723	\$ 5,783,723	0.00%	\$ 4,697,048	123.14%
April 1, 2013	\$ -	\$ 5,531,117	\$ 5,531,117	0.00%	\$ 4,774,885	115.84%
April 1, 2012	\$ -	\$ 7,333,745	\$ 7,333,745	0.00%	\$ 4,625,825	158.54%

## **SUPPLEMENTARY INFORMATION**

**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
<b>OPERATING REVENUE</b>				
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>
<b>OPERATING EXPENSES</b>				
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>
<b>NET OPERATING INCOME</b>	6,129,180	6,820,141	(690,961)	(10.13%)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
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>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	2,139,655	<u>\$ 0</u>		
Capital Contributions	<u>542,475</u>			
Increase in Net Position	2,682,130			
<b>NET POSITION</b>				
Net Position, Beginning of Year, Restated	<u>35,301,376</u>			
Net Position, End of Year	<u>\$ 37,983,506</u>			

**MOHAWK VALLEY WATER AUTHORITY**

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

Year Ended March 31, 2013

	(restated) Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
<b>OPERATING REVENUE</b>				
Metered Water Sales	\$ 19,490,169	\$ 19,104,573	\$ 385,596	2.02%
Delinquency Charges	881,430	701,000	180,430	25.74%
Fees and Ancillary Charges	322,044	196,500	125,544	63.89%
Other Services	326,905	357,900	(30,995)	(8.66%)
Total Operating Revenue	<u>21,020,548</u>	<u>20,359,973</u>	<u>660,575</u>	<u>3.24%</u>
<b>OPERATING EXPENSES</b>				
Administrative	802,224	717,221	(85,003)	(11.85%)
Finance & Accounting	1,010,453	1,039,885	29,432	2.83%
Customer Services	393,419	364,217	(29,202)	(8.02%)
Engineering	518,226	813,195	294,969	36.27%
Water Distribution	265,624	498,597	232,973	46.73%
Information Technology	664,554	507,139	(157,415)	(31.04%)
Water Quality Maintenance	730,000	702,318	(27,682)	(3.94%)
Treatment	2,575,892	2,667,687	91,795	3.44%
System Repair & Maintenance	3,434,359	4,235,809	801,450	18.92%
General Services	1,929,845	1,587,887	(341,958)	(21.54%)
Amortization of Bond Expenses	208,494	0	(208,494)	0.00%
Depreciation	1,669,098	0	(1,669,098)	0.00%
Long-Term Asset Purchases	0	382,000	382,000	100.00%
Total Operating Expenses	<u>14,202,188</u>	<u>13,515,955</u>	<u>(686,233)</u>	<u>(5.08%)</u>
NET OPERATING INCOME	6,818,360	6,844,018	(25,658)	(0.37%)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	221,579	287,000	(65,421)	(22.79%)
Interest Expense	(2,714,726)	(5,851,774)	3,137,048	53.61%
PILOT Payments	(1,556,746)	(1,553,216)	(3,530)	0.23%
Independent Lab Services, Net	81,956	95,000	(13,044)	(13.73%)
Other Income, Net	126,665	97,404	29,261	30.04%
Timber Harvest	0	100,000	(100,000)	(100.00%)
Realized Gain/ (Loss) on Investments	(17,817)	0	(17,817)	0.00%
Funding of Reserves	0	(750,000)	750,000	(100.00%)
Post Employment Health Benefits	(330,208)	0	(330,208)	0.00%
Cash Carried Forward/ Use of Reserves	0	731,568	(731,568)	(100.00%)
Total Nonoperating Expenses	<u>(4,189,297)</u>	<u>(6,844,018)</u>	<u>2,654,721</u>	<u>38.79%</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,629,063	<u>\$ 0</u>		
Capital Contributions	<u>0</u>			
Increase in Net Position	2,629,063			
<b>NET POSITION</b>				
Beginning of Year	<u>32,672,313</u>			
End of Year	<u>\$ 35,301,376</u>			

# UTILITY PLANT

For Fiscal Year Ended March 31, 2014

Capital Accounts	Life (Years)	COST			
		(restated) Balance 3/31/2013	Additions	Retirements	Balance 3/31/2014
<b>WATER RIGHTS &amp; OTHER INTANGIBLE ASSETS</b>					
		\$ 800,000	\$ 0	\$ 0	\$ 800,000
		250,000	0	0	250,000
		<u>1,050,000</u>	<u>0</u>	<u>0</u>	<u>1,050,000</u>
<b>G/L 1750-00</b>					
<b>LAND</b>					
		400,000	0	0	400,000
311-1		9,712	0	0	9,712
311-2		487,501	0	0	487,501
311-3		27,200	0	0	27,200
311-4		1,588	0	0	1,588
311-5		31,344	0	0	31,344
311-6		5,901	0	0	5,901
311-8		18,560	0	0	18,560
<b>G/L 1751-00</b>		<u>981,806</u>	<u>0</u>	<u>0</u>	<u>981,806</u>
<b>WATER TRANSMISSION &amp; STORAGE</b>					
312-2	20-100	1,941,322	0	0	1,941,322
312-3	20-100	242,050	0	0	242,050
312-5	20-100	27,295,653	0	0	27,295,653
312-8	20-100	653,686	0	0	653,686
312-9	20-100	3,595	0	0	3,595
312-11	100	177,736	0	0	177,736
312-12	100	281,743	0	0	281,743
336-TR	20	77,924	0	0	77,924
<b>G/L 1752-00</b>		<u>30,673,709</u>	<u>0</u>	<u>0</u>	<u>30,673,709</u>
<b>DISTRIBUTION</b>					
		1,758,656	0	0	1,758,656
316	100	665,951	43,593	0	709,544
320	25-100	1,124,691	0	0	1,124,691
321	25-100	3,967,704	0	0	3,967,704
322	25-100	20,740,525	896,895	0	21,637,420
324	15	1,197,416	0	0	1,197,416
325	15	614	0	0	614
326	15	742,280	0	0	742,280
336-D	25	920,651	0	0	920,651
<b>G/L 1754-00</b>		<u>31,118,488</u>	<u>940,488</u>	<u>0</u>	<u>32,058,976</u>
<b>VEHICLES &amp; MAINTENANCE EQUIPMENT</b>					
329-1	5	1,672,121	238,101	0	1,910,222
329-2	5	844,662	75,207	0	919,869
<b>G/L 1757-00</b>		<u>2,516,783</u>	<u>313,308</u>	<u>0</u>	<u>2,830,091</u>
<b>OFFICE &amp; LAB EQUIPMENT</b>					
328	5	620,401	0	0	620,401
332	5	1,011,118	89,098	0	1,100,216
333	5	408,496	0	0	408,496
334	5	100,481	0	0	100,481
336	5	22,455	0	0	22,455
337	5	58,083	0	0	58,083
<b>G/L 1756-00</b>		<u>2,221,034</u>	<u>89,098</u>	<u>0</u>	<u>2,310,132</u>
<b>WATER TREATMENT</b>					
320-1	25-75	21,635,447	331,432	0	21,966,879
320-2	25	286,301	0	0	286,301
<b>G/L 1753-00</b>		<u>21,921,748</u>	<u>331,432</u>	<u>0</u>	<u>22,253,180</u>
<b>CONSTRUCTION IN PROGRESS</b>					
		6,273,897	4,290,793	713,442	9,851,248
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>		<u>\$ 96,757,465</u>	<u>\$ 5,965,119</u>	<u>\$ 713,442</u>	<u>\$ 102,009,142</u>

**MOHAWK VALLEY WATER AUTHORITY**

ACCUMULATED DEPRECIATION AND AMORTIZATION				
Balance 3/31/2013	Depreciation	Asset Retirements	Balance 3/31/2014	Net Asset Value 3/31/2014
\$ 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
491,406	46,674	0	538,080	1,403,242
51,449	5,788	0	57,237	184,813
1,529,212	523,547	0	2,052,759	25,242,894
133,866	13,973	0	147,839	505,847
2,960	130	0	3,090	505
45,370	3,658	0	49,028	128,708
56,475	6,284	0	62,759	218,984
77,924	0	0	77,924	0
2,388,662	600,054	0	2,988,716	27,684,993
353,686	23,449	0	377,135	1,381,521
342,100	26,004	0	368,104	341,440
438,339	23,115	0	461,454	663,237
931,649	79,543	0	1,011,192	2,956,512
4,489,264	422,668	0	4,911,932	16,725,488
996,960	52,165	0	1,049,125	148,291
614	0	0	614	0
381,677	14,423	0	396,100	346,180
323,068	65,196	0	388,264	532,387
8,257,357	706,563	0	8,963,920	23,095,056
1,255,067	144,476	0	1,399,543	510,679
489,979	74,641	0	564,620	355,249
1,745,046	219,117	0	1,964,163	865,928
557,490	17,145	0	574,635	45,766
817,412	88,819	0	906,231	193,985
348,437	14,798	0	363,235	45,261
98,019	663	0	98,682	1,799
22,455	0	0	22,455	0
34,687	6,218	0	40,905	17,178
1,878,500	127,643	0	2,006,143	303,989
3,848,768	375,385	0	4,224,153	17,742,726
186,095	11,452	0	197,547	88,754
4,034,863	386,837	0	4,421,700	17,831,480
0	0	0	0	9,851,248
\$ 18,304,428	\$ 2,040,214	\$ 0	\$ 20,344,642	\$ 81,664,500

**MOHAWK VALLEY WATER AUTHORITY**

**SCHEDULE OF GOVERNMENTAL PILOT PAYMENTS**

Fiscal Years 2015 - 2037

<b>FISCAL YEAR ENDING</b>	<b>(1) ** TOWNS</b>	<b>(2) ** CITY OF UTICA</b>	<b>(3) ** SCHOOL DISTRICTS</b>	<b>(4) ** AUDITORIUM AUTHORITY VIA ONEIDA COUNTY</b>	<b>TOTAL</b>
<b>2015</b>	\$ 86,517	\$ 455,000	\$ 264,951	\$ 665,500	\$ 1,471,968
<b>2016</b>	86,517	455,000	222,560	665,500	1,429,577
<b>2017</b>	86,517	455,000	180,169	665,500	1,387,186
<b>2018</b>	90,843	375,000	137,778	732,050	1,335,671
<b>2019</b>	90,843	375,000	95,386	732,050	1,293,279
<b>2020</b>	90,843	375,000	52,996	732,050	1,250,889
<b>2021</b>	90,843	375,000	11,605	732,050	1,209,498
<b>2022</b>	90,843	375,000	-	732,050	1,197,893
<b>2023</b>	95,385	425,000	-	805,255	1,325,640
<b>2024</b>	95,385	425,000	-	805,255	1,325,640
<b>2025</b>	95,385	425,000	-	805,255	1,325,640
<b>2026</b>	95,385	425,000	-	805,255	1,325,640
<b>2027</b>	95,385	425,000	-	805,255	1,325,640
<b>2028-2032</b>	500,774	2,375,000	-	4,428,903	7,304,676
<b>2033-2037</b>	515,813	2,625,000	-	4,871,793	8,012,606
<b>TOTAL</b>	<b>\$ 2,207,283</b>	<b>\$ 10,365,000</b>	<b>\$ 965,444</b>	<b>\$ 18,983,721</b>	<b>\$ 32,521,447</b>

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

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

<sup>(3)</sup> - As required by the enabling legislation, payments to school districts are reduced by approximately \$42,000 each year. Following FY 2021, the Water Authority will determine payments, if any, to the designated school districts.

