ONONDAGA COUNTY WATER AUTHORITY

FINANCIAL STATEMENTS
December 31, 2015

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Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
ONONDAGA COUNTY WATER AUTHORITY

Report on the Financial Statements

We have audited the accompanying financial statements of **ONONDAGA COUNTY WATER AUTHORITY** (the Authority), which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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.

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Opinion

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

Emphasis of a Matter

As discussed in Note 9 to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, on pages 4 to 20 and 50 to 52, respectively, 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 23, 2016, on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2015

Introduction

Onondaga County Water Authority's (OCWA) Management's Discussion and Analysis for the fiscal year ended December 31, 2015, provides an introduction to the major activities that had an effect on the operations of the Authority and it also addresses the financial performance and status of OCWA. The information contained within the Management's Discussion and Analysis (MD&A) should be used and considered in conjunction with all of the information contained within the 2015 financial report, which follows this report.

Financial Highlights

OCWA's 2015 total revenues increased by $3,274,637 (8.1%) over 2014 and water revenue increased by $3,227,884 for the year. A Base System Fee increase of $12.00 per year for each equivalent dwelling unit (EDU) accounted for approximately $1,416,000 of the overall increase in revenue. The 2.5 cents per 1,000 gallons increase accounted for about $285,600 in increased revenue. It should be pointed out that during 2015, OCWA refined and improved its estimates for accrued revenues through use of data generated by the Authority's new billing system. The billing program automatically calculates unbilled revenue for each customer from the date of their previous meter reading date as compared to the previous billing date. As a result of the change, residential and commercial revenues increased significantly for 2015. Overall, the increased revenue from industrial sales (215.572 MG), commercial sales (10.968 MG), and municipal wholesale (90.615 MG) was offset by a decrease in residential sales (169.149 MG). With respect to the increase in industrial sales, six of OCWA's ten largest industrial customers account for 82.2% of the increased industrial sales. The Carr Street co-generation facility (under new ownership) saw use increase by 81.92 MG over 2014. Anheuser-Busch use was up 39.619 MG, Crucible Steel's use increased by 30.968 MG, Sunoco's ethanol facility increased use by 27.371 MG, Bristol Lab's use was up 22.02 MG and OCWA's largest customer Solvay Paperboard's use increased 8.03 MG over 2014.

OCWA's 2015 total customer account base increased by 461 (0.456%) over the 2014 year-end total. By year end OCWA's total customer base totaled 101,409 accounts with 100,062 metered residential, commercial, industrial and wholesale accounts. Overall 2015, as was the case in 2014, was a fairly nondescript year with respect to growth.

On the expense side of the Authority's operation, total expenses for 2015 increased $1,594,614 (4.1%) over 2014. Purchased water accounted for 51.2% of the increase in expense and the increase is primarily attributed to a 4 cent per 1,000 gallon rate increase passed on by the Metropolitan Water Board effective January 1, 2015.

Wages for the year increased $542,407 (6.4%) and are attributed to wage increases for the Teamsters union personnel (2.75%), CSEA union personnel (2.75%) and Administrative personnel (2.0%). In addition to wage increases, a record number of water main breaks experienced during the record cold weather that set in for the winter months, saw labor costs increase by approximately $171,000 during the first quarter of the year. Offsetting the overall increase in labor cost was the delay in hiring new staff members included in the 2015 budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Financial Highlights – Continued

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for periods beginning after June 15, 2014 which changes how public pension plan liabilities are accounted for and disclosed in the financial statements of participating employers. The Authority implemented these standards for the year ended December 31, 2015. The result of the implementation was to increase the net position as of January 1, 2015 by $263,975 which consists of net pension liability, deferred outflows of resources, and pension expense.

2015 outside contractor costs increased by $309,098 over the previous year and are tied to increased cost of paving related to repairs needed after experiencing a record number of main breaks during the first quarter of 2015 and for the year as a whole. The record cold experienced during the first quarter of the year was primarily responsible for the increase in main breaks (539 total breaks, and increase of 121 breaks over the 2014 total), the second year in a row of a record number of breaks. Increased purchase of supplies, mainly due to need for water main repair parts, added another $94,801 in expenses for the year. It should be noted, that issue with increased main repairs was the case across the State of New York and the northeast in general.

Offsetting the aforementioned increases for 2015, chemical expenses dropped $64,589 from 2014. Further electric and natural gas expenses dropped $192,087 with commodity costs retreating from the high levels attributed to the 2014 Polar Vortex. Transportation costs fell by $17,264, with savings related to lower fuel costs being offset by increased vehicle maintenance expenses.

Using This Annual Statement

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. Because Onondaga County Water Authority is treated as a Proprietary Fund for auditing purposes, it has in the past and will continue to use the accrual basis of accounting. The accrual basis of accounting provides both short-term and long-term information about the Authority's overall financial status.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Summary of Statement of Net Position

TABLE 1

	2014	2015
ASSETS		
Cash	$ 130,731	$ 251,477
Accounts Receivable	7,602,934	9,494,933
Materials, Supplies and Prepaid Expenses	2,493,966	2,590,768
Restricted Assets	24,850,468	28,637,890
Plant and Water Rights, Net	221,924,275	224,538,583
TOTAL ASSETS	$ 257,002,374	$ 265,513,651
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding	$ 755,216	$ 674,456
Deferred Outflows from Pension Plan	1,824,822	2,099,686
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 2,580,038	$ 2,774,142
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 3,156,480	$ 3,389,603
Liabilities Payable from Restricted Assets	1,009,825	1,074,562
Bonds Payable	64,125,492	66,332,803
OPEB Liability	13,772,639	15,587,963
Due to NYS Retirement System	1,560,847	1,166,871
Capital Lease Obligations	184,175	138,250
TOTAL LIABILITIES	$ 83,809,458	$ 87,690,052
NET POSITION		
Net Investment in Capital Assets	$ 158,369,824	$ 158,741,986
Restricted	23,555,390	29,410,458
Unrestricted	(6,152,260)	(7,554,703)
TOTAL NET POSITION	$ 175,772,954	$ 180,597,741

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Summary of Statement of Net Position – Continued

Total assets increased by $8,511,277 in 2015 as a result of the following items:

- The increase in cash of $120,746 is due to a higher balance in the Authority's operations and maintenance account at year-end.

- Accounts receivable have increased by $1,891,999 or 24.9%. There are two significant components that make up this increase. The first is accounts receivable for water that has been billed to customers which increased by $197,064 (5.0%). The second component is for estimated revenue that has been accrued on accounts that are billed on a quarterly or longer basis. As described under Financial Highlights, the Authority changed its method of estimating accrued utility revenue as a result of a billing software upgrade. The estimate is now based on the last meter reading date rather than the last billing date which was the previous method used. This is the main reason that accrued utility revenue increased by $1,698,326 (45.5%) over the 2014 amount.

- Materials, supplies and prepaid expenses increased by $96,801 (3.9%) over 2014 levels. Inventory increased by $22,407 due to higher quantities required for jobs in progress or starting in the near future. Prepaid expenses went up by $74,394 due primarily to increases in prepaid insurance ($23,940) and prepaid service contracts ($51,960) partially offset by a decrease in the Authority's postage account ($1,562).

- Restricted assets increased by $3,787,422 (15.2%) in 2015. This increase is mainly due to the effect of two factors. One is that the total amount of the various construction funds increased by a total of $2.23 million as the net result of the establishment of a $4.88 million construction fund with the proceeds from the Authority's 2015 bond issue and the use of construction funds to pay for capital projects. The other is that there was a net increase of $1.18 million in money in the General Authority, Renewal and Replacement and General Funds.

