MOHAWK VALLEY WATER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Serving Oneida and Herkimer Counties, New York

Year Ended December 31, 2015

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www.mvwa.us

MOHAWK VALLEY WATER AUTHORITY

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INTRODUCTORY SECTION

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

July 8, 2016

CHAIRMAN'S MESSAGE:

When it comes to safe and reliable drinking water, residents within the Mohawk Valley Water Authority service area are at a distinct advantage over many other communities.

"We're fortunate in the Mohawk Valley to have an abundant water supply," said Patrick J. Becher, MVWA executive director. "This leaves us able to focus on the significant task of maintaining and improving the efficiency of our system."

Each year, the MVWA services water mains, replaces valves, inspects pump stations, and cleans and inspects tanks. But with a system that includes sections that are more than 100 years old, there remain some significant challenges - challenges shared with many other municipalities across the nation.

"There is a balance between maintaining the system to prevent water loss, and placing a burden on ratepayers," said MVWA Chairman Elis J. DeLia, Esq. "In an ideal world, we'd replace the entire system and achieve 100 percent conveyance - no loss of water. But we know that that is not feasible nor responsible."

So, what rehabilitation and improvement work is done on the water system each year? This year, approximately 75 various projects are scheduled. While the scale and locations of projects vary from year to year, improvements and maintenance can be broken into four main categories:

1. Water mains are the primary pipes that convey drinking water from the treatment facility to homes and businesses. Each year, the MVWA cleans and lines a portion of its mains to prevent breaks and interruption in service. This includes 700 miles of pipe.

2. Valves are mechanical apparatuses that allow technicians to turn flows on and off at nearly every intersection throughout the service area. These valves need to be regularly checked and/ or replaced to limit the impact to users when repairs are completed in their area.

3. Nineteen (19) pump stations throughout the service area keep the water flowing to homes and businesses in areas where gravity just doesn't cut it. At each facility, generator testing, building inspections, and pump repairs are performed yearly.

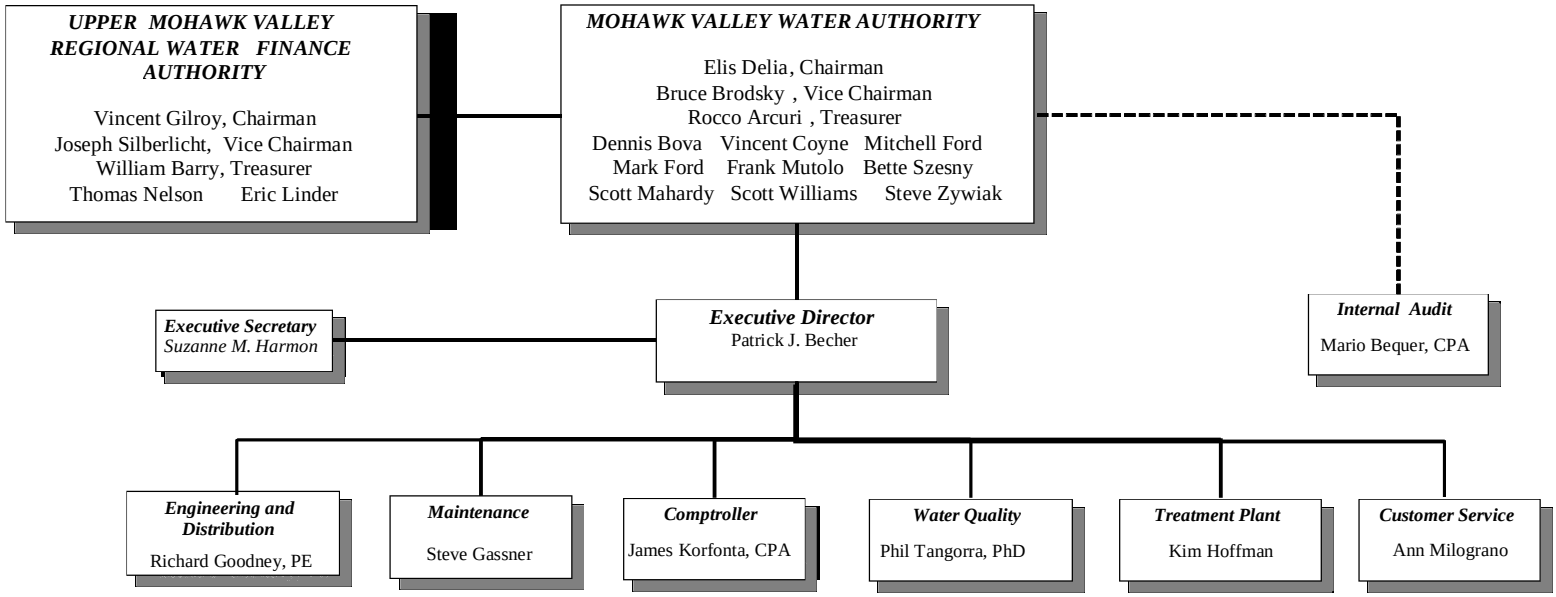
4. Tanks are a vital part of the MVWA system. Every year, about eight of the system's 27 tanks are inspected and cleaned to ensure these important assets remain in operation.