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

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

**MOHAWK VALLEY WATER AUTHORITY**

**SCHEDULE OF DETAIL OPERATING REVENUES-BUDGET VS. ACTUAL**

For Fiscal Year Ended March 31, 2014

	Annual Budget	Year Ended March 31, 2014	Favorable (Unfavorable) Variance	Percentage Variance
<b>OPERATING REVENUE</b>				
<b>Metered Water Sales:</b>				
Consumption	\$ 14,289,787	\$ 13,646,361	\$ (643,426)	(4.50%)
System Charge	5,595,642	5,671,407	75,765	1.35%
Total Metered Water Sales	<u>19,885,429</u>	<u>19,317,768</u>	<u>(567,661)</u>	<u>(2.85%)</u>
<b>Delinquency Charges:</b>				
Settlements & Fines	8,000	16,000	8,000	100.00%
Quarterly -Penalties	435,000	373,900	(61,100)	(14.05%)
Quarterly-Unpaid Bill	227,000	270,045	43,045	18.96%
Monthly-Penalties	25,000	55,139	30,139	120.56%
Monthly-Unpaid Bill	8,000	0	(8,000)	(100.00%)
Overdue Charge	20,000	52,663	32,663	163.31%
Missed Appointments	50	2,425	2,375	4750.00%
Shut Off/Turn On Fee	30,000	17,770	(12,230)	(40.77%)
Building Frontage Fee	1,200	950	(250)	(20.83%)
Posting of Property Fee	6,000	23,940	17,940	299.00%
Customer Denial of Access	0	9,850	9,850	0.00%
Meter Installation/ Removal	0	0	0	0.00%
Collection Fee	15,000	0	(15,000)	(100.00%)
Total Delinquency Charges	<u>775,250</u>	<u>822,682</u>	<u>47,432</u>	<u>6.12%</u>
<b>Fees and Ancillary Charges:</b>				
Metered Line Charge	24,600	109,637	85,037	345.68%
Private Hydrant Rental	2,500	1,844	(656)	(26.24%)
Line Tap Charges	15,000	32,274	17,274	115.16%
Hydrant Permit Fees	5,000	13,414	8,414	168.28%
Water Rent Searches	37,500	36,650	(850)	(2.27%)
Inspection of New Water Mains	2,000	2,035	35	1.76%
Backflow Charges	75,000	132,325	57,325	76.43%
Replacement of Curb Box	1,500	9,300	7,800	520.00%
Termination of Services Charge	6,000	0	(6,000)	(100.00%)
Installation/Removal Fee	20,200	19,525	(675)	(3.34%)
Frozen Meter/ Lost Meter Charge	20,000	28,240	8,240	41.20%
Total Fees and Ancillary Charges	<u>209,300</u>	<u>385,245</u>	<u>175,945</u>	<u>84.06%</u>
<b>Other Services:</b>				
Billing and Collection Services	301,500	292,537	(8,963)	(2.97%)
Hydroelectric Power Revenue	69,500	102,696	33,196	47.76%
Payment of Hydro Plant Debt	0	0	0	0.00%
Total Other Services	<u>371,000</u>	<u>395,233</u>	<u>24,233</u>	<u>6.53%</u>
<b>Total Operating Revenues</b>	<u>\$ 21,240,979</u>	<u>\$ 20,920,928</u>	<u>\$ (320,051)</u>	<u>(1.51%)</u>

**SCHEDULE OF OPERATIONAL EXPENSES**  
For Fiscal Year Ended March 31, 2014

	Administration	Finance & Accounting	Customer Service	Engineering	Water Distribution	Information Technology
<b>OPERATING EXPENSES</b>						
Personnel Costs:						
Salaries	\$ 294,073	\$ 466,511	\$ 230,595	\$ 250,014	\$ 74,231	\$ 242,143
Overtime	341	5,453	570	13,524	19,879	3,257
Wages	-	-	-	-	27,747	-
Health Insurance	66,590	142,352	76,602	82,314	42,073	83,516
Social Security	26,615	37,820	16,534	36,382	15,337	18,609
Retirement	73,960	112,883	53,459	95,709	56,890	59,954
Unemployment	-	-	-	-	-	-
Workman's Compensation	2,839	21,845	2,050	33,990	21,372	2,327
Total Personnel Costs	<u>464,418</u>	<u>786,864</u>	<u>379,810</u>	<u>511,933</u>	<u>257,529</u>	<u>409,806</u>
Office Equipment	17,861	698	588	1,451	-	-
Equipment	-	-	-	617	9,216	26,391
Printing	-	-	-	-	-	-
Street Repair Material	-	-	-	-	-	-
Paving	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-
Meters	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Electricity & Gas	-	-	-	-	-	-
Heat	-	-	-	-	-	-
Postage	-	-	-	-	-	-
Gas & Oil	-	-	-	-	-	-
Office Materials	669	1,202	144	341	172	-
Membership Dues	14,682	2,445	-	2,544	245	-
Travel	3,367	1,635	-	6,514	897	706
Supplies	-	-	419	4,745	8,037	14,987
Rent	-	-	-	-	-	-
Equipment Rental	-	-	-	-	-	-
Repairs	-	-	-	-	37,230	43,239
Vehicle Repair	-	-	-	-	-	-
Contracted Services	45,778	283,549	125	46,910	2,570	180,858
Employee Uniforms	-	1,093	-	639	328	-
Legal Expenses	66,365	-	-	-	-	-
Operational Expenses	13,028	-	-	8	-	-
Training and Education	1,070	1,645	-	3,679	2,795	7,225
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	<u>\$ 627,238</u>	<u>\$ 1,079,131</u>	<u>\$ 381,086</u>	<u>\$ 579,381</u>	<u>\$ 319,019</u>	<u>\$ 683,212</u>

**MOHAWK VALLEY WATER AUTHORITY**

Water Quality	Treatment Plant	Maintenance	General Services	Total Operating Expenses	Annual Budget (Cash Basis)	Favorable (Unfavorable) Variance
\$ 362,260	\$ 351,379	\$ 635,587	\$ -	\$ 2,906,793	\$ 3,506,819	\$ 600,026
2,257	52,864	205,307	-	303,452	300,160	(3,292)
34,724	-	663,943	-	726,414	1,218,434	492,020
96,788	89,073	404,978	231,691	1,315,977	1,442,483	126,506
29,411	29,415	133,538	-	343,661	384,446	40,785
103,822	84,979	363,718	-	1,005,374	942,818	(62,556)
-	-	-	5,495	5,495	3,000	(2,495)
9,740	31,112	269,045	-	394,320	191,938	(202,382)
<u>639,002</u>	<u>638,822</u>	<u>2,676,116</u>	<u>237,186</u>	<u>7,001,486</u>	<u>7,990,098</u>	<u>988,612</u>
-	-	451	-	21,049	4,400	(16,649)
6,049	39,690	46,339	-	128,302	134,849	6,547
-	-	-	28,074	28,074	40,700	12,626
-	-	77,492	-	77,492	106,000	28,508
-	-	548,947	-	548,947	477,000	(71,947)
-	-	64,958	-	64,958	131,000	66,042
-	-	93,485	-	93,485	-	(93,485)
-	-	-	134,820	134,820	132,360	(2,460)
-	-	-	450,076	450,076	365,407	(84,669)
-	-	-	87,474	87,474	66,160	(21,314)
-	-	-	97,003	97,003	91,160	(5,843)
-	-	-	217,541	217,541	215,300	(2,241)
2,612	660	-	19,718	25,518	23,305	(2,213)
21,365	720	1,481	-	43,482	32,527	(10,955)
8,737	1,397	2,619	-	25,872	43,165	17,293
51,243	1,792,549	7,654	-	1,879,634	2,236,762	357,128
-	-	-	108,099	108,099	109,673	1,574
-	-	4,977	-	4,977	3,000	(1,977)
565	47,016	44,124	-	172,174	202,100	29,926
-	3,426	100,849	-	104,275	66,000	(38,275)
22,879	192,587	42,633	-	817,889	858,279	40,390
330	1,761	5,471	-	9,622	24,100	14,478
-	-	-	-	66,365	47,200	(19,165)
-	30	1,170	-	14,236	6,200	(8,036)
3,548	1,203	8,837	-	30,002	53,650	23,648
-	-	-	239,876	239,876	225,606	(14,270)
-	-	-	103,229	103,229	225,000	121,771
-	-	-	3,849	3,849	-	(3,849)
-	-	-	558	558	-	(558)
806	1,875	-	-	2,681	5,125	2,444
2,328	-	-	-	2,328	4,500	2,172
-	-	-	-	-	-	-
-	-	-	15,340	15,340	12,937	(2,403)
-	-	-	-	-	206,000	206,000
-	-	-	-	-	281,275	281,275
-	-	-	-	-	-	-
-	-	-	204,555	204,555	-	(204,555)
-	-	-	1,966,480	1,966,480	-	(1,966,480)
<u>\$ 759,464</u>	<u>\$ 2,721,736</u>	<u>\$ 3,727,603</u>	<u>\$ 3,913,878</u>	<u>\$ 14,791,748</u>	<u>\$ 14,420,838</u>	<u>\$ (370,910)</u>