- Plant and water rights increased due to additional capital projects either completed or in progress at the end of 2015. A detailed outline of the additions is located just after Table 4 "Capital Assets at Year End" later in this analysis.

Deferred outflows of resources increased by $194,104 in 2015 as a result of the following:

- The deferred amount on refunding decreased by $80,760. This is the 2015 amount being recognized as a component of interest expense of the difference between the reacquisition price and the net carrying amount of the old debt for the Authority's two refundings.

- Deferred contributions to pension plan have been recorded based on information provided by the NYS Local Retirement System as part of GASB 68 implementation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Summary of Statement of Net Position – Continued

Total liabilities increased by $3,880,594 in 2015 as a result of the following items:

- Accounts payable and accrued liabilities increased by $233,123 (7.4%) in 2015 due, most significantly, to increases in accounts payable – $144,277, accrued vacation/sick leave – $44,398 and accrued payroll – $41,439.

- Liabilities payable from restricted assets increased by $64,737 (6.4%) as compared to 2014 due to the combination of several factors. Amounts due to contractors for work performed in 2014, for which payment was not made until 2015, was $21,526 more than in the same period of the previous year. Retainage held at the end of 2015 was $68,518 more than at the end of 2014. Customer deposits decreased by $43,451 and finally, accrued interest on bonds increased by $18,262.

- The bonds payable balance increased by $2.21 million due to a number of causes. First, the Authority issued revenue bonds in the amount of $5,200,000. Next, principal payments totaling $2,935,000 were made during the year. Finally, it was also affected by the amortization of bond premium in the amount of $183,625 during 2015.

- GASB Statement No. 45 establishes guidance for the financial reporting of OPEB cost over a period that approximates employees' years of service. It does not require that the unfunded liability actually be funded, only that the Authority account for the unfunded liability. The financial statements at December 31, 2015 include a liability in the amount of $15.59 million that represents the Authority's unfunded liability. This is an increase of $1.82 million over the 2014 amount.

- Net Pension Liability – ERS represents the Authority's share of the total net pension liability based on information provided by the New York State Local Retirement System. This information is provided by the System on an annual basis. GASB 68 does not change the calculation of the Authority's required contribution. Previously, if the Authority paid its required contribution it had no additional liability to the System.

- Capital lease obligations decreased by $45,925 due to principal payments made on various leases.

- Net position is the difference between all the other elements of the statement. That is assets plus deferred outflows, less liabilities, less deferred inflows.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Review of Revenues

TABLE 2

	2014	2015
Residential/Commercial Sales	$ 30,377,723	$ 32,880,738
Industrial Sales	4,340,561	4,778,005
Municipal (Water Utility) Sales	3,505,635	3,768,161
Fire Protection	1,240,094	1,264,993
Miscellaneous Revenue	1,061,652	1,122,586
Interest from Investments Held in Trust	11,083	22,534
Gain on Disposal of Fixed Assets	8,047	(17,585)
TOTAL REVENUES	$ 40,544,795	$ 43,819,432

- On January 1, 2015, OCWA implemented a Base System Fee increase of $12.00 per year for each equivalent dwelling unit (EDU) and a $0.025/1000 gallon rate increase for all customer classes except fire protection. The increases, which were determined in late 2014, were based on the projected requirements for 2015 and took into account changes that were expected to have an effect on 2015 operations. The rate increases took effect on January 1, 2015.

- Total water revenues for 2015 increased by $3,227,884 (8.2%) over the previous year. Residential and commercial sales increased by $2,503,015 (8.2%), industrial sales increased by $437,444 (10.1%), municipal sales increased by $262,526 (7.5%) and fire protection increased by $24,899 (2.0%).

- As shown above, residential and commercial sales grew by more than the amount attributable to the EDU and rate increases. The primary reason for this was an upgrade to the billing software which uses a more accurate method of determining accrued revenue for quarterly customers. The calculation, which is now system generated, changed from being based on the customer's last billing date to the more accurate last meter reading date.

- Industrial sales increased by 10.1% over the 2014 amounts. In addition to the EDU and rate increases, industrial consumption increased from 2,509 MG in 2014 to 2,725 MG in 2015. The increase of 216 MG equates to an 8.6% rise in the number of gallons billed.

- Municipal sales increased by 7.5% over the 2014 amounts. In addition to the EDU and rate increases, municipal consumption increased from 2,091 MG in 2014 to 2,182 MG in 2015. The increase of 91 MG equates to a 4.4% in the number of gallons billed.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Review of Expenses

TABLE 3

	2014	2015
Operations	$ 9,483,848	$ 9,471,974
Purchased Water	8,818,605	9,634,684
General and Administrative	6,213,109	5,998,880
Less: Burden Applied	(964,906)	(990,811)
Depreciation	5,457,138	5,608,661
Bond Premium Amortization	(179,256)	(183,625)
Water District Lease Amortization	508,115	493,485
Maintenance	6,762,492	7,566,234
Other Expense	2,817,842	2,912,117
TOTAL EXPENSES	$ 38,916,987	$ 40,511,599

Total expenses for 2015 were up by $1,594,612 (4.1%) compared to fiscal year 2014. Areas of expense that experienced significant changes, both plus and minus, in 2015 included: labor, health insurance, pensions, OPEB, worker's compensation and general liability insurances, purchased water, electric/gas, outside contractors and depreciation are discussed below.

Labor Changes Impacting Operations, Maintenance, and General and Administrative Expenses

Labor expenses in operations, maintenance and general and administrative accounts increased by $542,407 (6.4%) during 2015 as compared to 2014. Both the Teamsters and CSEA contracts included wage increases effective January 1, 2015. The rates for the CSEA employees increased by 2.75% and Teamsters rates increased by 2.75%.

Also impacting the increase was the extremely cold weather that the Authority's service area experienced at the beginning of 2015. At least partially due to the cold, OCWA repaired 121 (28.9%) more water main breaks in 2015 than it did in 2014. In addition, the frigid weather at the beginning of 2015 caused an inordinate number of frozen services. Those two factors caused labor costs in the first quarter of 2015 to be $170,821 (8.4%) more than in the first quarter of 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Notable Expense Changes (Other Than Labor)

Group health insurance had an overall increase of $172,285 (5.7%) as compared to 2014 for the Authority's employees and retirees. Health insurance premiums increased by 14.6% for CSEA and non-union employees in July 2014 and another 12.9% in July 2015. Premiums for Teamsters employees increased by 2.0% in January 2015.

Pension expense decreased by $511,273 in 2015 as compared to 2014 based on the calculation provided by the NYS Local Retirement System. The NYSLRS calculates pension expense and other information on an annual basis and provides it to the Authority for inclusion in financials.

OPEB expense for 2015 increased by $61,021 (3.5%) as compared to the 2014 figure. The amount was determined by the Authority's interim actuarial valuation.

Worker's compensation insurance increased by $48,632 and the expense related to various other insurances, including general liability, increased by $50,723. This latter increase includes the additional cost for cybercrime insurance. The total increase of $99,355 represents a 10.9% rise over 2014.

Purchased water cost increased by $816,079 (9.3%) for 2015. In addition to the Metropolitan Water Board's (MWB) rate increase of $.04 per 1,000 gallons implemented in 2015, the quantity purchased from MWB increased by 408 MG (6.2%) going from 6,638 MG in 2014 to 7,046 MG in 2015. The additional gallons purchased cost approximately $424,000.