Major repairs to the system could cost upward of $200 million -something Becher says he is not willing to place on the shoulders of ratepayers. "We take great care to balance what needs to be fixed with what we can financially handle," he said. "We believe in taking a proactive, yet prudent, approach to repairs and improvements." In a system that delivers about 19 million gallons of water per day to users, improvements and maintenance can add up quickly. "When we look to the work that needs to be completed for the next year, we first look at what our existing users can afford. But we also don't want to put off what needs to be fixed today only to saddle the next generation with that debt.

That's why, every year, the Mohawk Valley Water Authority devotes resources to rehabilitating and updating the water system. "As a regional authority, we take our very seriously our commitment to consistently delivering our customers safe and healthy drinking water", said Becher.

MVWA Board of Directors

ORGANIZATIONAL CHART
As of December 31, 2015



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

July 8, 2016

To Members and Stakeholders of the Water Authority:

The Comprehensive Annual Financial Report of the Mohawk Valley Water Authority ("Water Authority") for the year ended December 31, 2015 is hereby submitted to the Water Authority Board and all other stakeholders interested in the financial condition of our regional water system. This report is published in accordance with the requirements of the New York State enabling legislation creating both the Water Authority and the Upper Mohawk Valley Regional Water Finance Authority ("Finance Authority"), the debt-issuing component of the Water Authority. In addition, requirements of financial reporting are also stipulated in the various bond resolutions covering the issuance of indebtedness to the Water Authority. Pursuant to those requirements, this comprehensive annual financial report of the Water Authority is presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Overall, this report consists of four sections: Introductory, Financial, Statistical and Compliance.

This report consists of management's representations concerning the financial position of the Water Authority. Consequently, management assumes full responsibility for the completeness and integrity of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Water Authority has established an internal control environment that is designed both to protect the Water Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Water Authority's financial statements in accordance with U.S. GAAP. Because the costs of internal controls should not outweigh their benefits, the Water Authority's internal control environment has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this report is complete and reliable in all material respects.

The goal of the independent audit is to provide reasonable assurance that the combined financial statements of the Water Authority as of December 31, 2015 are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management and evaluating the overall financial statement presentation. The independent auditing firm concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that the Water Authority's financial statements as of December 31, 2015 are presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

LETTER OF TRANSMITTAL-CONTINUED

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

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

HISTORY OF THE WATER SYSTEM

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

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

LETTER OF TRANSMITTAL-CONTINUED

THE WATER AUTHORITY

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

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

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

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

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

LETTER OF TRANSMITTAL-CONTINUED

On October 23, 2002, the Water Authority received a "Certificate of Amendment of Assumed Name", from the State of New York's Department of State, Division of Corporations changing the name of the public benefit corporation from the Upper Mohawk Valley Regional Water Board to the Mohawk Valley Water Authority. Essentially, the Water Authority will be "doing business as"-dba **Mohawk Valley Water Authority.** The Water Authority will retain its legal name of Upper Mohawk Valley Regional Water Board whenever conducting business that requires legislative or legal action, (e.g. bonding or legislative amendments).