**MOHAWK VALLEY WATER AUTHORITY**

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

For Fiscal Year Ended March 31, 2014

	Independent Lab Services	Other Nonoperating Activities	Total Nonoperating Activities	Annual Budget (Cash Basis)	Favorable (Unfavorable) Variance
<b>NONOPERATING REVENUE</b>					
Investment Income from Restricted Funds	\$ -	\$ 211,647	\$ 211,647	\$ 220,000	(8,353)
Investment Income from Operating Funds	-	6,604	6,604	6,500	104
Laboratory Fees	95,703	-	95,703	80,000	15,703
State and Federal Grants	-	-	-	-	-
Miscellaneous Income, Net	-	54,424	54,424	75,000	(20,576)
Gain on Sale of Scrap and Equipment	-	20,927	20,927	-	20,927
Returned Check Charges	-	5,635	5,635	3,600	2,035
Rent Income-Cell Tower	-	11,903	11,903	11,903	(0)
Cash Carried Forward	-	-	-	746,196	(746,196)
Bond Proceeds	-	-	-	-	-
Timer Harvest Sales	-	21,812	21,812	-	21,812
Realized Gain/ (Loss) on Investments	-	(75,741)	(75,741)	-	(75,741)
<b>Total Nonoperating Revenue</b>	<b>\$ 95,703</b>	<b>\$ 257,210</b>	<b>\$ 352,913</b>	<b>\$ 1,143,199</b>	<b>\$ (790,286)</b>
<b>NONOPERATING EXPENSES</b>					
Post Employment Health Benefits	\$ -	\$ 306,455	\$ 306,455	\$ -	\$ 306,455
Total Personnel Costs	-	306,455	306,455	-	306,455
Office Equipment	-	-	-	-	-
Vehicles and Machinery	-	-	-	-	-
Equipment	-	-	-	-	-
Telephone	-	-	-	-	-
Light & Power	-	-	-	-	-
Heat	-	-	-	-	-
Postage	-	-	-	-	-
Gas & Oil	-	-	-	-	-
Office Materials	-	-	-	-	-
Travel	-	-	-	-	-
Supplies	-	-	-	-	-
Rent	-	-	-	-	-
Contracted Services	-	-	-	-	-
Operational Expenses	27,481	-	27,481	-	27,481
Insurance	-	-	-	-	-
Shipping Charges	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-
Interest Expense	-	2,494,143	2,494,143	5,702,519	(3,208,376)
Pilot Payments:					
School Districts	-	307,342	307,342	303,804	3,538
Oneida County	-	665,500	665,500	665,500	-
Towns	-	86,517	86,517	86,517	-
City of Utica	-	455,000	455,000	455,000	-
O & M Reserve	-	-	-	-	-
Repair, Renewal & Replacement Reserve	-	-	-	750,000	(750,000)
Debt Covenant Reserve	-	-	-	-	-
"Pay-As-You Go" Capital Maintenance Reserve	-	-	-	-	-
Replenish R&I Fund	-	-	-	-	-
<b>Total Nonoperating Expenses</b>	<b>\$ 27,481</b>	<b>\$ 4,314,957</b>	<b>\$ 4,342,438</b>	<b>\$ 7,963,340</b>	<b>\$ (3,620,902)</b>
<b>Nonoperating Income, net</b>	<b>\$ 68,222</b>	<b>\$ (4,057,747)</b>	<b>\$ (3,989,525)</b>	<b>\$ (6,820,141)</b>	<b>\$ 2,830,616</b>

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**MOHAWK VALLEY WATER AUTHORITY**

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**BOARD-ADOPTED FISCAL 2015 BUDGET-CASH BASIS**

**FY 2015**

**REVENUES**

Water Sales	\$ 19,248,374
Delinquency Charges	743,500
Fees and Ancillary Charges	388,904
Other Services	492,000
Cash Carried Forward	795,416
Interest Income and Miscellaneous Items	326,804
Total Revenues	<u>\$ 21,994,998</u>

**OPERATING EXPENSES**

Administrative	\$ 633,117
Finance and Accounting	1,085,798
Customer Services	374,732
Engineering	881,961
Water Distribution	632,000
Information Technology	688,705
Water Quality Lab--(In-house & Outside Services)	785,708
Treatment Plant	2,810,866
Maintenance	3,976,373
General Services	1,478,738
Long-Term Asset Purchases	78,000
Cash Financed Construction / Equipment	<u>815,000</u>
Total Operating Expenses	14,240,998

**OTHER EXPENSES**

Existing Debt Service & Promissory Note	5,881,062
Pilot Payments	1,468,438
"Pay As You Go" Capital Maintenance Reserve	<u>404,500</u>
Total Other Expenses	<u>7,754,000</u>
Total Expenses	<u>\$ 21,994,998</u>

## **STATISTICAL SECTION**

# Statistical Section— Contents

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## MOHAWK VALLEY WATER AUTHORITY

Contents	Page
<b>FINANCIAL TRENDS</b>	<b>122</b>
<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>	
<b>REVENUE CAPACITY</b>	<b>127</b>
<i>These schedules contain information to help the reader assess the Authority's most significant revenue source, water sales and other revenue sources.</i>	
<b>DEBT CAPACITY</b>	<b>138</b>
<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>	
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	<b>141</b>
<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>	
<b>OPERATING INFORMATION</b>	<b>143</b>
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to services the Authority provides and the activities it performs.</i>	

**MOHAWK VALLEY WATER AUTHORITY**

**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

	FISCAL YEAR				
	<u>2010</u>	<u>2011</u>	<u>2012</u> (restated)	<u>2013</u> (restated)	<u>2014</u>
NET POSITION					
Invested In Utility Plant, Net of Related Debt	\$ 9,640,148	\$ 12,329,769	\$ 19,704,594	\$ 21,674,806	\$ 25,595,974
Restricted For:					
Repair and Improvement	611,772	621,715	652,870	659,763	662,829
Debt Service	0	0	2,582,437	3,322,848	3,461,954
Unspent Construction Proceeds	8,506,163	3,829,810	0	0	0
Other Than Construction Proceeds	9,417,748	8,298,245	0	0	0
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	763,948	766,869	766,869	766,869	766,869
Repair, Replacement and Renewal Reserve	886,003	895,946	924,043	929,140	929,350
Operating & Maintenance Reserve	586,801	596,743	618,987	626,116	629,512
Capital Maintenance Reserve	1,064,987	1,603,740	1,315,387	2,067,338	2,282,526
Reserve For Board Projects	147,638	147,638	147,638	147,638	147,638
Other Unrestricted	(3,269,952)	2,540,738	5,959,488	5,106,858	3,506,854
Total Net Position	<u>\$ 28,355,256</u>	<u>\$ 31,631,213</u>	<u>\$ 32,672,313</u>	<u>\$ 35,301,376</u>	<u>\$ 37,983,506</u>

	FISCAL YEAR				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
NET POSITION					
Invested In Utility Plant, Net of Related Debt	\$ 13,315,775	\$ 13,372,977	\$ 4,454,666	\$ 6,382,862	\$ 7,966,593
Restricted For:					
Repair and Improvement	512,922	527,728	543,387	438,714	598,689
Unspent Construction Proceeds	0	0	15,998,066	6,436,408	14,852,834
Other Than Construction Proceeds	0	0	6,283,039	7,255,904	8,398,940
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	487,362	487,362	650,456	650,456	710,807
Repair, Replacement and Renewal Reserve	402,974	321,335	590,306	862,944	872,920
Operating & Maintenance Reserve	232,977	292,133	426,104	563,742	573,718
Capital Maintenance Reserve	0	0	0	0	526,280
Reserve For Board Projects	0	147,638	147,638	147,638	147,638
Other Unrestricted	(2,650,071)	(2,171,195)	(10,842,981)	(925,846)	(8,983,938)
Total Net Position	<u>\$ 12,301,939</u>	<u>\$ 12,977,978</u>	<u>\$ 18,250,681</u>	<u>\$ 21,812,822</u>	<u>\$ 25,664,481</u>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**CHANGE IN NET POSITION**

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Net Operating Income	Total Nonoperating Revenue/ (Expenses)	Income (Loss) Before Capital Contribution	Capital Contributions	Extraordinary Item/ Change in Accounting Principles/ Prior Period Adjustment	Change in Net Assets
2005	12,993,639	10,818,584	2,175,055	(3,043,381)	(868,326)	1,204,980	-	336,654
2006	14,034,397	10,617,185	3,417,212	(2,798,375)	618,837	57,202	-	676,039
2007	15,811,154	11,173,624	4,637,530	(2,130,258)	2,507,272	2,765,431	-	5,272,703
2008	17,258,046	11,929,047	5,328,999	(2,580,279)	2,748,720	813,421	-	3,562,141
2009	17,975,633	11,933,479	6,042,154	(3,906,997)	2,135,157	1,716,502	-	3,851,659
2010	18,829,615	11,958,526	6,871,089	(4,180,314)	2,690,775	-	-	2,690,775
2011	20,282,694	12,470,677	7,812,017	(4,536,207)	3,275,810	-	-	3,275,810
2012 (restated)	20,429,500	13,631,611	6,797,889	(3,824,971)	2,972,918	-	1,931,671	1,041,247
2013 (restated)	21,020,548	14,202,188	6,818,360	(4,189,297)	2,629,063	-	-	2,629,063
2014	20,920,928	14,791,748	6,129,180	(3,989,525)	2,139,655	542,475	-	2,682,130