OCWA experienced a $192,087 (21.5%) decrease in its electric and natural gas charges in 2015 as compared to 2014 amounts. Charges in the first third of 2015 decreased by $112,893 (40.0%) from the high costs due to the "polar vortex" of early 2014. Even in the final two thirds of 2015, costs were $79,194 (18.9%) less than the comparable period of 2014.

The Authority's expense for outside contractors increased by $309,098 (18.8%) in 2015 as compared to 2014. The 121 additional water main repairs and the high number of frozen services in 2015 due in part to the cold weather in the early part of the year, caused contractor costs to be significantly higher than the previous year. The Authority normally takes care of maintenance of the water system with its own personnel, but due to the issues noted above it hired its contractor to assist. This resulted in $164,000 more paid to the contractor for maintenance work in 2015. Also, paving costs associated with road restoration after water main breaks, went from $648,951 in 2014 to $742,016 in 2015, an increase of $93,065.

Depreciation increased by $151,523 (2.8%) in 2015 as compared to 2014 figures. This is a reflection of the fact that OCWA added over $8.8 million to Water Plant in Service in 2014 as well as nearly $7.8 million in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Summary of Overall 2015 Operations

In 2015 OCWA experienced a net income before capital contributions of $3,307,833, an increase of $1,680,025 from the net income of $1,627,808 for the fiscal year ended December 31, 2014. The most significant components that make up the increase were: increased water revenue due to the rate increase and change in the method of determining accrued water revenue, increases in labor, purchased water and outside contractor costs partially offset by decreases in pension expense and electric and natural gas charges.

OCWA Budget Process

Each year the Authority's department managers prepare comprehensive draft budgets, one for operations and maintenance and one for capital projects. The executive staff combines the budgets and prepares a recommendation for the Authority's Board to review in early October of each year. The Board, in turn, conducts a budget workshop with executive management and a final recommendation is made for approval by the Board at its October meeting. Per the implementation of New York State's Public Authorities Accountability Act, OCWA's annual budget process must be completed by the end of October. Copies of the approved budget are then forwarded to elected officials at the County and State level in accordance with PAAA guidelines.

Executive management, also in accordance with OCWA's trust indenture, provides a copy of the budgets to the Authority's consulting engineer for review and approval. Executive management and the consulting engineer meet to review both budgets prior to the consulting engineer submitting their letter acknowledging satisfactory review.

The operations and maintenance budget is generally not amended once it has been approved by the Board. On a monthly basis, each Authority department manager completes a budget variance, which is in turn submitted to the Executive Director. Also on a monthly basis, a summary budget variance report is provided to the Board and extraordinary variances (plus and minus) are explained.

With respect to the capital budget, specific projects for the year are approved at the preceding year's October board meeting. It should also be noted that although the October budget approval encompasses all approved projects for the coming year, each project must be submitted to the Board for approval of the project's work authorization prior to the start of the project.

Executive management also prepares 20-year capital budgets and 20-year operations and maintenance budgets for the Authority. Both budgets include a list of assumptions that are used to prepare the long-range projections. It should be noted that both long-range budgets are updated regularly and submitted to the OCWA Board for review and are ultimately added to the Authority's annual business plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

System Growth

Areas of growth included the following:

- For 2015, system growth included the installation of 21 developer / individual main extensions, totaling 22,876 feet of main.
- The Town of Volney continues to develop and add small districts throughout the town.
- OCWA expanded into Cayuga County during 2015 via an extension in to the Town of Sterling. By year-end 29 of the potential 80 accounts had been activated.
- The Agrana fruit processing plant, which opened in 2014, joined OCWA's list of 15 largest industrial customers coming in at No. 13 with 21.81 million gallons purchased for the year.

Areas of Growth, 2016 and Beyond

- The Town of Granby is expected to seek bids for Water Supply Area 6A in the spring of 2016. Once completed the new district has the potential to add 180 customers (to the current 516 accounts) should everyone connect to the new system.
- The Town of Constantia Bernard's Bay Water System, which will extend water lines to the east, coming close to the western border of the Village of Cleveland should be under construction by the end of 2016 and has the potential to add over 600 new customers.
- The Town of Schroeppel received a zero interest hardship loan for the construction of its Route 10 & 12 / Pennellville water district. The original district was voted down by two votes and as such a smaller district has been proposed. The smaller district has the potential to add a couple hundred connections if approved. At this time the start of construction is projected for late 2016 or early 2017, assuming it is approved by the residents.
- Madison County is moving forward with the development of its Agricultural and Renewable Energy (ARE) Park. The ARE Park has the potential to add up to seven industrial users with a projected daily demand between 100,000 to 200,000 gallons per day. Construction is slated to start in the spring of 2016.
- For the start of 2016, eight contracts have been sent to developers and seven developer main extensions are in the design phase.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Areas of Growth, 2016 and Beyond – Continued

- The Town of Lysander Comprehensive Land Use Plan is being updated. Potentially, the revised plan could address two major developments located south of Route 31 along the Seneca River. If approved the two developments have the potential to add 1,000 customers to the OCWA system.

- OCWA essentially now serves all the towns and villages within its potential service territory, which covers a very large geographic footprint in the Five Counties (Onondaga, Oswego, Madison, Oneida and Cayuga). Collectively OCWA serves 33 towns and 13 villages on a retail basis. OCWA also wholesales water to two towns on a regular basis and has another seven wholesale connections that are used on an intermittent basis. Future growth, with respect to retail sales, will be tied to infill in the 33 towns served throughout the five-county region.

Capital Assets at Year End (Net of Depreciation)

TABLE 4

	Governmental Activities		Total Percent Change
	2014	**2015**	**2014-2015**
Water Plant in Service	$ 285,602,597	$ 293,392,809	2.73%
Water Rights - Source	5,250,000	5,250,000	0.00%
Construction Work-in-Progress (I&E)	3,334,444	3,904,809	17.11%
Water District Lease	23,169,890	23,169,890	0.00%
Pre-Survey and Investigation	217,311	165,964	-23.63%
Jobbing in Progress	271,470	224,450	-17.32%
Allowance for Depreciation	(77,937,329)	(83,094,374)	6.62%
Accumulated Amortization/Water Districts	(12,722,494)	(13,215,979)	3.88%
Residual Amortization/Water Rights	(5,250,000)	(5,250,000)	0.00%
Deferred Charge - Capital Interest on FP	(11,614)	(8,986)	-22.63%
Total	$ 221,924,275	$ 224,538,583	1.18%

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Capital Assets at Year End (Net of Depreciation) – Continued

Increase to Water Plant in Service Highlights

- 8" Ext. Sunflower Dr. – $633,209
- Otisco Water Treatment Plant Facility Upgrade – $423,570
- 8" & 12" Ext. Township 5 Phases 1 & 2 – $290,746
- 8" Ext. Winchell Dr. & Chapman Ave. – $288,698
- Water meters in the amount of $809,155 as part of an ongoing meter replacement project
- The completion of various other water main projects – $3,157,049
- The installation of new and replacement water services – $746,120
- The installation of new and replacement hydrants – $637,507
- The replacement of vehicles in its fleet as part of OCWA's asset management program

Construction Work-In-Progress Highlights

Construction Work-In-Progress increased by $570,365 during 2015, from $3,334,444 at the beginning of the year, to $3,904,809 at year end. Of that amount, $2,870,483 is related to the following seven projects:

- Dunning Dr. Pump Station – $1,059,665
- Otisco Lake Dam Improvements – $887,595
- 12" Ext. Pottery Rd. – $304,854
- Sherwood Pump Station to East View Tank – $196,111
- Sherwood Dr. Pump Station – $177,352
- Zebra Mussel Line Replacement – $131,652
- Eagleview Tank – $113,254

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Capital Assets at Year End (Net of Depreciation) – Continued

Pre-Survey and Investigation Highlights

Pre-survey and investigation costs capture costs related to studies undertaken related to potential additions and improvements to the OCWA system. This account decreased due to a decrease in the number of studies in process.

