

CAYUGA COUNTY WATER AND SEWER AUTHORITY

Auburn, New York

FINANCIAL REPORT

December 31, 2015 and 2014



CAYUGA COUNTY WATER AND SEWER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cayuga County Water and Sewer Authority
Auburn, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to the 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 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cayuga County Water and Sewer Authority as of December 31, 2015 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Cayuga County Water and Sewer Authority as of December 31, 2014 were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated March 18, 2015, expressed an unmodified opinion on those statements.

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 4-41, and the Schedule of Authority's Contributions and the Schedule of the Authority's Proportionate Share of the Net Pension Liability on pages 23-24, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the Cayuga County Water and Sewer Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cayuga County Water and Sewer Authority's internal control over financial reporting and compliance.

Other Reporting Required by New York State Public Authorities Law

In accordance with New York State Public Authorities Law, we have also issued our report dated March 9, 2016, on our consideration of the Authority's compliance with Section 2925(3)(f) of the New York State Public Authorities Law. The purpose of that report is to describe anything that came to our attention that caused us to believe the Authority failed to comply with the Authority's Investment Guidelines, the New York State Comptroller's Investment Guidelines, and Section 2925(3)(f) of the New York State Public Authorities Law.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 9, 2016

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Cayuga County Water and Sewer Authority's (the Authority) financial position as of December 31, 2015 and 2014, and its results of operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Authority, which directly follow the MD&A.

Overview of the Basic Financial Statements

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Authority and the financial activity and results of its operations during the year. A description of those statements follows:

Statements of Net Position present information on all of the Authority's assets and liabilities on the accrual basis, 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 whether the financial position of the Authority is improving or deteriorating.

Statements of Revenues, Expenses, and Changes in Net Position present information showing the change in the Authority's net position during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in these statements include all items resulting in cash received or disbursed in future fiscal periods, for example, the receipt of amounts due from customers, or the payment accrued for accumulated vacation days.

Statements of Cash Flows provide information on the major sources and uses of cash during the year. Cash flow statements portray net cash provided or used from operating, non-capital financing, capital financing, and investing activities.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Financial Highlights

The Statement of Net Position presents the financial position of the Authority as of December 31,:

ASSETS	2015	2014, Restated	2013, Restated
Current assets	\$ 1,359,295	\$ 2,003,715	\$ 2,319,786
Capital assets	16,283,338	16,972,692	16,455,124
Restricted cash	400,454	223,596	1,517,425
Total Assets	\$ 18,043,087	\$ 19,200,003	\$ 20,292,335
DEFERRED OUTFLOWS OF RESOURCES	2015	2014, Restated	2013, Restated
Deferred outflows - Pensions	\$ 14,162	\$ 12,846	\$ -0-
Total Deferred Outflows	\$ 14,162	\$ 12,846	\$ -0-
LIABILITIES	2015	2014, Restated	2013, Restated
Current liabilities	\$ 383,807	\$ 963,261	\$ 3,184,598
Long-term liabilities	4,050,278	4,366,404	3,619,817
Total Liabilities	\$ 4,434,085	\$ 5,329,665	\$ 6,804,415
DEFERRED INFLOWS OF RESOURCES	2015	2014, Restated	2013, Restated
Deferred inflows - Pensions	\$ 2,235	\$ -0-	\$ -0-
Total Deferred Inflows	\$ 2,235	\$ -0-	\$ -0-
NET POSITION	2015	2014, Restated	2013, Restated
Net investment in capital assets	\$ 11,935,377	\$ 11,769,472	\$ 9,892,159
Restricted	457,584	692,406	926,768
Unrestricted	1,227,968	1,421,306	2,668,993
Total Net Position	\$ 13,620,929	\$ 13,883,184	\$ 13,487,920

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

A summary of operating and nonoperating revenue and expenses follows:

	2015	2014, Restated	2013, Restated
Operating revenues	\$ 1,342,003	\$ 1,302,409	\$ 1,229,586
Nonoperating revenues	221,100	586,058	523,118
Total revenues	1,563,103	1,888,467	1,752,704
Operating expenses	1,680,523	1,375,173	1,339,067
Nonoperating expenses	144,835	118,030	135,926
Total expenses	1,825,358	1,493,203	1,474,993
(Decrease) Increase in Net Position	\$ (262,255)	\$ 395,264	\$ 277,711

Financial Statement Overview

Statement of Net Position

Current assets are comprised of cash, accounts and grants receivable, loans receivable, and prepaid expenses. Accounts receivable primarily includes amounts due from water and sewer customers. Loans receivable consists of amounts expended for the Sewer Construction Project for which the Authority is entitled to draw down grant funds which will be converted into long term financing for the project. Current liabilities primarily include accounts payable, accrued liabilities, and the current portion (due within one year) of long-term liabilities. Accounts payable are amounts due to vendors. Accrued liabilities include accrued payroll, payroll taxes, and other payroll related liabilities, such as accumulated vacation.

Noncurrent assets consist of restricted cash, which is restricted for debt, capital projects, and funds reserved for emergency use by the Authority's Board. Noncurrent liabilities consist of the long-term portion of bonds and notes payable, incurred to fund capital projects, and the Authority's proportionate share of net pension liability.

Financial Position Summary 2015

Current assets decreased \$(644,420) compared to 2014 as the result of a \$390,044 increase in current cash and cash equivalents offset by a decrease in grants receivable of \$(1,026,210). Cash and cash equivalents increased due to the receipt of federal grants and another large receivable from the Town of Wolcott, offset by cash used to pay short-term debt. Projects assisted with federal grants were completed in 2014 and the related receivables were received in 2015, resulting in the decrease in grants receivable.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Noncurrent assets decreased \$(512,496) as the result of an increase in restricted cash offset by a decrease in capital assets, net of accumulated depreciation. Restricted cash and cash equivalents increased \$176,858 due an increase in amounts set aside for debt service. Capital assets decreased \$(689,354) mainly due to depreciation expense of \$716,392 offset by additions of \$27,038. Total assets as a result of all factors, decreased \$1,156,916.

Total current liabilities decreased \$(579,454), primarily as the result of repayment of the \$550,000 revenue note in 2015. Noncurrent liabilities decreased \$(316,126), from \$4,366,404 to \$4,050,278 mainly due to repayment of notes and bonds during the year.

The total net position decreased by the excess of expenses over revenues of \$262,255. Net investment in capital assets increased \$165,905 compared to an increase of nearly \$1.8 million in 2014, as the result of the completion of major water and sewer line projects in 2014. Restricted net position decreased \$(234,822) as the amounts required to be set aside for capital projects and grant restrictions decreased, and unrestricted net position decreased \$(193,338).