SOURCE: FINANCE & ACCOUNTING

**OPERATING REVENUE BY SOURCE**

Last Ten Fiscal Years

Fiscal Year	Water Sales	Delinquency Charges	Fees and Ancillary Charges	Other Services	Total
2005	11,492,475	916,043	230,987	354,134	12,993,639
2006	12,521,307	876,287	278,513	358,290	14,034,397
2007	14,298,975	896,739	242,258	373,182	15,811,154
2008	15,726,802	943,449	225,158	362,637	17,258,046
2009	16,359,906	931,350	290,982	393,395	17,975,633
2010	17,342,710	930,792	235,926	320,187	18,829,615
2011	18,855,703	843,693	229,040	354,258	20,282,694
2012	19,023,278	854,927	218,970	332,325	20,429,500
2013	19,490,169	881,430	322,044	326,905	21,020,548
2014	19,317,768	822,682	385,245	395,233	20,920,928

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**OPERATING EXPENSES**

Last Ten Fiscal Years

Fiscal Year	General & Administrative <sup>(1)</sup>	Finance & Accounting	Customer Service	Engineering	Water Distribution <sup>(2)</sup>	Information Technology	Water Quality
2005	2,120,772	851,808	266,133	782,947	0	457,011	648,929
2006	2,024,689	799,044	290,466	579,537	0	417,376	653,471
2007	2,168,194	780,071	305,187	484,375	0	493,231	661,478
2008	2,564,538	817,450	317,576	478,593	0	540,703	686,389
2009	2,149,756	786,457	331,072	465,117	0	517,798	704,810
2010	2,095,334	831,001	350,214	309,608	245,258	561,268	740,055
2011	2,284,278	882,848	431,190	385,479	322,426	604,205	738,464
2012 (restated)	2,066,149	989,175	367,778	498,373	314,460	656,214	703,536
2013 (restated)	2,732,069	1,010,453	393,419	518,226	265,624	664,554	730,000
2014	2,370,081	1,079,131	381,086	579,381	319,019	683,212	759,464

Fiscal Year	Water Treatment	Water System Maintenance	Depreciation & Amortization	Total Operating Expenses
2005	1,035,643	2,919,663	1,735,678	10,818,584
2006	1,179,651	3,238,153	1,434,798	10,617,185
2007	1,323,379	3,467,588	1,490,121	11,173,624
2008	1,378,908	3,551,980	1,592,910	11,929,047
2009	1,793,749	3,539,849	1,644,871	11,933,479
2010	1,660,728	3,465,778	1,699,282	11,958,526
2011	1,592,493	3,538,455	1,690,839	12,470,677
2012 (restated)	2,386,367	3,846,903	1,802,656	13,631,611
2013 (restated)	2,575,892	3,434,359	1,877,592	14,202,188
2014	2,721,736	3,727,603	2,171,035	14,791,748

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

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**NON-OPERATING REVENUE AND EXPENSES**

Last Ten Fiscal Years

Fiscal Year	PILOT Payments	Interest Expense	Interest Income	Lab Fees & Grants	Other Expense	Other Revenue	Total Non-operating Expenses
2005	1,517,333	2,006,443	(206,812)	(210,454)	42,511	(105,640)	3,043,381
2006	1,474,939	2,016,393	(342,640)	(194,112)	47,980	(204,185)	2,798,375
2007	1,446,289	1,858,641	(755,746)	(410,071)	48,711	(57,566)	2,130,258
2008	1,599,086	2,332,711	(1,085,977)	(254,178)	46,951	(58,314)	2,580,279
2009	1,553,163	2,380,045	(451,057)	(144,185)	627,332	(58,301)	3,906,997
2010	1,510,885	2,875,515	(411,998)	(143,174)	599,615	(250,530)	4,180,314
2011	1,471,913	2,965,973	(286,169)	(63,090)	466,665	(19,085)	4,536,207
2012 (restated)	1,445,725	2,518,531	(225,341)	(88,214)	547,704	(373,434)	3,824,971
2013	1,556,746	2,714,726	(221,579)	(81,956)	348,025	(126,665)	4,189,297
2014	1,514,359	2,494,143	(218,251)	(68,223)	382,197	(114,700)	3,989,525

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**HISTORICAL COLLECTION RATES**

Last Ten Fiscal Years

FISCAL YEAR ENDING	HISTORICAL COLLECTION RATES		
	TOTAL BILLING	TOTAL RECEIPTS	PERCENT COLLECTED
2014	\$ 20,920,928	\$ 21,219,400	101.43%
2013	\$ 21,020,548	\$ 20,800,008	98.95%
2012	20,429,500	20,142,896	98.60%
2011	20,282,694	20,224,293	99.71%
2010	18,829,615	18,933,230	100.55%
2009	17,975,633	17,494,548	97.32%
2008	17,258,046	17,405,009	100.85%
2007	15,811,154	15,779,921	99.80%
2006	14,034,397	14,323,829	102.06%
2005	12,993,639	13,063,629	100.54%

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

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**WATER PRODUCED AND CONSUMED**

Last Ten Fiscal Years

FISCAL YEAR	WATER PRODUCED <sup>(1)</sup>	WATER CONSUMED <sup>(1)</sup>	UNBILLED POTABLE WATER <sup>(1)</sup>	PERCENT UNBILLED	AVERAGE QUARTERLY CHARGE PER CUSTOMER		AVERAGE ANNUAL CHARGE <sup>(3)</sup>
					MAINTENANCE CHARGE <sup>(2)</sup>	CONSUMPTION CHARGE <sup>(3)</sup> (Per 1,000 gallons)	
2014	985,065,209	470,292,500	514,772,709	52.26%	\$ 27.63	\$ 4.11	\$ 472.28
2013	978,367,814	486,508,454	491,859,360	50.27%	27.13	4.04	463.68
2012	947,768,337	479,638,300	468,130,037	49.39%	26.59	3.96	454.64
2011	850,944,655	488,856,400	362,088,255	42.55%	26.07	3.88	445.72
2010	849,447,431	490,113,900	359,333,531	42.30%	24.36	3.59	413.12
2009	877,841,217	507,776,900	370,064,317	42.16%	22.82	3.32	383.68
2008	926,153,431	529,231,400	396,922,031	42.86%	21.31	3.09	357.12
2007	887,479,597	520,453,200	367,026,397	41.36%	20.00	2.86	331.62
2006	903,145,771	537,603,200	365,542,571	40.47%	16.92	2.50	287.68
2005	944,158,962	536,894,900	407,264,062	43.14%	15.56	2.29	263.76

Note 1: All amounts are stated in cubic feet.

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

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

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**BILLED WATER SALES--BY SERVICE AREA**  
Last Ten Fiscal Years

Service Area	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005
City of Utica	\$ 9,666,555	\$ 9,772,778	\$ 9,601,733	\$ 9,491,800	\$ 8,674,450	\$ 8,405,598	\$ 7,874,046	\$ 7,154,097	\$ 6,232,632	\$ 5,880,986
Town of Deerfield	450,919	459,658	441,120	442,616	412,550	373,926	375,912	348,161	324,079	273,903
Town of Frankfort	229,676	218,864	225,150	235,868	197,958	192,589	181,810	158,175	138,016	121,729
Town of Kirkland	398,844	391,958	391,233	394,992	333,233	277,295	304,451	254,055	223,909	201,803
Town of Marcy	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	809,029
Town of New Hartford	2,846,363	2,858,406	2,778,467	2,737,046	2,535,455	2,290,200	2,241,366	2,017,970	1,779,129	1,575,660
Town of Schuyler	238,010	240,045	235,977	234,744	207,957	182,223	180,248	157,752	136,700	130,480
Town of Trenton	160,351	157,268	153,345	158,271	147,261	129,252	147,869	137,149	118,854	94,551
Town of Westmoreland	26,358	26,406	24,701	24,737	19,114	26,650	48,741	35,833	29,125	25,707
Town of Whitestown	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	736,040
Village of Holland Patent	63,888	64,654	65,434	69,444	61,136	54,528	53,479	51,423	43,494	42,761
Village of New Hartford	358,614	383,285	365,062	372,572	342,600	369,877	319,306	295,676	271,300	230,202
Village of New York Mills	542,128	545,783	546,276	522,088	501,834	446,174	431,785	407,752	360,102	329,337
Village of Oriskany	306,058	303,990	284,571	283,234	263,944	250,719	249,587	232,724	209,871	210,833
Village of Stittville	55,006	52,454	51,134	50,735	47,371	42,946	43,152	39,032	34,121	32,376
Village of Washington Mills	314,756	317,880	323,604	316,438	284,735	271,939	262,953	243,980	208,207	186,003
Village of Whitesboro	551,644	552,657	546,267	531,738	510,279	472,353	452,620	430,094	373,703	359,246
Village of Yorkville	415,240	418,609	410,155	402,081	368,556	336,155	339,605	319,376	276,483	251,829
<b>TOTAL</b>	<b>\$ 19,317,768</b>	<b>\$ 19,490,169</b>	<b>\$ 19,023,278</b>	<b>\$ 18,855,703</b>	<b>\$ 17,342,710</b>	<b>\$ 16,359,906</b>	<b>\$ 15,721,213</b>	<b>\$ 14,298,975</b>	<b>\$ 12,521,307</b>	<b>\$ 11,492,475</b>

SOURCE: FINANCE & ACCOUNTING

**NUMBER OF WATER CUSTOMERS—BY TYPE**

Last Ten Fiscal Years

<b>FISCAL YEARS</b>	<b>RESIDENTIAL WATER CUSTOMERS <sup>(1)</sup></b>	<b>COMMERCIAL/ GOVERNMENTAL WATER CUSTOMERS <sup>(1), (2)</sup></b>	<b>TOTAL CUSTOMERS</b>
2014	35,593	3,324	38,917
2013	35,500	3,309	38,809
2012	35,558	3,311	38,869
2011	35,585	3,348	38,933
2010	35,602	3,352	38,954
2009	35,628	3,332	38,960
2008	35,633	3,311	38,944
2007	35,589	3,288	38,877
2006	35,299	3,291	38,590
2005	35,222	3,226	38,448

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

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

SOURCE: FINANCE & ACCOUNTING

**QUARTERLY BILLED WATER RATES**

Last Ten Fiscal Years

Water Rates ( Per 1,000 cubic feet )