Jobbing in Progress

Jobbing in progress captures costs associated with activities for which an individual or developer will pay for the job in full. The installation of new hydrants and large services within certain areas of OCWA's system are examples of this. A deposit for the job is taken. When the project is completed, the Authority will either bill the developer if the actual cost is more than the deposit or refund a portion of the deposit if the cost is less. "Job Orders" are also used to capture costs associated with repairing or replacing assets, generally hydrants and services, which are hit and damaged by individuals. The Authority then bills the individual or the individual's insurance for the repair cost. The account is also used to track the cost of contract operations and of maintenance agreements with various water systems.

Long-Term Debt Administration

The Authority has four General Water System Revenue Bond issues and two E.F.C. Drinking Water Bond issues outstanding with a remaining principal totaling $64,260,000 as of December 31, 2015. OCWA's most recent bonds were issued in April 2015.

On April 22, 2015, the Authority issued $5,200,000 in General Water System Revenue Bonds Series 2015A. The bonds bear interest at rates ranging from 1.0% to 3.375% and have a final maturity date of September 15, 2035. The bonds were issued for capital improvements to the water system including a water tank replacement, two pump stations, water tank improvements, Otisco Lake Dam improvements and water main improvements. As of December 31, 2015, the 2015 bonds have a remaining principal of $4,935,000. This amount reflects a principal payment of $265,000 made in September 2015.

On March 5, 2013, the Authority issued $8,390,000 in General Water System Revenue Bonds Series 2013. The bonds bear interest at rates ranging from 2.0% to 4.5% and have a final maturity date of September 15, 2025. The bonds were issued to advance refund the Authority's 2005 Series A bonds maturing after 2015. The 2005 Series A Bonds were originally issued to pay capital costs of certain improvements of the Water System. As of December 31, 2015, the 2013 bonds have a remaining principal of $8,155,000. This amount reflects a principal payment of $30,000 made in September 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Long-Term Debt Administration – Continued

On April 5, 2011, the Authority issued $16,910,000 in General Water System Revenue Bonds Series 2011. The bonds bear interest at rates ranging from 2.5% to 5.0% and have a final maturity date of September 15, 2028. The bonds were issued for capital improvements to the water system including construction of a third covered water storage tank, two large pump stations, one small pump station and various other capital projects. As of December 31, 2015, the 2011 bonds have a remaining principal of $16,345,000. This amount reflects a principal payment of $565,000 made in September 2015.

The General Water System Revenue Bonds, Series 2010A have a remaining principal balance of $1,475,000 as of December 31, 2015. This amount reflects a principal payment of $420,000 made in September 2015. The required principal payment on the bond in 2016 is $120,000. The bonds bear interest at rates ranging from 3.0% to 5.0% and have a final maturity date of September 15, 2025. The bonds were issued to provide funds to redeem all outstanding 2001 Series A Bonds maturing after 2010 as well as provide funds for capital improvements.

The E.F.C. Drinking Water Bonds, 2009 Series A have a remaining principal balance of $22,230,000 as of December 31, 2015. The remaining balance reflects a principal payment of $465,000 made in June 2015. The required principal payment on the bond in 2016 is $480,000. The interest rate is 4.8721%. Bonds mature serially in varying annual amounts and have a final maturity date of June 15, 2038.

The E.F.C. Drinking Water Installment Bonds, 2008 Series A were issued in the amount of $14,226,510 having a remaining principal balance of $11,120,000 as of December 31, 2015. This amount reflects a principal payment of $555,000 made in October 2015. The required principal payment on the bond in 2016 is $575,000. The 2008 Bonds mature serially in varying annual amounts through 2029, with an interest rate of 4.27%, one third of which is subsidized by E.F.C. (New York State Environmental Facilities Corporation).

The General Water System Revenue Bonds, 2005 Series A made its final principal payment of $635,000 made in September 2015 and have a remaining principal balance of $-0- as of December 31, 2015. During 2013, the 2005 Series A bonds maturing after 2015 ($8,390,000) were advance refunded. As is the case with all of the bonds, one twelfth of the required amount was set aside monthly. The 2005 bonds matured serially in varying annual amounts with interest rates ranging from 3.5% to 5.00%, payable semi-annually.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Long-Term Debt Administration – Continued

Pursuant to its Trust Indenture, all revenues collected by the Authority are pledged to the payment of principal and interest on the bonds. All such revenues are deposited in the name of a trustee for allocation to funds set up in accordance with the Trust Indenture.

Series Bonds	Bonds Outstanding as of December 31, 2015
2015 Series Bonds	$ 4,935,000
2013 Series Bonds	8,155,000
2011 Series Bonds	16,345,000
2010 Series A Bonds	1,475,000
2009 E.F.C. Bonds	22,230,000
2008 E.F.C. Bonds	11,120,000
Total	$ 64,260,000

OCWA Bond Rating

In March 2015, Moody's Investors Service assigned an Aa3 rating to OCWA's 2015 Bonds. At the same time it affirmed the Aa3 rating on OCWA's previously issued revenue bonds and the 2008 and 2009 E.F.C. Bonds

Looking Forward

For 2016 OCWA implemented a $2 per quarter ($8 per year) increase of its Base System Fee for each Equivalent Dwelling Unit (EDU), and increased its commodity cost by 8.0 cents per 1,000 gallons. A 5/8-inch meter equals one EDU and is representative of a typical residential meter. By way of example, a 2-inch commercial meter equals 8 EDUs and an 8-inch industrial meter equals 85 EDUs. Based on OCWA's current metered customer base of 100,066 metered accounts (as of February 19, 2016) and a total EDU count of 118,323 and projected water sales of 11.424 billion gallons, the estimated annual revenue increase for 2016 is projected to be $1,860,500, representing a 4.49% increase in total water sales revenue. It should also be pointed out that the EDU portion of the increase is fixed and not subject to the water use fluctuations as is the commodity rate per 1,000 gallons. The overall impact on an average OCWA customer, using 12,700 gallons per quarter, is a monthly increase of $1.00 or 3.21% per year. The ongoing annual rate increases are in accordance with the Authority's 2005 Bond Trust Indenture, whereby OCWA's Board is required to review rates on an annual basis and adjust them accordingly.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Looking Forward – Continued

Rate increases since 2001 and up to and including 2016 are listed below:

Year	Residential / Commercial	Wholesale	Industrial	Fire Protection
2016	$8.00 / EDU + $0.08 / 1,000 gal	$8.00 / EDU + $0.08 / 1,000 gal	$8.00 / EDU + $0.08 / 1,000 gal	5.0%
2015	$12.00 / EDU + $0.025 / 1,000 gal	$12.00 / EDU + $0.025 / 1,000 gal	$12.00 / EDU + $0.025 / 1,000 gal	0.0%
2014	$8.00 / EDU	$8.00 / EDU	$8.00 / EDU	0.0%
2013	2.0%	2.0%	2.0%	0.0%
2012	2.47%	2.31%	2.38%	0.0%
2011	9.0%	9.0%	9.0%	0.0%
2010	12.0%	10.0%	10.0%	3.25%
2009	15.0%	15.0%	9.9%	3.25%
2008	7.7%	7.7%	6.7%	3.25%
2007	9.8%	9.8%	6.75%	4%
2006	6%	6%	4%	4%
2005	8%	8%	5%	5%
2004	15%	15%	3%	3%
2003	2%	2%	2%	2%
2002	2%	2%	2%	2%

- For 2016 the Metropolitan Water Board did not implement a rate increase. The Syracuse Water Department, which is on a July 1 – June 30 budget cycle, did not raise rates for the 2015-2016 cycle. OCWA's 2016 O&M Budget takes both into account. For 2015, OCWA purchased 49.61% (up from 49.34% in 2014) of its water from MWB. The purchase of water from the City of Syracuse decreased to 2.85%, up from 3.05% in 2014. 2015 purchased water costs represents 30.41% of the Authority's operating expense, before depreciation and amortization.