In 2015, the Authority implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of the Statements requires the Authority to report as an asset and/or liability its portion of the collective net pension (asset) liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow of resources for the effect of the net change in the Authority's proportion of the collective net pension (asset) liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Due to the implementation, the Authority recognized deferred outflows and inflows of resources in the amounts of \$14,162 and \$2,235 respectively. In addition, beginning net position at January 1, 2014 was restated by a decrease of \$5,597 as described in the Notes to Financial Statements, Note 8.

Financial Position Summary 2014

Cash and cash equivalents decreased in 2014 primarily due to the use of cash on hand at the end of 2013 to complete the sewer capital project. Also contributing to the decrease in cash was the use of cash to pay off the liability for retainages payable during 2014 as well as the retirement of debt and the receipt of loan proceeds, offset by an increase in grants receivable, a reduction in the amount of restricted cash and overall water and sewer operations. These factors resulted in a net decrease in current assets in 2014 of \$(316,071) and restricted cash and cash equivalents, a non-current asset, of \$(1,293,829). Restricted cash and cash equivalents decreased primarily due to the use of funds earmarked for construction during the year, as well as the amount of reserves required under grant terms and conditions.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Capital assets increased \$517,568 due to the completion of the last remaining phases of the sewer construction project, offset by depreciation expense. This increase, along with the decrease in restricted cash and cash equivalents, resulted in a decrease in non-current assets of \$776,261. Due to all the factors stated above, the Authority's total assets decreased \$(1,092,332).

Accounts payable and accrued liabilities showed relatively minor changes, while retainage payable decreased due to the final payment to contractors on the sewer construction project. In addition, short-term notes payable decreased \$(225,000) in 2014. A larger portion of future maturities due on long-term debt was due in 2014 versus 2015, resulting in a decrease in the current portion of long-term debt. The total effect on current liabilities was a decrease on \$(2,221,337). The noncurrent portion of long-term debt increased \$733,741, while total debt showed a decrease of \$(1,404,745).

Total net position increased by the excess of revenues over expenses of \$395,264. The amount invested in capital assets net of related debt increased \$1,877,313. Contributing to the increase was the increase in net capital assets offset by a reduction in capital related debt. Restricted net position decreased as the amounts required to be set aside for capital projects and grant restrictions decreased, causing unrestricted net position to decrease \$(1,247,687).

Capital Assets, Net

Depreciation expense on capital assets for the years ended December 31, 2015, 2014, and 2013 was \$716,392, \$562,801, and \$521,168, respectively.

A summary of changes in capital assets, by major classification, and accumulated depreciation is as follows:

<u>Category</u>	2015			<u>Balance December 31,</u>
	<u>Balance January 1,</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	32,927	4,358	(33,390)	3,895
Water and sewer lines	20,556,588	56,070		20,612,658
Machinery and equipment	76,003			76,003
 Total	 <u>\$ 20,670,518</u>	 <u>\$ 60,428</u>	 <u>\$ (33,390)</u>	 20,697,556
Less accumulated depreciation at December 31, 2015				<u>(4,414,218)</u>
Net Value of Capital Assets				<u>\$ 16,283,338</u>

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

2014				
<u>Category</u>	<u>Balance</u> <u>January 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u>
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	3,824,484		(3,791,557)	32,927
Water and sewer lines	15,684,662	4,871,926		20,556,588
Machinery and equipment	76,003			76,003
 Total	 <u>\$ 19,590,149</u>	 <u>\$ 4,871,926</u>	 <u>\$ (3,791,557)</u>	 20,670,518
Less accumulated depreciation at December 31, 2014				<u>(3,697,826)</u>
Net Value of Capital Assets				<u>\$ 16,972,692</u>

2013 Restated				
<u>Category</u>	<u>Balance</u> <u>January 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u>
Land	\$ 5,000	\$	\$	\$ 5,000
Construction in progress	6,115,915	1,141,339	(3,432,770)	3,824,484
Water and sewer lines	12,158,109	3,526,553		15,684,662
Machinery and equipment	60,498	15,505		76,003
 Total	 <u>\$ 18,339,522</u>	 <u>\$ 4,683,397</u>	 <u>\$ (3,432,770)</u>	 19,590,149
Less accumulated depreciation at December 31, 2013				<u>(3,135,025)</u>
Net Value of Capital Assets				<u>\$ 16,455,124</u>

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Debt

The authority issues debt, primarily to fund capital improvements. A summary of changes in capital debt follows:

CHANGES IN CAPITAL DEBT	01/01/15	Additions	Deletions	12/31/15
Short-term notes payable	\$ 550,000	\$ -0-	\$ (550,000)	\$ -0-
Bonds and notes payable	4,662,220	-0-	(314,259)	4,347,961
Total Capital Debt	<u>\$ 5,212,220</u>	<u>\$ -0-</u>	<u>\$ (864,259)</u>	4,347,961
Less current portion				<u>(311,471)</u>
Long-term Portion				<u>\$ 4,036,490</u>

CHANGES IN CAPITAL DEBT	01/01/14	Additions	Deletions	12/31/14
Short term notes payable	\$ 775,000	\$ 550,000	\$ (775,000)	\$ 550,000
Bonds and notes payable	5,841,965	1,084,000	(2,263,745)	4,662,220
Total Capital Debt	<u>\$ 6,616,965</u>	<u>\$ 1,634,000</u>	<u>\$ (3,038,745)</u>	5,212,220
Less current portion				<u>(864,259)</u>
Long-term Portion				<u>\$ 4,347,961</u>

CHANGES IN CAPITAL DEBT	01/01/13	Additions	Deletions	12/31/13
Short term notes payable	\$ 1,250,000	\$ 775,000	\$ (1,250,000)	\$ 775,000
Bonds and notes payable	6,536,892	1,003,000	(1,697,927)	5,841,965
Total Capital Debt	<u>\$ 7,786,892</u>	<u>\$ 1,778,000</u>	<u>\$ (2,947,927)</u>	6,616,965
Less current portion				<u>(3,002,745)</u>
Long-term Portion				<u>\$ 3,614,220</u>

Additional information related to the Authority's other long-term liabilities is included in the Notes to Financial Statements.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

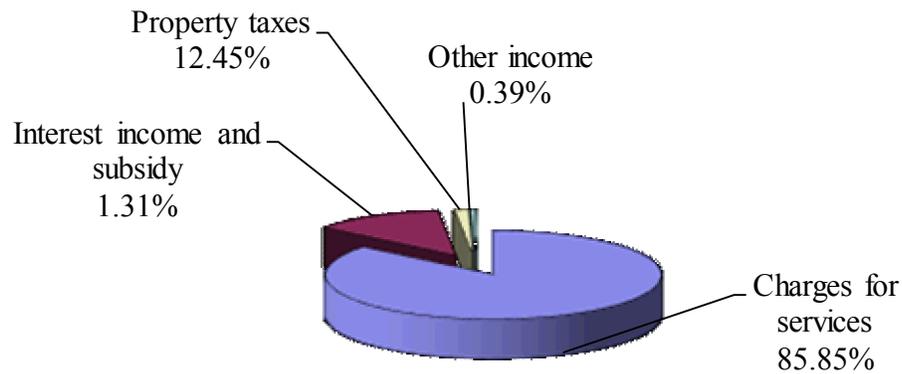
Statement of Revenues, Expenses, and Changes in Net Position

The net effect of current year revenues and expenses resulted in an decrease of \$(262,255) in total net position in 2015 compared to increases in total net position of \$395,264 in 2014 and \$277,711 in 2013.