<b>TIERS</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Block I</b>	\$ 30.16	\$ 29.60	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11	\$ 17.57
<b>Block II</b>	29.55	29.00	28.44	27.89	25.73	23.91	22.18	20.14	17.53	16.12
<b>Block III</b>	29.25	28.71	28.15	27.61	25.58	23.66	22.45	19.63	16.79	15.44
<b>Block IV</b>	19.90	19.53	19.15	18.79	16.32	15.30	14.18	13.49	11.75	10.80
<b>Block V</b>	-	-	-	-	-	-	-	10.43	8.52	7.84

**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**

<b>METER SIZE</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>5/8 inch</b>	\$ 27.63	\$ 27.13	\$ 26.59	\$ 26.07	\$ 24.36	\$ 22.82	\$ 21.31	\$ 20.00	\$ 16.92	\$ 15.56
<b>3/4 inch</b>	30.40	29.84	29.25	28.68	26.79	25.11	23.44	22.00	18.61	17.12
<b>1 inch</b>	69.09	67.82	66.49	65.17	60.90	57.06	53.27	50.00	42.31	38.91
<b>1 1/2 inch</b>	138.18	135.63	132.97	130.35	121.80	114.12	106.55	99.99	84.61	77.81
<b>2 inch</b>	221.10	217.01	212.75	208.55	194.87	182.60	170.48	159.99	135.38	124.50
<b>3 inch</b>	442.19	434.02	425.51	417.11	389.74	365.20	340.95	319.97	270.76	249.01
<b>4 inch</b>	690.92	678.16	664.86	651.73	608.98	570.62	532.74	499.96	423.06	389.07
<b>6 inch</b>	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	778.15
<b>8 inch</b>	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	1,245.04

SOURCE: FINANCE & ACCOUNTING

**MONTHLY BILLED WATER RATES**

Last Ten Fiscal Years

**Water Rates ( Per 1,000 cubic feet )**

<b>TIERS</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Block I</b>	\$ 30.16	\$ 29.60	\$ 29.02	\$ 28.46	\$ 26.41	\$ 24.32	\$ 22.70	\$ 21.83	\$ 19.11	\$ 17.57
<b>Block II</b>	29.55	29.00	28.44	27.89	25.73	23.91	22.18	20.14	17.53	16.12
<b>Block III</b>	29.25	28.71	28.15	27.61	25.58	23.66	22.45	19.63	16.79	15.44
<b>Block IV</b>	19.90	19.53	19.15	18.79	16.32	15.30	14.18	13.49	11.75	10.80
<b>Block V</b>	-	-	-	-	-	-	-	10.43	8.52	7.84

**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**

<b>METER SIZE</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>5/8 inch</b>	\$ 9.21	\$ 9.04	\$ 8.86	\$ 8.69	\$ 8.12	\$ 7.61	\$ 7.10	\$ 6.67	\$ 5.64	\$ 5.19
<b>3/4 inch</b>	10.13	9.95	9.75	9.56	8.93	8.37	7.81	7.33	6.20	5.71
<b>1 inch</b>	23.03	22.61	22.16	21.72	20.30	19.02	17.76	16.67	14.10	12.97
<b>1 1/2 inch</b>	46.06	45.21	44.32	43.45	40.60	38.04	35.52	33.33	28.20	25.94
<b>2 inch</b>	73.70	72.34	70.92	69.52	64.96	60.87	56.83	53.33	45.13	41.50
<b>3 inch</b>	147.40	144.67	141.84	139.04	129.91	121.73	113.65	106.66	90.25	83.00
<b>4 inch</b>	230.31	226.05	221.62	217.24	202.99	190.21	177.58	166.65	141.02	129.69
<b>6 inch</b>	460.62	452.10	443.24	434.49	405.98	380.42	355.16	333.31	282.04	259.38
<b>8 inch</b>	736.99	723.37	709.18	695.18	649.57	608.67	568.25	533.29	451.27	415.01

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**LARGEST CUSTOMERS**

Fiscal Year 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
<b>TOTALS</b>		<b>104,688,600</b>	<b>\$ 2,256,321</b>
% 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
<b>TOTALS</b>		<b>11,411,000</b>	<b>\$ 342,443</b>
% of Quarterly Consumption / Revenue		4.57%	2.82%
% of Total Consumption / Revenue		2.43%	1.77%

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 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
<b>TOTALS</b>		<b>103,546,700</b>	<b>\$ 2,207,877</b>
% 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
<b>TOTALS</b>		<b>12,584,400</b>	<b>\$ 343,691</b>
% of Quarterly Consumption / Revenue		4.05%	2.32%
% of Total Consumption / Revenue		2.59%	1.76%

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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
<b>TOTALS</b>		<b>102,417,400</b>	<b>\$ 2,228,010</b>
%			
% 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
<b>TOTALS</b>		<b>12,533,600</b>	<b>\$ 332,727</b>
%			
% 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	Grammy'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
<b>TOTALS</b>		<b>100,336,500</b>	<b>2,059,961</b>	<b>TOTALS</b>		<b>13,937,800</b>	<b>350,015</b>
% 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

**MOHAWK VALLEY WATER AUTHORITY**

**LARGEST CUSTOMERS**

Fiscal Year 2010

Usage Rank	Monthly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	16,755,500	284,930
2	Midstate Correctional Facility	13,470,500	222,986
3	St. Lukes Hospital	9,814,000	161,377
4	Marcy Correctional Facility	9,170,000	155,151
5	Municipal Housing - Armory & Tilden	7,940,800	143,802
6	Matt Brewing Company, Inc.	7,740,100	138,910
7	Hamilton College	6,386,500	109,481
8	Masonic Home	3,500,900	79,579
9	Utica College of SU	3,449,300	67,688
10	Granny's Kitchen	2,982,600	53,539
11	Special Metals	2,758,100	50,668
12	Utica Zoo <sup>(1)</sup>	2,449,000	-
13	Mohawk Valley Community College	2,447,300	57,353
14	Municipal Housing - Gilmore Village	2,298,900	42,771
15	Tri State Industrial Laundries	2,251,100	42,769
16	Marcy Psychiatric Center	2,243,400	51,694
17	Tect Utica Corporation	2,114,200	40,731
18	Con Med Corporation	2,018,300	51,726
19	Faxton Hospital	1,985,100	44,324
20	Heritage Home	1,398,600	28,843
<b>TOTALS</b>		<b>103,174,200</b>	<b>1,828,322</b>
% of Monthly Consumption / Revenue		58.75%	44.55%
% of Total Consumption / Revenue		21.01%	10.54%

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

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

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**SCHEDULE OF DEBT SERVICE**

Year	2000 SERIES Partially Refunded		2001 SERIES A Administrative			2001 SERIES B Administrative		
	Principal	Interest	Principal	Interest	Subsidy	Principal	Interest	Subsidy
2015	0	0	1,475,000	566,896	(329,034)	130,000	81,522	(47,456)
2016	0	0	1,520,000	497,129	(278,600)	135,000	75,222	(42,448)
2017	0	0	1,570,000	423,713	(230,232)	140,000	68,553	(37,379)
2018	0	0	1,630,000	346,940	(182,621)	145,000	61,536	(32,319)
2019	0	0	1,685,000	266,255	(136,048)	150,000	54,176	(27,334)
2020	0	0	1,745,000	181,499	(90,024)	160,000	46,325	(22,324)
2021	0	0	1,810,000	92,852	(44,827)	165,000	37,990	(17,263)
2022	628,026	1,376,974				170,000	29,357	(12,240)
2023	658,318	1,571,682				470,000	12,493	(4,661)
2024	620,319	1,609,681						
2025	584,416	1,645,584						
2026	550,476	1,679,525						
2027	518,408	1,711,592						
2028	487,008	1,737,992						
2029	113,630	436,370						
2030	96,263	398,737						
2031	256,856	1,143,044						
2032								
2033								
2034								
2035								
2036								
2037								
	<u>\$ 4,513,720</u>	<u>\$ 13,311,181</u>	<u>\$ 11,435,000</u>	<u>\$ 2,375,284</u>	<u>\$ (1,291,386)</u>	<u>\$ 1,665,000</u>	<u>\$ 467,174</u>	<u>\$ (243,424)</u>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**SCHEDULE OF DEBT SERVICE**

<u>Year</u>	<b>2006 SERIES A</b>		<b>2008 SERIES A</b>		<b>2012 SERIES A</b>		<u>TOTAL</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	755,000	754,000	305,000	687,750	285,000	547,706	5,211,384
2016	790,000	715,375	325,000	672,000	435,000	536,906	5,380,584
2017	830,000	674,875	345,000	655,250	600,000	521,381	5,561,161
2018	870,000	632,375	360,000	637,625	620,000	503,081	5,591,617
2019	910,000	587,875	385,000	619,000	640,000	480,981	5,614,905
2020	955,000	546,025	400,000	596,875	660,000	454,981	5,633,357
2021	990,000	507,125	425,000	571,094	695,000	427,881	5,659,852
2022	600,000	475,325	765,000	533,906	720,000	399,581	5,685,930
2023	620,000	450,538	290,000	500,938	750,000	370,181	5,689,489
2024	650,000	423,938	800,000	466,875	785,000	342,425	5,698,238
2025	675,000	395,781	855,000	415,156	805,000	316,588	5,692,525
2026	715,000	366,244	900,000	360,313	830,000	290,019	5,691,576
2027	740,000	335,325	960,000	302,188	865,000	262,475	5,694,988
2028	770,000	303,237	1,030,000	240,000	890,000	233,956	5,692,193
2029	805,000	269,769	2,825,000	119,531	920,000	202,819	5,692,119
2030	840,000	234,812	500,000	15,625	955,000	168,834	3,209,271
2031	640,000	203,362			990,000	133,581	3,366,843
2032	670,000	175,525			1,025,000	97,059	1,967,584
2033	695,000	146,519			1,060,000	59,269	1,960,788
2034	725,000	116,344			1,105,000	20,028	1,966,372
2035	760,000	84,787					844,787
2036	790,000	51,850					841,850
2037	825,000	17,531					842,531
	<u>\$ 17,620,000</u>	<u>\$ 8,468,537</u>	<u>\$ 11,470,000</u>	<u>\$ 7,394,125</u>	<u>\$ 15,635,000</u>	<u>\$ 6,369,735</u>	<u>\$ 99,189,946</u>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**DEBT SERVICE COVERAGE**

Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	(restated) <u>2013</u>	<u>2014</u>
<b>REVENUE</b>										
Operating Revenue	\$ 12,993,639	\$ 14,034,397	\$ 15,811,154	\$ 17,258,046	\$ 17,975,633	\$ 18,829,615	\$ 20,282,694	\$ 20,429,500	\$ 21,020,548	\$ 20,920,928
Non-Operating Revenue	522,906	740,937	1,223,386	1,398,469	641,607	845,027	395,607	713,758	437,485	352,913
	13,516,545	14,775,334	17,034,540	18,656,515	18,617,240	19,674,642	20,678,301	21,143,258	21,458,033	21,273,841
<b>EXPENSES</b>										
Operating Expenses less depreciation, amortization, bad debts and expenses paid from bond proceeds	7,989,381	8,376,422	9,569,948	10,143,320	10,476,462	10,183,806	10,700,798	11,481,713	12,159,428	12,482,859
Non-Operating Expenses	42,511	47,980	48,711	46,951	58,103	39,326	27,263	26,769	25,102	27,480
	8,031,892	8,424,402	9,618,659	10,190,271	10,534,565	10,223,132	10,728,061	11,508,482	12,184,530	12,510,339
Net Revenue, before PILOTS and Promissory Note	5,484,653	6,350,932	7,415,881	8,466,244	8,082,675	9,451,510	9,950,240	9,634,776	9,273,503	8,763,501
PILOTS	1,517,333	1,474,939	1,446,289	1,599,086	1,553,163	1,510,885	1,471,913	1,445,725	1,556,746	1,514,359
Promissory Note, Net	380,715	380,715	380,715	480,715	480,715	480,715	480,715	480,715	480,722	480,710
	1,898,048	1,855,654	1,827,004	2,079,801	2,033,878	1,991,600	1,952,628	1,926,440	2,037,468	1,995,069
Net Revenue	\$ 3,586,605	\$ 4,495,278	\$ 5,588,877	\$ 6,386,443	\$ 6,048,797	\$ 7,459,910	\$ 7,997,612	\$ 7,708,336	\$ 7,236,035	\$ 6,768,432
Debt Service	\$ 3,121,125	\$ 3,262,411	\$ 3,449,670	\$ 4,248,694	\$ 4,296,845	\$ 4,951,060	\$ 5,112,362	\$ 4,854,129	\$ 5,153,060	\$ 5,207,112
Debt Service Coverage	1.15	1.38	1.62	1.50	1.41	1.51	1.56	1.59	1.40	1.30
Debt Service Requirement	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

**Required Debt Service Coverage—1.15.**

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

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**CENSUS DATA-BY SERVICE AREA**

As of Fiscal year 2014

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

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**CENSUS DATA—LARGEST AREA EMPLOYERS**

Fiscal Year 2014

	<b>Business</b>	<b>Industry</b>	<b>No. of Full Time Mohawk Valley Employees</b>	<b>Percentage of County Employment</b>
1	Mohawk Valley Health Systems	Health care	4,200	3.71%
2	Oneida Indian Nation Enterprises	Resort and casino	3,000	8.33% *
3	Resource Center for Independent Living	Independent living facility	1,935	1.71%
4	Remington Arms	Gun manufacturer	1,403	4.44% **
5	Upstate Cerebral Palsy	Human Services / Education	922	0.82%
6	BNY Mellon Bank	Bank Office	900	0.80%
7	Masonic Care Community of New York	Nursing Home & Research	850	0.75%
8	Rome Memorial Hospital	Medical Facility	800	0.71%
9	Mohawk Valley Community College	Educational institution	733	0.65%
10	Hamilton College	Educational Institution	646	0.57%
11	ARC Oneida-Lewis Chapter	Services	565	0.50%
12	Carbone Auto Group	Automobile Retailer	520	0.46%
13	Presbyterian Home Services	Health care	498	0.44%
14	Lutheran Care	Health care	410	0.36%
15	Utica College	Educational institution	401	0.35%
16	Indium Corporation	Manufacturer / Supplier	388	0.34%
17	Excellus BC / BS - Utica Region	Health insurance provider	385	0.34%
18	Inc.)	Manufacturer / Supplier	360	0.32%
19	PAR Technology	Consultant - hospitality industry	350	0.31%
20	Charles T. Sitrin Health Care Center, Inc.	Health care	347	0.31%

\*--Madison County

\*\*--Herkimer County

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

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

**MOHAWK VALLEY WATER AUTHORITY**

**STATISTICAL SUMMARY AND FLASH REPORT**

Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Estimated Population Served	130,000	130,000	130,000	126,000	120,000	120,000	120,000	120,000	120,000	120,000
Employees Headcount	97	97	97	100	93	94	96	95	97	97
Billed Consumption ( in million gallons )	3,518	3,639	3,588	3,657	3,666	3,798	3,959	3,893	4,039	4,016
Average Daily Consumption ( in million gallons )	10.0	10.0	10.0	10.0	10.0	10.4	10.8	10.7	11.1	11.0
Average Daily Peak Consumption ( in million gallons )	11	12	12	11	11	12	12	12	13	13
Average Daily Consumption per Person ( in gallons )	74	77	75	80	84	87	90	89	92	107
<b>Operating Information</b>										
Treatment Plant Capacity in MGD <sup>(2)</sup>	32	32	32	32	32	32	32	32	32	32
Treated Water Tanks and Reservoir Capacity in Million Gallons <sup>(4)</sup>	451.0	451.0	444.0	432.0	432.0	422.0	422.0	422.0	422.0	422.0
Supply Mains in Miles <sup>(1)</sup>	107	107	107	107	107	107	107	107	107	107
Transmission & Distribution Mains in Miles <sup>(1)</sup>	603	603	602	602	598	598	660	648	701	701
Active Taps-End of Year <sup>(1)</sup>	37,468	37,447	37,470	38,433	38,406	38,375	38,334	38,280	38,159	38,013
Fire Hydrants Operated & Maintained <sup>(1)</sup>	4,156	4,128	4,119	4,115	4,100	4,094	4,063	4,039	3,945	3,895
<b>Financial Information</b>										
Gross Property, Plant & Equipment <sup>(3)</sup>	\$ 102.0	\$ 96.8	\$ 91.9	\$ 89.0	\$ 82.5	\$ 75.9	\$ 71.3	\$ 60.5	\$ 55.9	\$ 54.8
Net Property, Plant & Equipment after depreciation <sup>(3)</sup>	\$ 81.7	\$ 78.5	\$ 75.3	\$ 73.9	\$ 68.9	\$ 63.6	\$ 60.4	\$ 50.9	\$ 47.5	\$ 47.9
Additions to Property, Plant & Equipment <sup>(3)</sup>	\$ 5.2	\$ 4.9	\$ 3.0	\$ 12.2	\$ 7.0	\$ 5.3	\$ 10.7	\$ 4.7	\$ 1.1	\$ 2.3
Restricted Assets <sup>(3)</sup>	\$ 18.7	\$ 21.0	\$ 14.0	\$ 17.5	\$ 22.8	\$ 27.7	\$ 17.0	\$ 25.4	\$ 11.6	\$ 12.9
Total Long-Term Debt <sup>(3)</sup>	\$ 65.5	\$ 68.5	\$ 62.4	\$ 56.7	\$ 59.1	\$ 61.3	\$ 51.7	\$ 53.8	\$ 41.5	\$ 43.0
Rate Increases	1.90%	2.00%	2.00%	7.90%	5.60%	7.10%	8.30%	13.50%	8.74%	5.00%
Operating Revenues <sup>(3)</sup>	\$ 20.9	\$ 21.0	\$ 20.4	\$ 20.3	\$ 18.8	\$ 18.0	\$ 17.3	\$ 15.8	\$ 14.0	\$ 13.0
Operating Expenses <sup>(3)</sup>	\$ 14.8	\$ 14.2	\$ 13.6	\$ 12.5	\$ 12.0	\$ 11.9	\$ 11.9	\$ 11.2	\$ 10.6	\$ 10.7
Operating Income <sup>(3)</sup>	\$ 6.2	\$ 6.8	\$ 6.8	\$ 7.8	\$ 6.8	\$ 6.1	\$ 5.4	\$ 4.6	\$ 3.4	\$ 2.2
Debt Service & Promissory Note <sup>(3)</sup>	\$ 5.7	\$ 5.6	\$ 5.3	\$ 5.6	\$ 5.4	\$ 5.7	\$ 4.7	\$ 2.2	\$ 1.7	\$ 2.0
Amortization & Depreciation Expense <sup>(3)</sup>	\$ 2.2	\$ 1.9	\$ 1.8	\$ 1.7	\$ 1.7	\$ 1.6	\$ 1.6	\$ 1.5	\$ 1.4	\$ 1.5
Net Increase (Decrease) In Net Position <sup>(3)</sup>	\$ 2.7	\$ 2.6	\$ 3.0	\$ 3.3	\$ 2.7	\$ 3.9	\$ 3.6	\$ 5.3	\$ 0.7	\$ 0.3