- OCWA ended 2015 with 139 full time equivalent employees, 1.5 less than budgeted due primarily to unfilled positions. For 2016, the Authority has budgeted to increase staff to 145.3 fulltime equivalent employees. The hiring of a Database Administrator for the IT Department is still in progress, as is the addition of an Engineering Technician for the Distribution Operations Department. Night operations will also be expanded in 2016 with the addition of 4 Distribution Maintenance employees that will be working on valve and hydrant operations and maintenance.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015

Looking Forward – Continued

- Chemical costs for 2016 are projected to remain stable. OCWA's cost of electric and natural gas costs in 2016 remain stable with improved energy efficiencies softening the impact of potential rate increases.

- OCWA's ongoing annual capital budget for 2016 is approved for $7,411,436, keeping the pace of capital projects slated for 2016 steady. In addition to reoccurring capital expenditures, the list of major projects underway or about to start include the completion of the $1.4 million Otisco Lake Dam stabilization project, completion of the Sherwood Drive Pump Station ($340,000) in the recently acquired Camillus Water System, tank repairs and replacement evaluations ($425,000), the Eagleview tank construction ($1,400,000), design of a new meter test facilities improvements ($50,000) and the Solvay/Geddes Streetscape improvement project ($750,000). Also on tap is the completion of two major transmission main stabilization projects ($250,000) in Marcellus along the Nine Mile Creek bed.

- OCWA's 2016 capital improvement program is funded in part by net income from 2015 and in part by a $5.2 million bond issued in 2015. In addition to the projects mentioned above, the 2016 capital budget addresses increasing demand for meter replacements and upgrades, replacement of water mains, hydrants and valves. The budget also covers ongoing replacement of vehicles and heavy equipment. Additionally, the capital budget addresses building and facilities improvements ranging from control pit repairs and storage tank rehabilitation projects. All approved projects are in keeping with OCWA's ongoing asset management efforts, whereby operating and engineering staff continually review and prioritize the overall needs related to replacement and or enhancement of all assets throughout the system.

Request for Information

This report is presented as a broad overview of the financial condition of the Onondaga County Water Authority. Questions related to the report or the Authority in general should be sent to the Executive Director, Onondaga County Water Authority, PO Box 4949, Syracuse, New York 13221-4949. Questions can also be directed to the Executive Director via the Authority's web site at www.ocwa.org.

STATEMENT OF NET POSITION
December 31, 2015

ASSETS

CURRENT ASSETS		
Cash	$	251,477
Accounts Receivable - Customers (Less Allowance for Doubtful Accounts of $60,000 for Both 2015 and 2014)		9,486,557
Accounts Receivable - Other		8,376
Materials, Supplies and Prepaid Expenses		2,590,768
Total Current Assets		12,337,178
RESTRICTED ASSETS		
Customer Deposits		678,200
General Authority Fund		2,480,854
Bond Fund		2,051,951
General Fund		13,172,876
Renewal and Replacement Fund		849,329
Bond Reserve Fund		5,609,936
Construction Fund		3,794,744
Total Restricted Assets		28,637,890
PLANT AND WATER RIGHTS, NET		224,538,583
TOTAL ASSETS		265,513,651
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding		674,456
Deferred Outflows from Pension Plan		2,099,686
TOTAL DEFERRED OUTFLOWS OF RESOURCES		2,774,142

See notes to financial statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	3,389,603
Capital Lease Obligations - Current Portion	50,925
Total Current Liabilities	3,440,528
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Accounts Payable	149,699
Customer Deposits	425,644
Bonds Payable, Portion Due Within One Year	2,970,000
Accrued Interest on Bonds Payable	499,219
Total Liabilities Payable from Restricted Assets	4,044,562
LONG-TERM DEBT	
Bonds Payable	63,362,803
Postemployment Benefits Other Than Pension	15,587,963
Net Pension Liability - ERS	1,166,871
Capital Lease Obligations, Net of Current Portion	87,325
Total Long-Term Debt	80,204,962
TOTAL LIABILITIES	87,690,052
NET POSITION	
Net Investment in Capital Assets	158,741,986
Restricted	29,410,458
Unrestricted	(7,554,703)
TOTAL NET POSITION	$ 180,597,741

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2015

OPERATING REVENUE	
Charges for Services	$ 42,691,897
Penalties	592,758
Other	529,828
Total Operating Revenue	43,814,483
OPERATING EXPENSE	
Source of Supply	9,634,684
Transmission and Distribution	15,771,293
Collection	1,266,915
Administration	5,008,069
Depreciation and Amortization	5,918,521
Total Operating Expense	37,599,482
INCOME FROM OPERATIONS	6,215,001
OTHER INCOME (EXPENSE)	
Interest from Investments Held by Trustee	22,534
Gain on Disposal of Fixed Assets	(17,585)
Debt Issuance Costs	(109,641)
Interest Expense	(2,802,476)
Net Other Expense	(2,907,168)
Net Income Before Capital Contributions	3,307,833
Capital Contributions	1,516,954
CHANGE IN NET POSITION	4,824,787
NET POSITION	
Balance, Beginning of Year, As Restated	175,772,954
Balance, End of Year	$ 180,597,741

See notes to financial statements.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 41,922,484
Cash Payments for Goods and Services	(21,382,493)
Cash Payments to Employees	(8,907,475)
Net Cash Provided By Operating Activities	11,632,516
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Customer Deposits Received	1,077,876
Refunding of Customer Deposits	(1,121,329)
Net Cash Used In Noncapital Financing Activities	(43,453)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	47,029
Cash Received from Contributed Capital	1,516,954
Payments for Capital Acquisitions	(8,781,068)
Debt Issuance Costs	(109,641)
Premium on 2015 Bond Issuance	125,937
Proceeds from Issuance of Long-Term Debt	5,200,000
Principal Payments	(2,980,925)
Interest Paid	(2,721,715)
Net Cash Used In Capital and Related Financing Activities	(7,703,429)
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of Interest	22,534
Net Cash Provided By Investing Activities	22,534
Net Increase (Decrease) in Cash	3,908,168
Cash, Beginning of Year	24,981,199
Cash, End of Year	$ 28,889,367

See notes to financial statements.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Income from Operations	$ 6,215,001
Adjustments to Reconcile Income from Operations	
to Net Cash Provided By Operating Activities:	
Depreciation	5,608,661
Amortization	309,860
Pension Items - ERS	(668,840)
(Increase) Decrease in Operating Assets:	
Accounts Receivable - Customers	(1,895,390)
Accounts Receivable - Other	3,391
Materials, Supplies, and Prepaid Expenses	(96,802)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	341,311
OPEB Liability	1,815,324
Net Cash Provided By Operating Activities	$ 11,632,516

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – NATURE OF OPERATIONS

Onondaga County Water Authority (the "Authority") is a public benefit corporation created by New York State and engaged in construction, maintenance and operation of a water supply and distribution system for the benefit of the people of Onondaga County and surrounding municipalities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

In accordance with GASB standards, the accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. As required by GASB standards, the transactions of the Authority are accounted for on a flow of economic resources measurement focus and accrual basis of accounting.