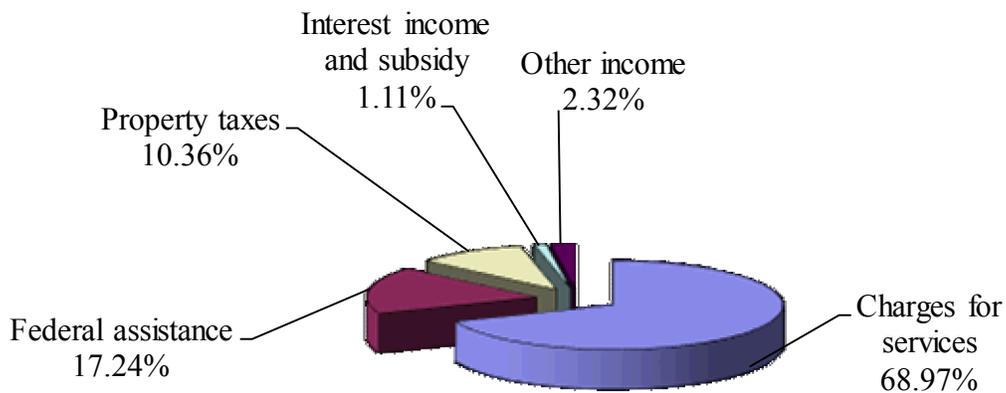
Revenue Overview

The following charts depict revenue proportion:

2015 REVENUE



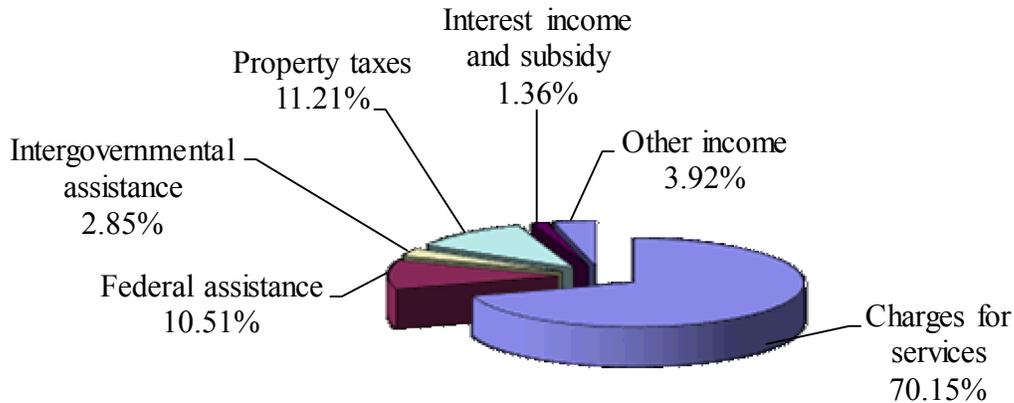
2014 REVENUE



CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

2013 REVENUE

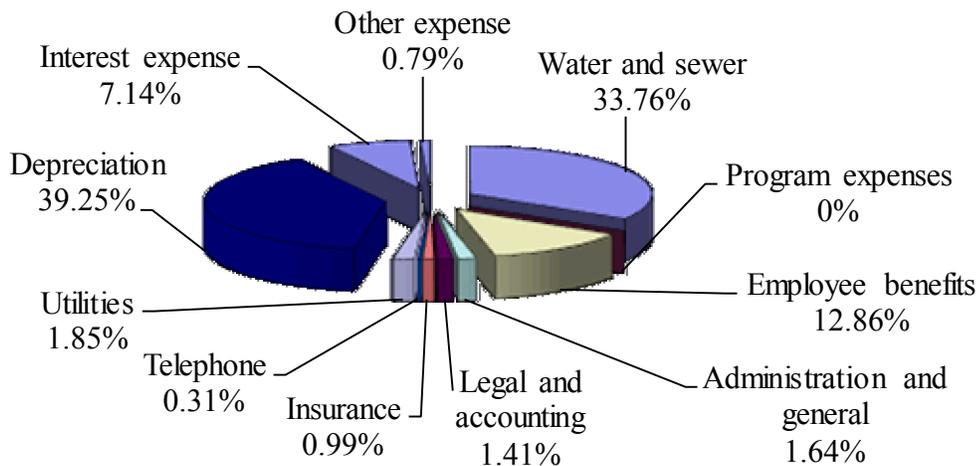


Expense Overview

Expenses are displayed in the Statement of Revenues, Expenses, and Changes in Net Position in two categories: operating expenses and non-operating expenses. Interest expense and other expenses are considered non-operating expenses.

The following charts depict expenses by area:

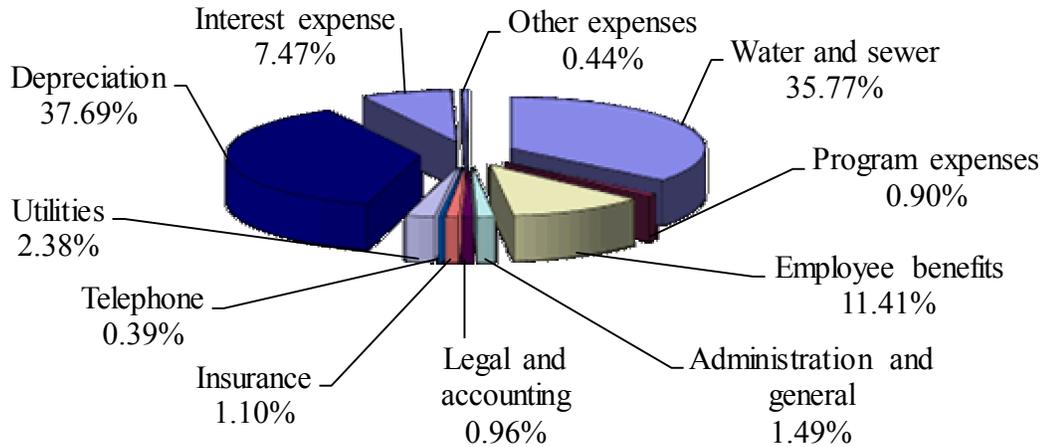
2015 OPERATING EXPENSES



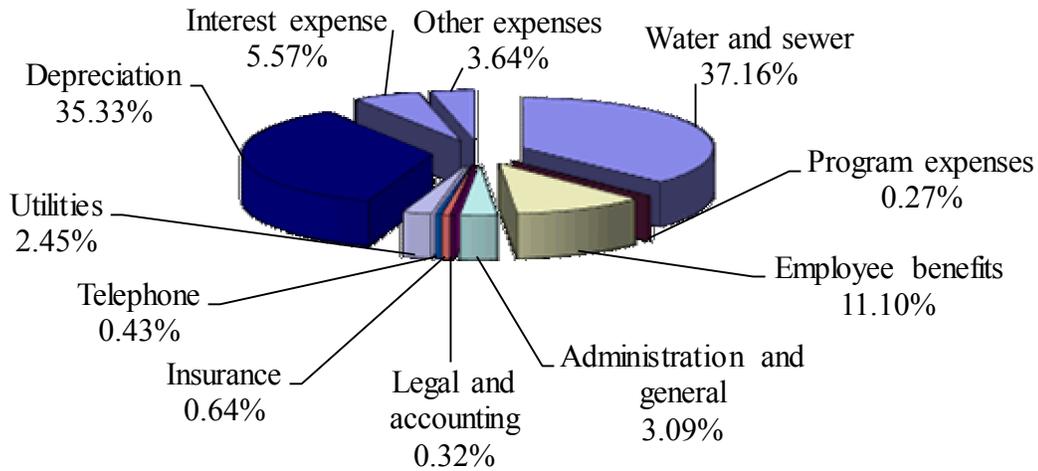
CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

2014 OPERATING EXPENSES



2013 OPERATING EXPENSES



Summary of Operations and Change in Net Position 2015-2014

Charges for services were 3% higher in 2015 than in 2014, mainly due to increases in sales to municipalities. Because grants were finalized in 2014, there was no federal assistance received in 2015. Other income decreased in 2015 compared to 2014. In 2014, the Authority recorded miscellaneous income of \$36,000 from a write-off of debt due to the Village of Port Byron.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Operating expenses increased \$305,350. This was mainly due to an increase of \$153,591, or 27.3%, in depreciation expense. In addition, water and sewer expenses increased \$82,088 as the result of more service calls from new customers and field supplies for additional maintenance to the new sewer system in the north end of the County.

Summary of Operations and Change in Net Position 2014-2013

Charges for services in 2014 were greater than in 2013 by 5.9% due to an increase in sales to municipalities, offset by a reduction in rates to retail water customers. Federal assistance showed an increase of \$141,383 as the final grant funds were recognized under the sewer construction project. Intergovernmental assistance, which consisted of appropriations from Cayuga County of \$50,000 in 2013 was eliminated from the Cayuga County budget starting in 2014. The reduction in other income was primarily due to the way in which property tax relieves were accounted for in 2013, offset by the forgiveness of debt in the amount of \$36,000 in 2014.

Operating expenses increased \$36,106, or 2.7%. The majority of that increase was in depreciation expense, which increased \$41,633, leaving a decrease of other operating expenses of \$(5,527). Depreciation expense increased in 2014 as more capital assets were added that are subject to depreciation. Non operating expenses consisting of interest expense and miscellaneous expenses showed a reduction of \$(17,896), largely the result of the way tax relieves were recorded in 2013.

Activities and Accomplishments

Water

- Filled Full-Time Water Maintenance Person position
- Renewed focus on preventative maintenance (hydrant flushing, bolt replacement, etc.)
- Increased involvement in Port Byron/Mentz/Montezuma Joint Water System Project
- Installation of "cut-in" valve at Port Byron Village line to provide improved operational flexibility
- Meter upgrades/replacements in Victory-Westbury Water System
- Completed comprehensive assessment of Route 38/31 Metering/Chlorination Building
- Completed Phase 1 of Peachtree Road waterline replacement (new tapped connection)
- Expanded Operation & Maintenance responsibilities with new Mentz Route 31 Water District
- Responded to 1,000+ Dig Safe Requests (combined water/sewer)

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Sewer

- Assisted Village of Fair Haven in development of new Local Sewer Law
- Coordination/inspection of approximately 50+ sewer hookups
- Coordination with Wayne County Water and Sewer Authority (WCWSA) on Blind Sodus Bay Project
- Continued focus on preventative maintenance (40,000 linear feet of sewers cleaned, servicing of generators, etc.)
- Adoption of updated Unit Assessment Table, to reflect Real Property Codes
- Increased understanding/knowledge of Cayuga County Sewer District #1 facilities
- Responded to 1,000+ Dig Safe Requests (combined water/sewer)

Miscellaneous

- Hired Full-Time Director of Operations
- Adoption of NYS Deferred Compensation Plan (optional retirement savings plan for employees)
- Authorization to establish a Section 125 Cafeteria Plan (pre-tax health deductions)
- Successful 20th Anniversary (1995-2015) Open House for CCWSA (July 30, 2015)
- Smooth transition in financial institutions/banking (Key Bank to Cayuga Lake National Bank)
- Development of draft “Mission, Vision, Values, Goals” Document
- Increased engagement/outreach:
 - Attendance at monthly Water Quality Management Agency (WQMA) meetings
 - Town of Genoa – Assistance with RFQ/RFP process
 - Weedsport Speedway – Assistance in development of scope for water/sewer upgrades
 - Town of Throop – Renewed discussion on Centerport Rd/Sine Rd Water District
 - Attendance at multiple Town/Village Board meetings throughout 2015

Future Factors

The Authority recognizes municipalities throughout the country are facing increasing challenges related to operating, maintaining, expanding, rehabilitating, and replacing water and sewer infrastructure, including: lack of funding, aging/antiquated systems, increasing mandates and reporting requirements, aging workforce, lack of skilled water/wastewater operators, increasing operating and overhead costs, etc. ***Cayuga County is not immune to the same challenges.***

However, these challenges can also be seen as opportunities – for increased cooperation and collaboration among municipalities, and a more regional approach to addressing the water and wastewater needs of Cayuga County. ***The Authority looks forward to being a leader in addressing these challenges.***

CAYUGA COUNTY WATER AND SEWER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Consistent with its mission, the Authority will continue its outreach, engagement, and assistance to the community to help protect critical water resources. Through these efforts, the Authority anticipates future opportunities for expanded operation & maintenance responsibilities, which have the potential to increase the Authority's customer base.