THE REPORTING ENTITY

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

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

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

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

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

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

LETTER OF TRANSMITTAL-CONTINUED

PROFILE OF THE REGIONAL WATER SYSTEM

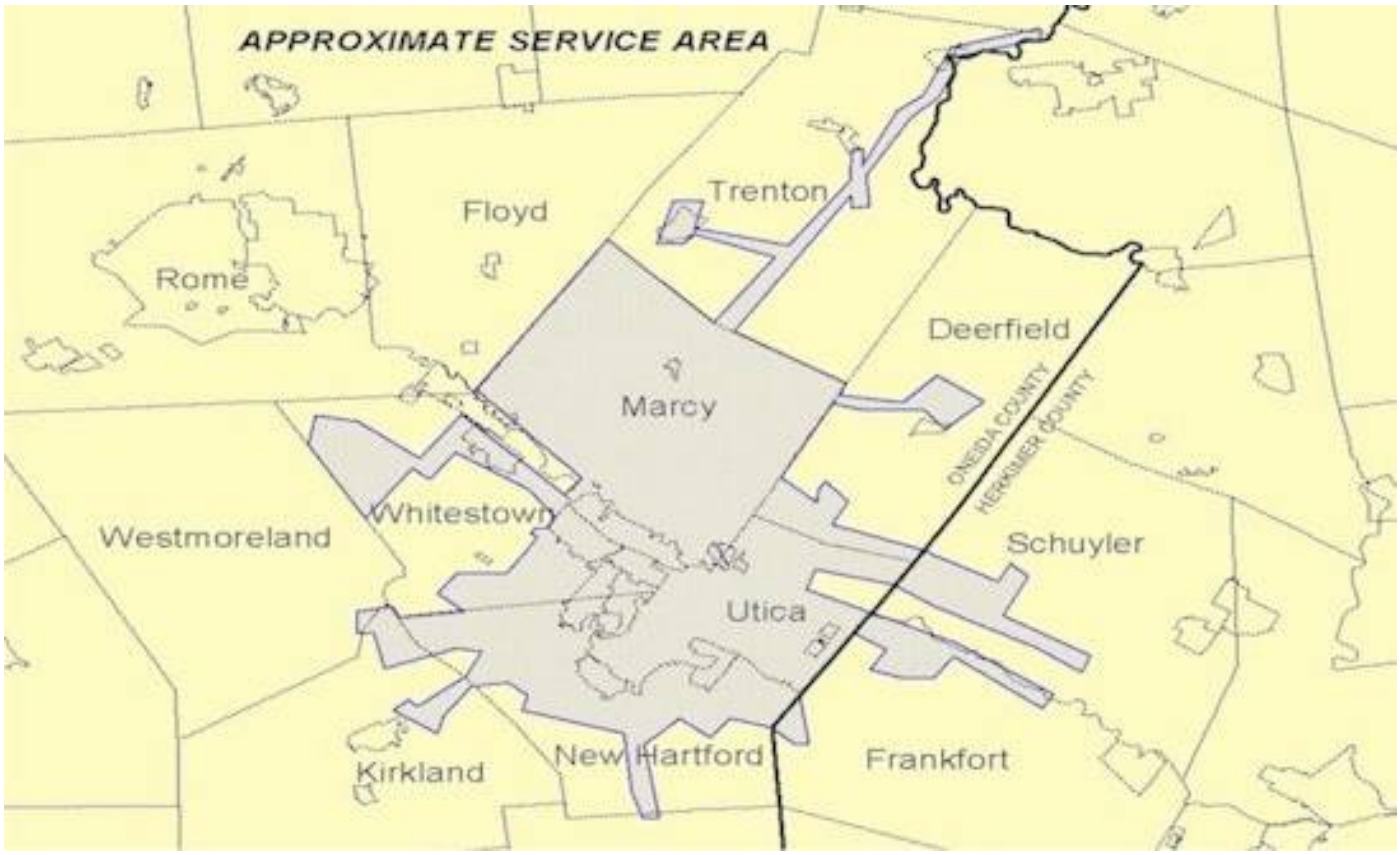
The regional water system serves a population of approximately 130,000 in the eastern portion of Oneida County, including the City of Utica, the Towns of Trenton, Marcy, Deerfield, New Hartford, Whitestown, Kirkland and Westmoreland; the Villages of Oriskany, Whitesboro, Yorkville, New Hartford, New York Mills and Holland Patent. The regional water system also serves the western parts of the Towns of Frankfort and Schuyler in Herkimer County.

The source of water for the regional system is the Hinckley Reservoir located 18 miles north of the City of Utica. The reservoir's watershed encompasses 373 square miles of largely undeveloped lands mostly within the Adirondack Park region. Hinckley Reservoir was created in 1911 and is owned by the State of New York. The reservoir has a capacity of 25 billion gallons and is used primarily by the New York Power Authority for power generation. The reservoir is also used to adjust the water levels on the Erie Canal system, as a recreation area, and the source of water for the Water Authority. The Water Authority's right to draw water from Hinckley Reservoir was affirmed recently with the signing of a tri-party agreement between the State of New York, the Canal Corporation and the Water Authority.