Basis of Presentation

GASB requires the classification of net position into three components defined as follows:

- *Net Investment in Capital Assets* are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation and related debt.

- *Restricted Net Position* – This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This component consists of the remaining net assets, which can be further categorized as designated or undesignated. Designated assets are not governed by statute or contract but are committed for specific purposes pursuant to Authority policy and/or Board directives. Designated assets include funds and assets committed to working capital.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes 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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category; deferred contributions to pension plan, which is related to contributions subsequent to the measurement date of the pension plan and the deferred charge on refunded debt. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Deferred bond refunding costs are amortized to expense over the shorter of the life of the refunding bonds or the refunded bonds.

Cash, Cash Equivalents and Investments

Funds held by the Authority are administered in accordance with the Authority's investment guidelines pursuant to Section 2925 of the New York State Public Authorities Law. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities.

Statutes authorize the Authority to invest in defeasance obligations, obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated F-1 by Fitch, A-1+ by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, among other things. At the present time the investments are primarily in money market funds, commercial paper and obligations of the U.S. Treasury.

For purposes of the statement of cash flows, the 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.

Accounts Receivable

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority analyzes accounts receivable on a monthly basis and adjusts the allowance for doubtful accounts as is necessary. Accounts receivable are written off against the allowance for doubtful accounts as they are deemed uncollectible.

Accrued unbilled revenues represent revenue earned in the current year but not billed to customers until future dates, usually within three months, and is an estimate made by management. See Note 10 for more information on this estimate.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Materials and Supplies

Materials and supplies, consisting mainly of valves, pipe and hydrants are stated at cost and are determined using a weighted average cost method.

Bond Premium

Amortization of bond premium is on the straight-line basis over the life of the bonds and amounted to $183,625 and for the year ended December 31, 2015.

Plant and Water Rights

The Authority leases and operates certain water districts which are capitalized and included in total plant and water rights and are being amortized over periods of 20 and 40 years, depending on the terms of the lease agreement. Lease transactions entered into prior to December 31, 1976 are recorded at the total of the future amount payable under the terms of the respective leases. Commencing January 1, 1977, the Authority adopted the policy of capitalizing long-term lease obligations at the present value of the future lease payments using the interest rates specified in the agreements. Interest expense is recognized on these leases in proportion to the outstanding balance of the principal accounts payable.

Depreciation has been recorded using the straight-line method of depreciation, with one-half year's depreciation taken in the year of acquisition and disposal. The Authority does not capitalize interest. The estimated useful lives for the major classes of depreciable fixed assets include the following:

Class	Life in Years
Dams, Buildings and Other Structures	37 – 100
Pumping and Purification Equipment	50
Mains, Meters, Services and Other Distribution Facilities	10 – 100
Filtration Plant	50
Automobiles, Trucks and Other Equipment	5
Leased Equipment	5
Leased Water Districts	20 – 40
Water Rights	52

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Post-Employment Benefits

The Authority provides certain health care benefits to its retired employees in accordance with the provisions of employment contracts.

Revenue Recognition

The Authority distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Water service revenues are recognized based on actual customer water usage, including estimates for unbilled periods. Other operating revenues are recognized when service has been rendered and collection is reasonably assured. The Authority's operating expenses include operations and maintenance expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Income Tax Status

As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales taxes.

Contributed Capital

Contributed capital represents amounts, which have been received from customers for betterments or additions to water plants. The Authority accounts for such contributions as such in its statement of revenues, expenses and changes in net position.

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. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Authority has evaluated subsequent events through March 23, 2016, the date the financial statements were available to be issued, and identified the following additional disclosures.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 – ASSETS HELD BY TRUSTEE

Assets held in trust in accordance with the General Water System Revenue Bonds Trust Indentures dated November 1, 2005, August 19, 2010, April 5, 2011, March 5, 2013 and April 22, 2015, and the Environmental Facilities Corporation's Drinking Water Installment Bond Indenture dated June 18, 2008 and March 12, 2009 are stated at cost plus accrued income, which approximates fair market value at December 31, 2015. Assets held by Trustee consist principally of cash and cash equivalents and are included in restricted assets on the statement of net position.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Authority's investments are categorized in accordance with criteria established by the GASB to give an indication of the level of risk assumed.

Cash, cash equivalents and investments of the Authority at December 31, 2015 consist of the following:

	Carrying Value	Bank Balance
Cash and Cash Equivalents:		
Cash on Hand	$ 1,000	$ 1,000
Bank Accounts	1,070,419	1,297,760
Total Cash and Cash Equivalents	$ 1,071,419	$ 1,298,760
Investments:		
Money Market Funds	$ 6,653,868	$ 6,484,751
U.S. Treasury Bills	21,164,080	21,166,960
Total Investments	$ 27,817,948	$ 27,651,711

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposits are secured by $513,786 from the Federal Depository Insurance Corporation plus $784,974 of pledged collateral at December 31, 2015. For the Authority, all pledged collateral and all investments are classified in the highest category by being held in bank trust departments in the Authority's name.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5 – PLANT AND WATER RIGHTS

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2015 is as follows:

	December 31, 2014	Additions	Retirements / Reclassifications	December 31, 2015
Land	$ 963,543	$ 25,291	$ 0	$ 988,834
Dams, Buildings and Other Structures	79,526,367	396,752	0	79,923,119
Pumping and Purification Equipment	3,135,883	0	0	3,135,883
Mains, Meter, Services and Other Distribution Facilities	160,266,246	6,515,652	308,368	166,473,530
Filtration Plant	24,615,981	483,459	0	25,099,440
Automobiles, Trucks and Other Equipment	17,094,577	887,916	210,490	17,772,003
Leased Water Districts	23,169,890	0	0	23,169,890
	308,772,487	8,309,070	518,858	316,562,699
Construction-in-Progress	3,823,225	3,660,389	3,188,391	4,295,223
Water Rights	5,250,000	0	0	5,250,000
Total Plant and Water Rights	317,845,712	11,969,459	3,707,249	326,107,922
Less: Accumulated Depreciation and Amortization	95,921,437	6,102,145	454,243	101,569,339
Net Plant and Water Rights	$ 221,924,275	$ 5,867,314	$ 3,253,006	$ 224,538,583

Depreciation and amortization charged to expense at December 31, 2015 was $5,918,521, which includes amortization of leased water districts (see Note 6).

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 – LONG-TERM DEBT

Water Revenue Bonds Payable

In November 2005, August 2010, April 2011, March 2013 and April 2015, the Authority issued $13,840,000, $5,925,000, $16,910,000, $8,390,000 and $5,200,000, respectively, in General Water System Revenue Bonds, 2005, 2010, 2011, 2013 and 2015 Series A pursuant to a Trust Indenture which pledges all revenues collected by the Authority to the payment of the principal and interest on the bonds. All such revenues are deposited in the name of the trustee for allocation to funds in accordance with the provisions of the Trust Indenture.

Bonds outstanding at December 31, 2015 amounted to $30,910,000. The bonds mature serially in varying annual amounts through 2035, with interest ranging from 1.00% and 5.00%, payable semi-annually. The 2005 bonds matured on September 15, 2015. The 2010 bonds maturing on or after September 15, 2021, the 2011 bonds maturing on or after September 15, 2028, the 2013 bonds maturing on or after September 15, 2025 and the 2015 bonds maturing on or after September 15, 2035, are redeemable, at the option of the Authority, prior to maturity in the inverse order of their maturity at par, plus accrued interest thereon to the redemption date.