The Authority will continue to focus on the implementation of proactive maintenance and capital renewal programs, to ensure long-term sustainability of the Authority's water and wastewater facilities. The Authority also recently adopted a list of priorities for the upcoming year, which will help to promote accountability and provide increased focus for the Board of Directors and Authority Staff.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Operations, Cayuga County Water and Sewer Authority, 7413 County House Road, Auburn, New York, 13021 or e-mail ccwsa@roadrunner.com.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

STATEMENTS OF NET POSITION DECEMBER 31,

	2015	2014 Restated
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,161,292	\$ 771,248
Accounts receivable, net	184,230	190,122
Grants receivable	-0-	1,026,210
Prepaid expenses	13,773	16,135
Total Current Assets	1,359,295	2,003,715
Noncurrent Assets:		
Restricted cash and cash equivalents	400,454	223,596
Land and other non-depreciable capital assets	8,895	37,927
Capital assets, net of accumulated depreciation	16,274,443	16,934,765
Total Noncurrent Assets	16,683,792	17,196,288
Total Assets	18,043,087	19,200,003
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	14,162	12,846
Total Deferred Outflows of Resources	14,162	12,846
LIABILITIES		
Current Liabilities:		
Accounts payable	72,336	87,456
Accrued liabilities	-0-	1,606
Interest payable	-0-	9,940
Short-term notes payable	-0-	550,000
Current portion of long-term liabilities:		
Notes payable	250,000	245,000
Bonds payable	61,471	69,259
Total Current Liabilities	383,807	963,261
Noncurrent liabilities and obligations:		
Notes payable, net of current portion	955,000	1,205,000
Bonds payable, net of current portion	3,081,490	3,142,961
Net pension liability - proportionate share	13,788	18,443
Total Noncurrent Liabilities	4,050,278	4,366,404
Total Liabilities	4,434,085	5,329,665
DEFERRED INFLOWS OF RESOURCES		
Pensions	2,235	-0-
Total Deferred Inflows of Resources	2,235	-0-
NET POSITION		
Net investment in capital assets	11,935,377	11,769,472
Restricted	457,584	692,406
Unrestricted	1,227,968	1,421,306
Total Net Position	\$ 13,620,929	\$ 13,883,184

See Independent Auditor's Report and Notes to Financial Statements

CAYUGA COUNTY WATER AND SEWER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u> <u>Restated</u>
OPERATING REVENUES		
Charges for services	\$ <u>1,342,003</u>	\$ <u>1,302,409</u>
Total Operating Revenues	<u>1,342,003</u>	<u>1,302,409</u>
OPERATING EXPENSES		
Water and sewer	<u>616,186</u>	<u>534,098</u>
Program expenses	<u>-0-</u>	<u>13,457</u>
Salaries and employee benefits	<u>234,689</u>	<u>170,365</u>
Administration and general	<u>30,006</u>	<u>22,275</u>
Legal and accounting	<u>25,702</u>	<u>14,327</u>
Insurance	<u>17,993</u>	<u>16,441</u>
Telephone	<u>5,814</u>	<u>5,896</u>
Utilities	<u>33,741</u>	<u>35,513</u>
Depreciation	<u>716,392</u>	<u>562,801</u>
Total Operating Expenses	<u>1,680,523</u>	<u>1,375,173</u>
(Loss) from Operations	<u>(338,520)</u>	<u>(72,764)</u>
NONOPERATING INCOME (EXPENSE)		
Federal assistance	<u>-0-</u>	<u>325,537</u>
Property taxes	<u>194,550</u>	<u>195,691</u>
Interest income	<u>1,264</u>	<u>214</u>
Interest subsidy	<u>19,220</u>	<u>20,831</u>
Interest (expense)	<u>(130,378)</u>	<u>(111,488)</u>
Other income	<u>6,066</u>	<u>43,785</u>
Other (expense)	<u>(14,457)</u>	<u>(6,542)</u>
Total Nonoperating Income (Expense)	<u>76,265</u>	<u>468,028</u>
Change in Net Position	<u>(262,255)</u>	<u>395,264</u>
Total Net Position, Beginning of Year, as Restated	<u>13,883,184</u>	<u>13,487,920</u>
Total Net Position, End of Year	<u>\$ <u>13,620,929</u></u>	<u>\$ <u>13,883,184</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	2015	2014 Restated
Cash Flows from Operating Activities:		
Cash received from providing services	\$ <u>1,347,895</u>	\$ <u>1,291,235</u>
Cash payments to suppliers of goods and services	<u>(743,806)</u>	<u>(723,646)</u>
Cash payments for employees and benefits	<u>(238,425)</u>	<u>(170,365)</u>
Net Cash Provided by Operating Activities	365,664	397,224
Cash Flows from Capital and Related Financing Activities:		
Receipts from federal loans and programs	<u>1,026,210</u>	<u>463,327</u>
Proceeds from short-term notes	<u>-0-</u>	<u>550,000</u>
Principal payments on short-term notes	<u>(550,000)</u>	<u>(775,000)</u>
Proceeds from long-term debt	<u>-0-</u>	<u>1,084,000</u>
Principal payments on long-term debt	<u>(314,259)</u>	<u>(2,263,745)</u>
Interest payments on debt	<u>(121,098)</u>	<u>(95,717)</u>
Proceeds from other income	<u>186,159</u>	<u>232,934</u>
Acquisition of capital assets	<u>(27,038)</u>	<u>(1,080,369)</u>
Net Cash Provided (Used) by Financing Activities	199,974	(1,884,570)
Cash Flows from Investing Activities:		
Interest income received	<u>1,264</u>	<u>214</u>
Net Cash Provided by Investing Activities	1,264	214
Net Increase (Decrease) in Cash and Cash Equivalents	566,902	(1,487,132)
Cash and Cash Equivalents, January 1	<u>994,844</u>	<u>2,481,976</u>
Cash and Cash Equivalents, December 31	\$ 1,561,746	\$ 994,844
Reconciliation of (Loss) from Operations to Net Cash Provided by Operating Activities:		
(Loss) from operations	\$ <u>(338,520)</u>	\$ <u>(72,764)</u>
Adjustment to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	<u>716,392</u>	<u>562,801</u>
Decrease (increase) in accounts receivable	<u>5,892</u>	<u>(11,174)</u>
Decrease (increase) in prepaid expenses	<u>2,362</u>	<u>(3,848)</u>
Increase (decrease) in accounts payable	<u>(15,120)</u>	<u>(12,377)</u>
Increase (decrease) in accrued liabilities	<u>(1,606)</u>	<u>(314)</u>
(Decrease) in retainage payable	<u>-0-</u>	<u>(65,100)</u>
(Decrease) in net pension liability-proportionate share and related deferred inflows and outflows	<u>(3,736)</u>	<u></u>
Net Cash Provided by Operating Activities	\$ 365,664	\$ 397,224

See Independent Auditor's Report and Notes to Financial Statements.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 1* Summary of Significant Accounting Policies**

A. Reporting Entity

Cayuga County Water and Sewer Authority (the Authority) is a public benefit corporation organized in July 1995 pursuant to Title 8-G of New York State Public Authorities Law. The Authority was organized to construct, improve, maintain, develop, expand, or rehabilitate water or sewage facilities in the County of Cayuga, New York (the County).