(1) Estimates

(2) MGD = Million Gallons per Day

(3) In Millions of Dollars

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

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**WATER PRODUCTION**

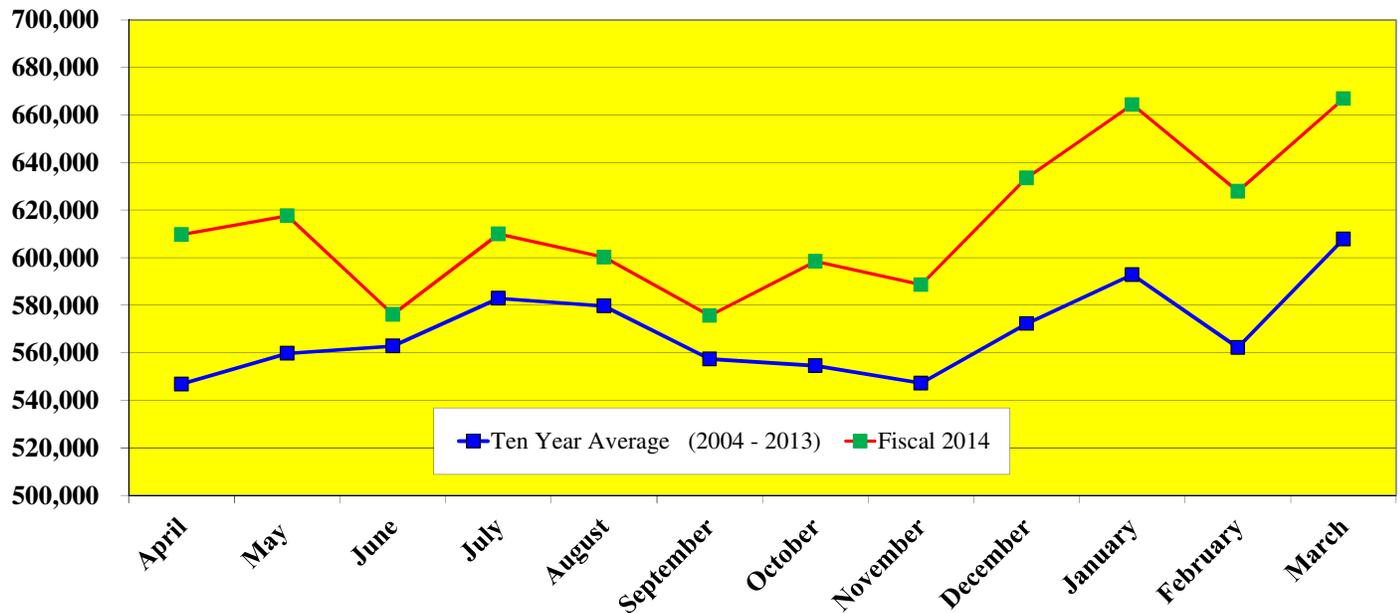
Last Ten Fiscal Years

PER 1,000 GALLONS

	<b>Fiscal 2014</b>	<b>Ten Year Average (2004 - 2013)</b>
April	609,700	546,830
May	617,600	559,750
June	576,100	562,790
July	609,900	582,850
August	600,200	579,650
September	575,600	557,360
October	598,400	554,510
November	588,600	547,220
December	633,500	572,260
January	664,400	592,800
February	627,900	562,150
March	666,900	607,790
<b>Total</b>	<b>7,368,800</b>	<b>6,825,960</b>

PER 1,000 GALLONS

**MONTHLY WATER PRODUCTION**



SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

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

Service Area	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
City of Utica	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	277,776,100
Town of Deerfield	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	9,682,500
Town of Frankfort	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	6,297,600
Town of Kirkland	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	12,671,200
Town of Marcy	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	50,147,100
Town of New Hartford	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	69,291,000
Town of Schuylar	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	5,646,600
Town of Trenton	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	7,123,600
Town of Westmoreland	893,800	920,100	857,600	884,900	982,500	1,289,300	2,267,900	2,304,400	2,067,900	1,969,100
Town of Whitestown	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	33,489,200
Village of Holland Patent	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	1,617,500
Village of New Hartford	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	8,876,500
Village of New York Mills	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	12,247,700
Village of Oriskany	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	7,517,200
Village of Stittville	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	1,243,900
Village of Washington Mills	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	7,571,900
Village of Whitesboro	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	14,205,700
Village of Yorkville	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	9,520,500
<b>TOTAL</b>	<b>470,292,500</b>	<b>486,508,454</b>	<b>479,638,300</b>	<b>488,856,400</b>	<b>490,113,900</b>	<b>507,776,900</b>	<b>529,231,400</b>	<b>520,453,200</b>	<b>537,603,200</b>	<b>536,894,900</b>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**ANNUAL CONSUMPTION (IN CUBIC FEET) – BY MONTH**

Last Ten Fiscal Years

<b>Month</b>	<b>Fiscal 2014</b>	<b>Fiscal 2013</b>	<b>Fiscal 2012</b>	<b>Fiscal 2011</b>	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>	<b>Fiscal 2006</b>	<b>Fiscal 2005</b>
<b>April</b>	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	43,687,400
<b>May</b>	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	43,373,200
<b>June</b>	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	43,243,100
<b>July</b>	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	47,603,800
<b>August</b>	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	46,987,300
<b>September</b>	41,190,400	47,271,000	46,256,500	45,006,600	44,157,100	44,308,900	49,035,000	48,171,400	50,746,100	44,923,300
<b>October</b>	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	52,994,200
<b>November</b>	40,229,200	42,414,400	39,872,500	40,785,000	43,014,600	46,569,200	45,322,800	47,244,100	47,312,700	42,424,700
<b>December</b>	36,071,300	36,414,900	37,194,100	38,061,600	35,274,800	38,266,600	39,672,900	40,571,400	40,893,800	42,679,600
<b>January</b>	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
<b>February</b>	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
<b>March</b>	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
<b>TOTAL</b>	<b>470,292,500</b>	<b>486,508,454</b>	<b>479,638,300</b>	<b>488,856,400</b>	<b>490,113,900</b>	<b>507,776,900</b>	<b>529,231,400</b>	<b>520,453,200</b>	<b>537,603,200</b>	<b>536,894,900</b>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**ACTIVE METERS – BY SIZE**

Last Ten Fiscal Years

<b>METER SIZE</b>	<b>Fiscal 2014</b>	<b>Fiscal 2013</b>	<b>Fiscal 2012</b>	<b>Fiscal 2011</b>	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>	<b>Fiscal 2008</b>	<b>Fiscal 2007</b>	<b>Fiscal 2006</b>	<b>Fiscal 2005</b>
5/8"	36,616	36,504	36,558	36,613	36,641	36,645	36,640	36,605	36,310	36,196
3/4"	564	559	563	568	570	568	558	551	559	553
1"	509	512	514	526	523	517	520	514	513	509
1 1/4"	-	-	-	-	-	-	-	-	-	-
1 1/2"	244	239	241	236	232	232	227	227	226	227
2"	218	222	224	221	224	230	231	231	242	245
3"	60	60	61	59	56	56	58	57	59	62
4"	55	56	56	59	60	63	66	63	63	64
6"	22	23	23	22	22	23	25	24	25	27
8"	1	1	1	1	1	1	1	1	-	1
<b>Combined</b>	55	54	50	51	48	48	51	52	49	43
<b>Fire</b>	573	575	578	577	577	577	567	552	544	521
<b>TOTAL</b>	<b>38,917</b>	<b>38,805</b>	<b>38,869</b>	<b>38,933</b>	<b>38,954</b>	<b>38,960</b>	<b>38,944</b>	<b>38,877</b>	<b>38,590</b>	<b>38,448</b>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**ACTIVE METERS – BY LOCATION**  
Last Ten Fiscal Years

SERVICE AREA	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
City of Utica	19,024	18,991	19,132	19,167	19,213	19,275	19,346	19,422	19,367	19,398
Town of Deerfield	1,277	1,269	1,259	1,258	1,251	1,252	1,233	1,225	1,211	1,187
Town of Frankfort	286	284	285	285	286	286	287	286	283	284
Town of Kirkland	486	482	479	481	482	481	481	481	472	471
Town of Marcy	2,126	2,108	2,092	2,099	2,072	2,052	2,033	2,004	1,989	1,953
Town of New Hartford	5,563	5,548	5,534	5,514	5,521	5,506	5,474	5,437	5,355	5,317
Town of Schuyler	379	375	375	378	377	376	371	360	357	351
Town of Trenton	260	261	253	253	258	252	251	244	204	201
Town of Westmoreland	1	1	1	1	1	1	1	1	1	1
Town of Whitestown	3,059	3,045	3,024	3,018	3,013	2,999	2,999	2,969	2,948	2,906
Village of Holland Patent	177	177	174	181	182	181	181	181	180	179
Village of New Hartford	789	787	785	786	787	786	785	791	790	788
Village of New York Mills	1,301	1,296	1,285	1,293	1,293	1,300	1,303	1,293	1,286	1,288
Village of Oriskany	667	672	667	668	668	663	660	660	662	646
Village of Stittville	148	147	155	159	154	155	151	151	151	150
Village of Washington Mills	798	794	801	807	805	804	801	782	742	737
Village of Whitesboro	1,482	1,478	1,474	1,485	1,490	1,493	1,488	1,486	1,490	1,492
Village of Yorkville	1,094	1,090	1,094	1,100	1,101	1,098	1,099	1,104	1,102	1,099
<b>TOTAL</b>	<b>38,917</b>	<b>38,805</b>	<b>38,869</b>	<b>38,933</b>	<b>38,954</b>	<b>38,960</b>	<b>38,944</b>	<b>38,877</b>	<b>38,590</b>	<b>38,448</b>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**ANNUAL METER INSTALLATION – BY SERVICE AREA**  
Last Ten Fiscal Years

SERVICE AREA	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
City of Utica	1,177	2,650	1,428	1,600	1,920	1,811	1,756	1,174	1,455	1,742
Town of Deerfield	206	97	72	107	126	85	111	69	94	91
Town of Frankfort	13	60	20	47	28	30	20	12	15	20
Town of Kirkland	9	49	49	19	13	14	18	29	20	25
Town of Marcy	298	119	145	242	195	126	262	122	151	115
Town of New Hartford	140	693	497	846	537	308	516	381	359	452
Town of Schuyler	16	101	25	23	48	37	36	21	33	28
Town of Trenton	44	11	20	10	13	35	31	55	14	14
Town of Westmoreland	-	-	-	-	1	-	-	-	-	-
Town of Whitestown	229	416	351	294	239	265	233	152	193	238
Village of Holland Patent	13	2	3	11	26	80	17	9	11	20
Village of New Hartford	9	8	64	131	57	49	68	38	51	84
Village of New York Mills	19	292	90	233	144	71	135	100	62	72
Village of Oriskany	40	133	84	44	75	46	61	46	53	45
Village of Stittville	61	4	11	43	15	13	47	65	14	19
Village of Washington Mills	12	118	30	37	232	174	88	56	37	43
Village of Whitesboro	46	386	77	147	138	100	116	92	112	155
Village of Yorkville	14	261	71	175	74	59	93	57	65	125
<b>TOTAL</b>	<b>2,346</b>	<b>5,400</b>	<b>3,037</b>	<b>4,009</b>	<b>3,881</b>	<b>3,303</b>	<b>3,608</b>	<b>2,478</b>	<b>2,739</b>	<b>3,288</b>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**CAPITAL PROJECT ACTIVITY**