On August 19, 2010, the Authority issued $5,925,000 in General Water System Revenue Bonds, Series 2010A to refund all outstanding General Water System Revenue Bonds, 2001A due September 15, 2015. The Series 2010A bonds bear interest at rates ranging from 3.0% to 5.0% and have a final maturity date of September 15, 2025. The net proceeds, along with the Debt Service Reserve for the 2001 Bonds, were used to refund $4,640,000 of the Series 2001A General Water System Revenue Bonds, fund the Debt Service Reserve Fund in the amount of $590,408, fund the Construction Fund for $2,006,255 and to pay bond issuance costs of $87,180. The refunding produced an approximate $372,573 net present value savings.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $81,780. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged as a component of interest expense through the year 2015. The Authority completed the refunding to reduce its total debt service payments over the next five years by $389,037 and to obtain an economic gain of $372,573.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 – LONG-TERM DEBT – Continued

Water Revenue Bonds Payable – Continued

On March 5, 2013, the Authority issued $8,390,000 in General Water System Revenue Bonds, Series 2013A to partially advance refund outstanding General Water System Revenue Bonds, 2005A. The Series 2013A bonds bear interest rates ranging from 2.0% to 4.5% and have a final maturity date of September 15, 2025. The net proceeds (after payment of $97,987 in underwriting fees and other issuance costs) and $399,492 of existing reserve funds for the 2005A Series bonds were used to purchase State and Local Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, $8,390,000 of the 2005A Series bonds are considered to be defeased and the liability has been removed from the accounts. The outstanding principal for the unrefunded portion of the 2005A Series bonds matured on September 15, 2015. The outstanding principal of the defeased bonds is $8,155,000 at December 31, 2015.

The advance partial refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $870,452. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged as a component of interest expense through the year 2025. The Authority completed the refunding to reduce its total debt service payments over the next thirteen years by $962,963 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $621,709. At December 31, 2015, approximately $675,000 of the deferred amount on refunding was included in deferred outflows on the statement of net position.

Environmental Facilities Corporation Revenue Bonds ("E.F.C. Drinking Water Installment Bonds")

The State of New York has established a State Drinking Water Program, which includes a state drinking water revolving fund (the "Revolving Fund") to be used for purposes of the Safe Drinking Water Act. The New York State Environmental Facilities Corporation (the "Corporation") is responsible for administering the Revolving Fund and providing financial assistance from the Revolving Fund. The Corporation issues bonds to provide loans from the Revolving Fund to private water companies, political subdivisions and public benefit corporations of the State of New York. The Authority has been issued a portion of the total bond proceeds in the amounts stated in the table below to finance safe drinking water projects.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 – LONG-TERM DEBT – Continued

Environmental Facilities Corporation Revenue Bonds ("E.F.C. Drinking Water Installment Bonds") – Continued

In 2008, the Authority received bond proceeds in the amount of $14,226,510 from the Environmental Facilities Corporation's 2008 Series A Drinking Water Installment Bond Offering. The bonds have a final maturity date of October 1, 2029 and bear interest at a rate of 4.27%. The interest cost of these bonds is subsidized by the State of New York drinking water revolving fund.

The E.F.C. Drinking Water Bonds, 2009 Series A were issued in the maximum principal amount of $33,000,000. During 2012, the Authority received $5,696,270 in ARRA principal forgiveness and the bond purchase agreement was amended to reflect the new principal amount of $23,952,835. The bonds have a final maturity date of June 15, 2038 and bear interest at a rate of 4.8721%.

Debt service over the remaining term of the bonds is summarized as follows:

	Principal on Bonds	Interest Payable	Total Debt Service
2016	$ 2,970,000	$ 2,676,203	$ 5,646,203
2017	3,095,000	2,569,846	5,664,846
2018	3,220,000	2,452,151	5,672,151
2019	3,345,000	2,334,468	5,679,468
2020	3,470,000	2,212,840	5,682,840
2021 - 2025	19,770,000	8,807,341	28,577,341
2026 - 2030	15,155,000	4,739,696	19,894,696
2031 - 2035	7,100,000	2,357,086	9,457,086
2036 - 2038	6,135,000	556,028	6,691,028
	64,260,000	$ 28,705,659	$ 92,965,659
Less: Current Portion	2,970,000		
Add: Premium on Long-Term Debt	2,072,803		
Bonds Payable - Long-Term	$ 63,362,803		

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 – LONG-TERM DEBT – Continued

Environmental Facilities Corporation Revenue Bonds ("E.F.C. Drinking Water Installment Bonds") – Continued

Changes in long-term liabilities are as follows:

	December 31, 2014	Additions	Reductions	December 31, 2015
Bonds Payable:				
Water Revenue Bonds	$ 27,625,000	$ 5,200,000	$ 1,915,000	$ 30,910,000
E.F.C. Drinking Water Installment Bonds	34,370,000	0	1,020,000	33,350,000
Total Bonds Payable	$ 61,995,000	$ 5,200,000	$ 2,935,000	$ 64,260,000

Capital Leases

The Authority leases certain water facilities under capital lease obligations. Water facilities included in capital assets amounted to $23,169,890 for the year ended December 31, 2015. Accumulated amortization related to these water facilities was $13,215,979 for the year ended December 31, 2015.

Amortization expense related to water facilities under capital leases was $493,485 for the year ended December 31, 2015.

At December 31, 2015, amounts remaining to be paid under long-term lease obligations are as follows:

2016	$ 58,520
2017	55,815
2018	20,384
2019	19,292
	154,011
Less: Current Portion	50,925
Less: Imputed Interest	15,761
Lease Obligations – Long-Term	$ 87,325

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (ERS) which is referred to as New York State and Local Retirement System (the System). This is a cost sharing multiple employer defined benefit retirement system. 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 fiduciary net position allocated to the System. The Comptroller of the State of New York serves as trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. 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 may be found at www.osc.state.ny.us/retire/publications/index.php or by writing to the New York State and Local Retirement System, Alfred E. Smith State Office State Street, Albany, New York 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Eligibility Tiers 1 and 2: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

General Information about the Pension Plan – Continued

Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Eligibility Tiers 3, 4 and 5: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Eligibility Tier 6: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63.

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

General Information about the Pension Plan – Continued

Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits: Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits: For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits: Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases: A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

General Information about the Pension Plan – Continued

Contributions

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% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	Annual Contributions
2013	$ 1,788,417
2014	$ 1,858,246
2015	$ 1,751,828

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

At December 31, 2015, the Authority reported a liability of $1,166,871 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, the Authority's proportion was .0345%.

Actuarial Valuation Date	March 31, 2015
Net Pension Liability	$ 3,378,245,000
Employer Portion of the Plan's Total Net Pension Liability	$ 1,166,871

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions – Continued

For the year ended December 31, 2015, the Authority recognized pension expense of $1,082,988. At December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	$ 37,353
Changes of Assumptions	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	202,671
Changes in Proportion and Differences Between the Employer Contributions and Proportionate Share of Contributions	107,834
Employer Contributions Subsequent to the Measurement Date	1,751,828
Total	$ 2,099,686

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 related to pensions will be recognized in pension expense as follows:

Year Ended:	
2016	$ 86,964
2017	86,964
2018	86,964
2019	86,964
Thereafter	0

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions – Continued

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Inflation Rate	2.7%
Salary Increases	4.9%
Investment Rate of Return (Net of Investment Expense, Including Inflation)	7.5%

Annuitant mortality rates are based on April 1, 2005 to March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale 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 to March 31, 2010.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Class	**Expected Real Rate of Return**
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 Bond	4.0%

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions – Continued

Sensitivity of the Proportionate Share of the Net Pension 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 liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Assumption 7.50%	1% Increase 8.50%
Employers Proportionate Share of the Net Pension (Asset) Liability	$ 7,777,697	$ 1,166,871	$ (4,414,306)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

	(Dollars in Thousands)
Valuation Date	March 31, 2015
Employer Total Pension Liability	$ 164,591,504
Plan Net Position	(161,213,259)
Employer Net Pension Liability	$ 3,378,245
Ratio of Plan Net Position to the Employers' Total Pension Liability	97.9%

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The Authority does not make contributions to this plan.