The Authority is governed by a board consisting of nine members who are appointed by the County Legislature. Because the County appoints a voting majority of the Authority's governing body and a financial benefit/burden relationship exists between the Authority and the County, the Authority is presented as a discretely presented component unit of the County.

B. Basis of Accounting/Measurement Focus

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body establishing governmental accounting and financial reporting principles, and are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar funding are recognized as revenue when all eligibility requirements imposed by the grantor have been met.

The Authority is a proprietary fund which distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal revenues of the Authority are charges to customers for water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating items.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which 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 these estimates.

D. Cash and Cash Equivalents

For the purposes of these financial statements, the Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Restricted cash and cash equivalents represent funds restricted for a capital project and funds reserved for emergency use by the Authority's Board.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 1* Summary of Significant Accounting Policies - Continued**

E. Accounts Receivable

Accounts receivable represents amounts due from customers for current and delinquent water and sewer sales, including penalties, unpaid bill charges, collection fees and shut-off charges. Water and sewer customers are billed either on a monthly or quarterly basis depending on the type of user (retail or wholesale). Customers may make payments without penalty on current charges up until 30 days after the billing date. Any current charges in arrears are subject to a penalty of 10% (water customers) or 20% (sewer customers), and those customers receive an unpaid bill notice. If balances remain unpaid for 60 days, shut-off procedures commence at 70 days. The Authority is able to relevy any uncollected balances. Accordingly, all receivables are considered fully collectible for the years ending December 31, 2015 and 2014.

F. Loans and Grants Receivable

The Authority utilized short-term notes payable to fund construction on a sewer project in anticipation of receiving federal grants and long-term financing. Expenses are incurred up to these loan thresholds prior to drawing down grant funds. Current loans receivables represent amounts for the sewer project expected to be collected within one year.

Grants receivable represents amounts due from third party grantors for use on the Authority's sewer construction project.

G. Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at the estimated fair value at the date of donation. Depreciation is recorded using the straight line method over the estimated useful life (3 to 40 years) of the asset. Improvements are capitalized, while expenses for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. When applicable, the resulting gains and losses are reflected in the Statements of Revenue, Expenses, and Change in Net Position. Costs related to the construction of infrastructure are categorized as construction in progress until the project is completed. At that time, these costs are then categorized to the appropriate category as depreciable assets.

Interest is capitalized when funds are borrowed to construct fixed assets. During the years ended December 31, 2015 and 2014, the Authority capitalized \$-0- and \$8,206 in interest, respectively.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 1* Summary of Significant Accounting Policies - Continued**

H. Equity Classifications

Equity is classified as net position and is displayed in three components:

- Net investment in capital assets - represents the net amount invested in capital assets; original cost, net of accumulated depreciation and capital-related debt
- Restricted - represents resources with constraints placed on use by either external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation
- Unrestricted - represents remaining resources which do not meet the definition of net investment in capital assets or restricted resources and are therefore available for general use by the Authority.

I. Income Taxes

The Authority is a public benefit corporation of the State and as such is exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no income taxes have been provided for in these financial statements.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports deferred outflows related to pensions in the Statements of Net Position. The types of deferred outflows related to pensions are described in Note 9.

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows related to pensions which are further described in Note 9.

K. Subsequent Events

Subsequent events have been evaluated by management through March 9, 2016, the date which the financial statements were available to be issued.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 2* Deposits with Financial Institutions and Investments**

The Authority's investment policies are governed by the financial provisions set forth within Article 5, Title 8-G of the Public Authorities Law of the State of New York and the General Municipal Law Sections 10 and 11. Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance Corporation (FDIC) insurance. Obligations which may be pledged as collateral include obligations of the United States and obligations of the State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. While the Authority does not have a specific policy for custodial credit risk, New York State statutes govern the Authority's investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

At December 31, 2015 and 2014, the Authority's aggregate bank balances of \$1,561,135 and \$1,072,302, respectively, are either insured or collateralized with securities held by the pledging financial institution in the Authority's name.

At December 31, 2015, the carrying amount of the Authority's deposits with financial institutions was approximately \$1,561,746. Of this amount, approximately \$253,610 represents money market accounts and \$1,308,136 represents cash accounts. At December 31, 2014, the carrying amount of the Authority's deposits with financial institutions was \$994,844. Of this, approximately \$153,403 represents money market accounts and \$841,441 represents cash accounts.

The Authority is authorized to invest funds not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments: special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States where payment of principal and interest are guaranteed by the United States of America, and obligations of the State of New York.

Included in cash balances at December 31, 2015 and 2014, is cash restricted for debt and emergency use by the Authority's board in the amount of \$400,454 and \$223,596, respectively.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 3 Capital Assets

A summary of the Authority's capital asset activity for the years ended December 31, 2015 and 2014 is as follows:

	2015			
	Balance January 1, 2015	Additions	Deletions/ Reclass- ificatons	Balance December 31, 2015
Depreciable Capital Assets:				
Water and sewer lines	\$ 20,556,588	\$ 22,680	\$ 33,390	\$ 20,612,658
Machinery and equipment	76,003			76,003
Total depreciable capital assets	20,632,591	22,680	33,390	20,688,661
Less accumulated depreciation:				
Water and sewer lines	(3,657,811)	(705,274)		(4,363,085)
Machinery and equipment	(40,015)	(11,118)		(51,133)
Total accumulated depreciation	(3,697,826)	(716,392)	-0-	(4,414,218)
Net depreciable capital assets	16,934,765	(693,712)	33,390	16,274,443
Nondepreciable Capital Assets:				
Land	5,000			5,000
Construction in progress	32,927	4,358	(33,390)	3,895
Capital Assets, Net	\$ 16,972,692	\$ (689,354)	\$ -0-	\$ 16,283,338
	2014			
	Balance January 1, 2014 Restated	Additions	Deletions	Balance December 31, 2014
Depreciable Capital Assets:				
Water and sewer lines	\$ 15,684,662	\$ 1,080,369	\$ 3,791,557	\$ 20,556,588
Machinery and equipment	76,003			76,003
Total depreciable capital assets	15,760,665	1,080,369	3,791,557	20,632,591
Less accumulated depreciation:				
Water and sewer lines	(3,106,253)	(551,558)		(3,657,811)
Machinery and equipment	(28,772)	(11,243)		(40,015)
Total accumulated depreciation	(3,135,025)	(562,801)	-0-	(3,697,826)
Net depreciable capital assets	12,625,640	517,568	3,791,557	16,934,765
Nondepreciable Capital Assets:				
Land	5,000			5,000
Construction in progress	3,824,484		(3,791,557)	32,927
Capital Assets, Net	\$ 16,455,124	\$ 517,568	\$ -0-	\$ 16,972,692