For Fiscal Year 2014

CAPITAL PROJECT	LOCATION	PROJECT NO.	MARCH 31, 2013	ADDITIONS	SUBTRACTIONS	MARCH 31, 2014
New Tank--Pre-Design	Airport Industrial Park	03-32-A	\$ 85,395	\$ 0	\$ 0	\$ 85,395
Airport Tank & Mains	Oriskany Airport Park	05-02-A	437,083	25,760	0	462,842
Emergency Generator	Administrative Offices	05-09-A	10,945	0	0	10,945
SCADA System	System Wide	05-21-A	152,864	11,655	0	164,519
Water Quality Improvement	System Wide	07-05-A	363,672	10,859	0	374,531
Canal Crossing	Marcy	07-13-B	998,592	1	0	998,593
Safety/Security	System Wide	07-17-A	0	0	0	0
Security Surveillance	System Wide	07-18-A	25,041	0	0	25,041
Third Water Intake Line	Water Treatment Plant	07-21-A	24,377	0	0	24,377
Main Replacement	Scott Street, Utica	09-05-A	2,423	0	2,423	0
Pump Station Improvements	System Wide	10-06-B	136,821	2,525	0	139,346
Security Fencing	System Wide	11-06-A	19,475	0	0	19,475
Storage Building	Kemble Street Maintenance Yard	11-07-A	6,103	0	0	6,103
Health & Safety Improvements	System Wide	11-09-B	2,457	9,870	0	12,327
Transition Main Improvements	System Wide	11-13-B	11,826	0	0	11,826
Clarifier Screen Repairs	Water Treatment Plant	11-14-B	54,556	176,784	231,340	0
Main Replacement	Andes Ave	12-01-A	100,217	0	100,217	0
Main Replacement	Faas Avenue	12-02-A	84,671	0	84,671	0
Main Replacement	Kernan Ave., Utica	12-03-A	66,674	0	66,674	0
Main Replacement	Winner Ave., Utica	12-04-A	50,981	0	50,981	0
Meter Station Upgrades	Yorkville	12-05-A	43,593	0	43,593	0
Water Tank	Southern Reservoir--Low Zone	12-07-A	2,624,076	1,795,661	0	4,419,738
Main Replacement	Mathews Ave	12-10-A	16,868	0	16,868	0
Fence & Gates	Pleasant Street	12-11-A	32,588	0	32,588	0
Valve Installation	Erie Street	12-12-A	37,856	0	0	37,856
Facility Evaluation	Water Treatment Plant	13-02-A	79,664	4,426	84,090	0
Roof Replacement	Oneida Street Pump Station	13-03-A	16,447	59,377	0	75,824
Roof Replacement	Hinman Road Pump Station	13-03-C	9,723	83,835	0	93,558
Fence & Gates	System Wide	13-04-A	8,462	0	0	8,462
Main Replacement	Memorial Drive, Utica	13-05-A	31,379	0	0	31,379
Facility Upgrades	Kemble Street Maintenance Yard	13-05-B	11,392	297,636	0	309,028
Tank Repairs	Holland Patent	13-08-B	5,048	2,895	0	7,943
Arterial Highway Betterments	Arterial/ Route 12, City of Utica	13-09-A	0	51,245	0	51,245
Automated Meter Infrastructure	System Wide	13-10-A	722,629	1,462,052	0	2,184,681
Main Replacement	Thomas Street, Utica	13-11-A	0	110,583	0	110,583
Main Replacement	Dawes Avenue, Utica	14-02-A	0	115,337	0	115,337
Water System Capacity Plan	System Wide	14-03-A	0	38,547	0	38,547
Main Replacement	Park Place, Holland Patent	14-05-A	0	31,744	0	31,744
Total Construction In Progress			\$ 6,273,896	\$ 4,290,794	\$ 713,442	\$ 9,851,248

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**STAFFING STATISTICS**

Last Ten Fiscal Years

	MARCH <sup>31st</sup>									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>ADMINISTRATION:</b>										
Executive Director	1	1	1	1	1	1	1	1	1	1
Comptroller / Deputy Comptroller	2	2	2	2	2	1	1	1	1	1
Internal Auditor	1	1	1	1	1	1	1	1	1	1
Personnel Director	1	1	1	1	1	1	1	1	1	1
Customer Service	6	6	6	6	6	6	6	6	6	6
Meter Reading	6	6	6	6	6	6	6	5	6	6
Information Technology	5	5	5	5	5	5	5	5	5	5
Accounting/Billing	3	3	3	4	4	5	4	4	4	4
Public Relations	-	-	-	-	-	-	-	-	1	1
Administrative Support Staff	1	1	1	1	1	1	1	1	1	1
ADMINISTRATION - SUBTOTAL	26	26	26	27	27	27	26	25	27	27
<b>SYSTEM MAINTENANCE:</b>										
Water System Maintenance	36	36	37	38	36	36	36	36	36	36
Meter Service Shop	5	5	5	4	5	5	5	5	5	5
Engineering	7	7	6	5	6	10	10	10	10	10
Capital Projects	-	-	-	2	2	-	-	-	-	-
Water Distribution	5	5	4	4	4	-	-	-	-	-
Water Treatment	8	8	9	9	9	9	9	9	9	9
Lab Operations and System Monitoring	8	8	8	8	7	7	7	7	7	7
Maintenance Support Staff	2	2	2	3	3	3	3	3	3	3
SYSTEM MAINTENANCE - SUBTOTAL	71	71	71	73	72	70	70	70	70	70
<b>TOTAL EMPLOYEES</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>100</b>	<b>99</b>	<b>97</b>	<b>96</b>	<b>95</b>	<b>97</b>	<b>97</b>

SOURCE: FINANCE & ACCOUNTING

**MOHAWK VALLEY WATER AUTHORITY**

**OPERATING CAPACITY**

Last Ten Fiscal Years

	MARCH <sup>31ST</sup>									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Water Capacity :</b>										
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 )	401 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	43.5 MG	31 MG	31 MG	21 MG	21 MG	21 MG	21 MG	21 MG
<b>Facilities :</b>										
Transmission Mains	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	42.5 Miles
Distribution Mains	560 Miles	560 Miles	558.9 Miles	558.9 Miles	554.5 Miles	554.5 Miles	617 Miles	606 Miles	658 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	21	21	21	21	21	22	21	19	20
Pressure Regulators	135	129	129	126	123	123	123	105	92	50
Altitude Valves	19	19	19	19	19	19	19	18	27	27
Meter Stations	14	14	14	14	14	14	14	14	13	13
Storage Tanks ( Active )	28	28	28	25	25	25	24	23	27	27
Pump Control Valves	5	5	5	5	5	5	5	5	4	5
Other Facilities <sup>(1)</sup>	24	24	24	24	22	22	21	14	14	15

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

SOURCE: FINANCE & ACCOUNTING

## SCHEDULE OF INSURANCE IN FORCE

For Fiscal Year Ended March 31, 2014

TYPE	PREMIUM	CONTRACTS	COVERAGE
<b>I. Property &amp; Liability Protection</b>			
General Liability	\$58,628	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2014 - 01/01/2015	Operations of Water Authority-Govt. Subdivision Budget
Crime Policy / Government Crime	\$811	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2014 - 01/01/2015	Operations of Water Authority-Govt. Subdivision Budget
Property	\$32,297	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2014 - 01/01/2015	Building and Personal Property
Equipment Breakdown	\$17,740	The Hartford Steamboiler Inspection and Insurance Company FBP2345558 01/01/2014 - 01/01/2015	
Inland Marine Coverage	\$4,805	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2014 - 01/01/2015	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
<b>II. Casualty</b>			
Automobile Policy	\$48,698	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2014 - 01/01/2015	List of Declared Vehicles and Equipment and hired and non-owned autos
Excess Liability Coverage Umbrella	\$58,929	American Alternative Insurance Corp Policy No. GPPA-XS-3052265-00 01/01/2014 - 01/01/2015	Extends failure to supply water
<b>III. Employee Protection</b>			
Public Officials' Liability Policy	\$16,546	American Alternative Insurance Corp Policy No. GPPA-PF-6055464-01 / 00 01/01/2014 - 01/01/2015	Claims Made
Workers' Compensation	\$274,011	Public Employer Risk Management Association, Inc., Policy No. WC 0001380-00 (1) 01/01/2014 - 01/01/2015	Statutory Coverage
<b>TOTAL PREMIUM</b>	<b>\$408,364</b>		

SOURCE: FINANCE & ACCOUNTING

## MOHAWK VALLEY WATER AUTHORITY

MAJOR COVERAGE LIMITS	DEDUCTIBLE
\$ 1,000,000 - Each Occurrence / \$3,000,000 General Aggregate	\$ 5,000 Deductible
\$ 3,000,000 - Products-Completed Operations Aggregate	\$0 Deductible
\$ 1,000,000 - Damage to properties rented to MVWA	\$0 Deductible
\$ 1,000,000 - Personal and Advertising injury	\$0 Deductible
\$ 1,000,000 - Fire Damage	\$0 Deductible
\$ 10,000 - 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
<b>Per Accident :</b>	
\$ 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
<b>Limits of Insurance:</b>	
\$ 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 Annual Aggregate Coverage ( A&B combined ) = \$3,000,000	\$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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Directors  
Mohawk Valley Water Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Mohawk Valley Water Authority (Authority) as of and for the year ended March 31, 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 January 20, 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 opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

## **Compliance and Other Matters**

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

## **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  
January 20, 2015