The Authority has no fiduciary relationship with the trust. In accordance with the provisions of the Statement of Governmental Accounting Standards No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the plan assets are not reported in the Authority's financial statements.

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Authority provides continuation of health insurance coverage under a single-employer defined benefit healthcare plan to its employees that retire under the New York State Employee Retirement Systems at the same time they end their service to the Authority. Based on the provisions of the employment contract negotiated between the Authority and its employee groups, the retiree and his or her beneficiaries, receive this coverage for the life of the retiree. Healthcare benefits for non-bargaining employees are similar to those of union employees. For family coverage the retirees share amounts to 50% of the difference between the family and individual coverage. Spousal benefits continue until the death of the retiree. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for 100% of the premium. The Authority does not issue a publicly available financial report for the plan.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – Continued

Funding Policy

The obligations of the plan are established by action of the Authority pursuant to applicable collective bargaining and employment agreements which will be renegotiated at various times in the future. The Authority, per its contracts with employee units, will pay the full premium costs for the individual health insurance coverage provided by Blue Cross/Blue Shield of the Syracuse Area for an employee of the Authority at retirement and until the employee attains age 65, provided the employee is eligible for retirement and has been employed with the Authority for at least ten consecutive years prior to the date of retirement. After the employee attains the age of 65, the Authority will pay the full premium costs for individual health insurance coverage provided by Medicare Supplemental Plan F and prescription coverage provided by Simply Prescriptions. Teamster employees retiring on or after July 1, 2010 and CSEA employees retiring on or after January 1, 2012 shall be required to pay 10% of the premium cost.

For family coverage the retirees share amounts to 50% of the difference between the family and individual coverage until the age of 65. After the age of 65, the Authority will no longer pay any premium costs of the spouse. Surviving spouses are permitted to continue coverage after the death of the retiree, but are responsible for 100% of the premium.

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

Annual Other Post-Employment Benefit Cost

The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – Continued

Annual Other Post-Employment Benefit Cost – Continued

The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority's net OPEB obligation for the year ended December 31, 2015:

Annual Required Contribution	$ 2,707,198
Interest on Net OPEB Obligation	550,906
Adjustment to Annual Required Contributions	(891,369)
Annual OPEB Cost (Expense)	2,366,735
Contributions Made	(551,411)
Increase in Net OPEB Obligation	1,815,324
Net OPEB Obligation - Beginning of Year	13,772,639
Net OPEB Obligation - End of Year	$ 15,587,963

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended:	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 2,366,735	23.3%	$ 15,587,963

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – Continued

Funded Status and Funding Progress

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The plan is currently not funded. The required schedule of funding progress presented as required supplemental information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Included coverages are “fully-insured community rated” and annual premiums for fully-insured community rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis. In the January 1, 2013 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 4% discount rate.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* The implementation of the statements requires the Authority to report as an asset and/or liability its portion of the collective net pension asset and liability in the New York State Employees' Retirement Systems. The implementation of the statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportion share of total contributions to the pension systems 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.

The Authority has determined that a restatement to the January 1, 2015 beginning net position was required to recognize the change in accounting principle for the implementation of these statements. This adjustment resulted in a change to the beginning net position of the Authority as follows:

Net Position Beginning of Year, as Previously Stated	$ 175,508,979
GASB Statement No. 68 Implementation:	
Beginning System Liability - Employees' Retirement System	(1,560,847)
Beginning Deferred Outflow of Resources for Contributions Subsequent to the Measurement Date:	
Employees' Retirement System	1,824,822
Net Position Beginning of Year, as Restated	$ 175,772,954

NOTE 10 – CHANGE IN ACCOUNTING ESTIMATE

During 2015, the Authority changed its method of estimating accrued utility revenue as a result of an upgrade to its billing software which provided enhanced reporting features.

The billing software upgrade allows the Authority to more accurately estimate accrued revenue based on the last meter reading date rather than the last billing date which was the previous method used to estimate accrued utility revenue. The effect of this change was to increase both accounts receivable – customers on the statement of net position and charges for services on the statement of revenues, expenses and changes in net position by approximately $750,000.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 11 – NEW ACCOUNTING PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2016.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2018.

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments which supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category “Category A” will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category “Category B” will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a Comprehensive Implementation Guide, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The Authority is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted.

The Authority’s management has not yet assessed the impact of these statements on its future financial statements.

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTHCARE PLAN (UNAUDITED)

Year Ended December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
December 31, 2009	$ 0	$ 20,195,354	$ 20,195,354	0%	N/A	N/A
December 31, 2010	$ 0	$ 21,483,184	$ 21,483,184	0%	$ 7,993,104	269%
December 31, 2011	$ 0	$ 30,843,497	$ 30,843,497	0%	$ 8,145,048	379%
December 31, 2012	$ 0	$ 32,967,461	$ 32,967,461	0%	$ 8,507,242	388%
December 31, 2013	$ 0	$ 20,973,049	$ 20,973,049	0%	$ 8,768,150	239%
December 31, 2014	$ 0	$ 22,394,412	$ 22,394,412	0%	$ 9,120,140	246%
December 31, 2015	$ 0	$ 23,852,908	$ 23,852,908	0%	$ 9,741,297	245%

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
Year Ended December 31, 2015

NYSLRS Pension Plan

Contractually Required Contributions	$ 1,751,828
Contributions in Relation to Contractually Required Contributions	(1,751,828)
Contribution Deficiency (Excess)	$ 0
Employer's Covered - Employee Payroll	$ 9,239,591
Contribution as a Percentage of Covered - Employee Payroll	19.0%

The Authority is required to present information in this schedule for a ten year period. Information for the nine years prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended December 31, 2015

NYSLRS Pension Plan

Employer's Proportion of the Net Pension Liability	0.0345407%
Employer's Proportion Share of the Net Pension Liability	$ 1,166,871
Employer's Covered-Employee Payroll During Measurement Period	$ 9,239,591
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	12.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.9%

The Authority is required to present information in this schedule for a ten year period. Information for the nine years prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

Dermody, Burke & Brown, CPAs, LLC

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
ONONDAGA COUNTY 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 financial statements of the Onondaga County Water Authority (the Authority), which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2016. Our report includes a reference to the changes in accounting principles resulting from the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* as well as GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

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 opinion 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.

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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 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.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 23, 2016

Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(F) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

BOARD OF DIRECTORS
ONONDAGA COUNTY WATER AUTHORITY

We have examined Onondaga County Water Authority's (the Authority) compliance with its own investment policies, applicable laws and regulations related to investments, and the New York State Office of the State Comptroller Investment Guidelines for Public Authorities Section 2925(3)(f) for the year ended December 31, 2015. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2015.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the State Comptroller of the State of New York and is not intended to be and should not be used by anyone other than these parties.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 23, 2016

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