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 3 Capital Assets - Continued

Certain amounts reported at January 1, 2014 have been reclassified to reflect information existing at December 31, 2014. This includes increasing the balance of land and decreasing the balance of machinery and equipment in the amount of \$5,000. This reclassification had no effect on net position or change in net position as originally reported.

Note 4 Indebtedness

A. Short-term Debt

The Authority utilizes short-term revenue refunding notes (RRN) to fund construction on sewer projects in anticipation of receiving federal grants and long-term financing. A summary of the Authority's revenue refunding note (RRN) activity follows:

	<u>Balance</u> <u>Jan. 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
2014 Revenue refunding note (RRN)	<u>550,000</u>	<u>-0-</u>	<u>(550,000)</u>	<u>-0-</u>
Total	<u>\$ 550,000</u>	<u>\$ -0-</u>	<u>\$ (550,000)</u>	<u>\$ -0-</u>

	<u>Balance</u> <u>Jan. 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
2013 Revenue refunding note (RRN)	\$ 775,000		\$ (775,000)	\$ -0-
2014 Revenue refunding note (RRN)		550,000		550,000
Total	<u>\$ 775,000</u>	<u>\$ 550,000</u>	<u>\$ (775,000)</u>	<u>\$ 550,000</u>

The 2014 and 2013 revenue refunding notes carried interest rates of 2.375% and 1.47%, respectively. Total interest on short-term debt for the years ended December 31, 2015 and 2014 was \$3,087 and \$6,301, respectively, as follows:

	<u>2015</u>	<u>2014</u>
Interest paid	\$ 13,027	\$ 11,361
Plus: current year accrued interest	-0-	9,940
Less: prior year accrued interest	<u>(9,940)</u>	<u>(15,000)</u>
Total short-term interest	<u>\$ 3,087</u>	<u>\$ 6,301</u>

B. Long-term Debt

Long-term debt consists of notes payable to the New York State Environmental Facilities Corporation (NYSEFC) and bonds payable to the United States Department of Agriculture Rural Development Agency (RDA). Proceeds of the notes and bonds were used for water and sewer infrastructure construction and improvements. The notes and bonds are due in varying principal amounts through 2050 and carry interest rates varying from 0.51% to 5.5%.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 4 Indebtedness - Continued

The Authority's obligation for the RDA Bond – Village of Port Byron Tank stems from an agreement with the Village of Port Byron (the Village) relating to the use of the Village's water tower which was constructed with proceeds from the RDA bond. Under the agreement, the Authority did not assume the debt obligation from the Village, but makes debt service payments as part of the contractual agreement. The agreement was amended in June 2014. In addition to the \$9,000 principal payment made by the Authority during the year ended December 31, 2014, the amendment ends the Authority's debt service payments in 2015. The amendment resulted in a \$(36,000) decrease of the outstanding balance at December 31, 2014.

Long-term debt activity is as follows:

	Balance	Additions	Deletions	Balance
	Jan. 1, 2015			Dec. 31, 2015
NYS EFC Note 1999A	\$ 665,000	\$	\$ (220,000)	\$ 445,000
NYS EFC Note 2011	785,000		(25,000)	760,000
RDA Bond 2002	217,220		(4,259)	212,961
RDA Bond-Village of Port Byron Tank	9,000		(9,000)	-0-
RDA Bond 2012A	342,000		(7,000)	335,000
RDA Bond 2012B	100,000		(2,000)	98,000
RDA Bond 2012C	338,000		(6,000)	332,000
RDA Bond 2012D	156,000		(3,000)	153,000
RDA Bond 2013A	966,000		(19,000)	947,000
RDA Bond 2014A	1,084,000		(19,000)	1,065,000
Total	\$ 4,662,220	\$ -0-	\$ (314,259)	\$ 4,347,961

	Balance	Additions	Deletions	Balance
	Jan. 1, 2014			Dec. 31, 2014
NYS EFC Note 1999A	\$ 880,000	\$	\$ (215,000)	\$ 665,000
NYS EFC Note 2011A and 2011B	1,938,688		(1,938,688)	-0-
NYS EFC Note 2011	810,000		(25,000)	785,000
RDA Bond 2002	221,277		(4,057)	217,220
RDA Bond-Village of Port Byron Tank	54,000		(45,000)	9,000
RDA Bond 2012A	348,000		(6,000)	342,000
RDA Bond 2012B	102,000		(2,000)	100,000
RDA Bond 2012C	344,000		(6,000)	338,000
RDA Bond 2012D	159,000		(3,000)	156,000
RDA Bond 2013A	985,000		(19,000)	966,000
RDA Bond 2014A		1,084,000		1,084,000
Total	\$ 5,841,965	\$ 1,084,000	\$ (2,263,745)	\$ 4,662,220

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 4 Indebtedness – Continued

The following is a summary of maturing debt service requirements for the year ending December 31,:

Year	Principal	Interest	Total
2016	\$ 311,471	\$ 87,569	\$ 399,040
2017	307,694	79,918	387,612
2018	88,928	75,156	164,084
2019	95,174	73,499	168,673
2020	96,432	71,747	168,179
2021-2025	500,499	329,957	830,456
2026-2030	538,175	279,397	817,572
2031-2035	611,239	221,989	833,228
2036-2040	690,349	156,665	847,014
2041-2045	543,000	90,463	633,463
2046-2050	565,000	32,816	597,816
Total	\$ 4,347,961	\$ 1,499,176	\$ 5,847,137

Interest presented above is stated interest on the debt. The interest actually charged has been reduced by an interest subsidy from the New York State Environmental Facilities Corporation. Interest subsidies at December 31, 2015 and 2014 were \$19,220 and \$20,831, respectively. Future interest subsidies are not guaranteed.

	2015	2014
Interest paid	\$ 127,176	\$ 96,981
Plus: interest subsidy	19,220	20,831
Less: capitalized interest	-0-	(8,206)
Total long-term interest	\$ 146,396	\$ 109,606

Note 5 Net Position

Pursuant to an agreement with the County dated March 3, 1999 and revised June 26, 2002, the Authority assumed an obligation (NYSEFC Note 1999A) from the County payable to NYSEFC requiring annual principal and semi-annual interest payments through April 2017. The Authority must use funds remaining after operational costs and capital reserve requirements have been met to reduce its outstanding debt with NYSEFC. Restricted net position, in the amount of \$457,584 and \$692,406 at December 31, 2015 and 2014, respectively, represents the restriction stated above for payment of debt and debt service, which will be lifted when the debt is retired.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 6* Operating Lease**

The Authority leases office space from the Cayuga County Soil and Water Conservation District. The current agreement, which commenced August 1, 2015 and remains in force through July 31, 2016, may be terminated by either party with 60 days notice and calls for an annual fee of \$13,175 to be paid in equal quarterly installments. Rental expense for the years ended December 31, 2015 and 2014 was \$13,175 and \$12,927, respectively. Future minimum lease payments due in 2016, assuming no changes in current terms, are \$6,588.

***Note 7* Transactions with Primary Government**

Pursuant to an agreement with the primary government, the County of Cayuga, dated March 3, 1999, and revised June 26, 2002, the County is the guarantor of the NYSEFC Note 1999A maturing in 2017 with amounts due at December 31, 2015 and 2014 of \$445,000 and \$665,000, respectively.

***Note 8* Pension Obligations - New York State and Local Employees' Retirement System (ERS)**

For the fiscal year ended December 31, 2015, the Authority implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of the Statements requires the Authority to report as an asset and/or liability its portion of the collective net pension (asset) liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow of resources for the effect of the net change in the Authority's proportion of the collective net pension (asset) liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as a deferred outflow is the Authority's contributions to the pension system subsequent to the measurement date.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

A. Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

B. Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

C. Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	<u>2015,</u>	<u>2014</u>	<u>2013</u>
ERS	\$ <u>17,174</u>	\$ <u>16,763</u>	\$ <u>17,406</u>

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Authority reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from report provided to the Authority by the ERS System.

	<u>ERS</u>
Actuarial valuation date	04/01/2014
Net pension (asset) liability	\$ 3,378,245,000
Authority's proportionate share of the Plan's total net pension (asset) liability	13,788

For the year ended December 31, 2015, the Authority recognized pension expense of \$11,918 for ERS in the financial statements. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS</u>
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 441
Net differences between projected and actual earnings on pension plan investments	2,395
Authority's contributions subsequent to the measurement date	<u>11,326</u>
Total Deferred Outflows of Resources	<u>\$ 14,162</u>
Deferred Inflows of Resources:	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>\$ (2,235)</u>
Total Deferred Inflows of Resources	<u>\$ (2,235)</u>

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Authority contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS
2016	\$ 150
2017	150
2018	150
2019	151

E. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.5%
Salary scale	4.9%
Decrement tables	April 1, 2005 - March 31, 2010
Inflation rate	System's Experience 2.7%

For ERS, annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) – Continued

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

Measurement date	ERS
	March 31, 2015
Asset Type:	
Domestic equities	7.3%
International equities	8.5%
Real estate	8.3%
Private equity/Alternative investments	11.0%
Absolute return strategies	6.8%
Opportunistic portfolio	8.6%
Real assets	8.7%
Cash	2.3%
Inflation-indexed bonds	4.0%
Mortgages and bonds	4.0%

F. Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower than the current rate:

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension (asset) liability	\$ 91,901	\$ 13,788	\$ (52,159)

H. Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) liability of the employers as of the respective valuation dates were as follows:

	Dollars in Thousands
	ERS
Valuation date	March 31, 2015
Employers' total pension (asset) liability	\$ 164,591,504
Plan net position	(161,213,259)
Employers' Net Pension (Asset) Liability	\$ 3,378,245

Ratio of Plan Net Position to the Employers' Total Pension Liability	97.9%
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I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2015 represent the projected employer contribution for the period of April 1, 2015 through December 31, 2015 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2015 amounted to \$-0-

CAYUGA COUNTY WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

J. Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2015 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (18,443)	\$ 4,655	\$ (13,788)
Deferred outflows of resources	12,846	1,316	14,162
Deferred inflows of resources	-0-	(2,235)	(2,235)
Total	\$ (5,597)	\$ 3,736	\$ (1,861)

K. Restatement of Net Position

For the fiscal year ended December 31, 2015, the Authority implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these new accounting standards resulted in the reporting of deferred outflows of resources, a liability, and deferred inflows of resources related to the Authority's participation in the New York State Employees' retirement system. The Authority's net position has been restated as of January 1, 2014, as follows:

Net Position Beginning of 2014 Year, as Previously Stated	\$ 13,493,517
GASB Statement No. 68 implementation:	
Beginning system liability - Employees' Retirement System	(18,443)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	12,846
Net Position Beginning of 2014 Year, as Restated	\$ 13,487,920

Note 9 Reclassifications

Certain items in the financial statements reported in 2014 have been reclassified to conform with the current year's presentation.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

SCHEDULE OF AUTHORITY CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 2 FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,174	\$ 16,763
Contributions in relation to the contractually required contribution	(17,174)	(16,763)
Contribution deficiency (excess)	-0-	-0-
Authority's covered - employee payroll	101,600	95,837
Contributions as a percentage of covered - employee payroll	16.9%	17.5%

See Independent Auditor's Report and Notes to Financial Statements.

CAYUGA COUNTY WATER AND SEWER AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLAN FOR THE YEAR ENDED DECEMBER 31,

	<u>2015</u>
Authority's proportion of the net pension liability	0.000408%
Authority's proportionate share of the net pension liability	13,788
Authority's covered-employee payroll during the measurement period	95,879
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.38%
Plan fiduciary net position as a percentage of the total pension liability	97.9%

See Independent Auditor's Report and Notes to Financial Statements.

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

Board of Directors
Cayuga County Water and Sewer Authority
Auburn, New York

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 financial statements of the Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 9, 2016.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 9, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

Board of Directors
Cayuga County Water and Sewer Authority
Auburn, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Cayuga County Water and Sewer Authority (the Authority), a component unit of the County of Cayuga, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our opinion thereon dated March 9, 2016.

In connection with our audit, nothing came to our attention that caused us to believe the Authority failed to comply with the Authority's Investment Guidelines, the New York State Comptroller's Investment Guidelines, or Section 2925 of the New York State Public Authorities Law (collectively, Investment Guidelines), which is the responsibility of the Authority's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines.

This communication is intended solely for the information and use of the Board of Directors and management of the Cayuga County Water and Sewer Authority, and the Office of the Comptroller of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 9, 2016