The distribution system consists of a network of mains, pump stations for higher areas, four reservoirs, twenty-four storage tanks, twenty-three master meter stations and eighty-nine pressure regulating altitude valve stations. Approximately 700 miles of mains for transmission and distribution of water are included within the regional service area (See the service map on the next page).

From the intake structure at the Hinckley Reservoir, the water is conveyed through two parallel transmission mains to the Water Treatment Plant facility located downstream from Hinckley Reservoir in the Town of Trenton. The treated water is conveyed, by gravity, from the treatment plant through two parallel transmission mains to the Marcy and Toby Road tanks. From there, water is conveyed, by gravity, to the Deerfield, Marcy and Toby Road Tanks on the transmission mains. Water in the distribution system is pumped to higher elevations to provide sufficient pressure. All drinking water storage is within enclosed concrete or steel tanks in accordance with Department of Health Standards.

Reservoirs used in the past as part of the transmission and distribution systems are considered excess capacity and remain in a standby mode to be used, if needed, primarily for firefighting.


APPROXIMATE SERVICE AREA
Trenton
Floyd
Rome
Deerfield
Marcy
ONEIDA COUNTY
HERKIMER COUNTY
Whitestown
Westmoreland
Schuyler
Utica
Kirkland
New Hartford
Frankfort

LETTER OF TRANSMITTAL-CONTINUED

ECONOMIC OUTLOOK

The Water Authority's customer base has remained relatively constant over the last 10 years around 39,000 active meters. Following a population loss during the 1990's, growth has occurred primarily among the suburban areas. Growth among the immigration population and other minorities primarily within the City of Utica has somewhat supplanted population loss from the prior decade. Water sales from residents and businesses within the City of Utica comprise approximately 49% of total water sales and 49% of consumption throughout the system. This is relatively consistent compared to the previous ten years. The largest growth areas in terms of additional meters were the towns of New Hartford, Marcy, and Whitestown.

The forecast for overall customer population within the service area remains stable for the foreseeable future. No substantial growth is anticipated within the service area over the next couple years. However, with nano-technology businesses locating in the business park adjacent to the SUNY Technology campus, water usage could have a significant increase. In addition, the New York State Department of Environmental Conservation (DEC) has granted the Water Authority's permit to expand water services to residents and businesses in the towns of Frankfort, Schuyler, Kirkland and Westmoreland. The expansion of water services will secure safe, dependable drinking water for residents who have suffered from long-standing struggles with unreliable water supplies. Additionally, extended water access will allow these towns to seize opportunities for business development and growth.

Rate increases are anticipated for the foreseeable future to offset normal operating costs and capital investment as part of the Water Authority's multi-year capital plan to maintain and upgrade the existing system infrastructure. Rate stabilization could occur if nano-technology become a substantial industry in the water service area.

OUR COMMITMENT TO THE COMMUNITY

The Water Authority has made a commitment to helping the community by providing assistance to other area water systems during times of need, expertise concerning water quality issues, and information to the general public through public-access informational announcements and print. The Water Authority believes that the "informed consumer is our best customer". To that end, the Water Authority continues to provide quarterly newsletters to its customers to inform them of current issues affecting the water system, customer service enhancements, legislative actions affecting water systems throughout the country, and future projects the Water Authority is contemplating towards its goal of providing exceptional water at an affordable price.

LETTER OF TRANSMITTAL-CONTINUED

2016 IN REVIEW

Water Production, Consumption and Water Sales

For 2016, 7.3 billion gallons of water was treated at the filtration plant to meet customer demands. This is an increase of 34 million gallons produced compared to the previous twelve months. Of the amount produced, customers consumed 3.5 billion gallons. This is an increase 13.5 million gallons over 2014.

Unfortunately, there has been a steady decline in water consumption over the previous 10-15 years. Not including the increase from 2014 to 2015, over the previous ten years, the Water Authority has experience an average reduction in water consumption of 1.4% per year.

The average daily water production at the filtration plant was 20.0 million gallons for calendar year 2015. Daily water production during the year ranged from 16.8 million gallons per day to 24.2 million gallons per day, the water system's peak production for the year. Customer water consumption averaged 9.4 million gallons per day compared to 9.5 million from the previous year.

Water districts are often created within towns and villages paid through taxpayer funds. As new water districts are completed, the infrastructure assets are transferred to the Water Authority. The Water Authority has acquired millions of dollars of new infrastructure during the past years at no cost to the organization from the growth within our service area. During calendar year 2015, no new water districts were acquired.

Unaccounted-for-water of approximately 45.7% is the result of an aging water system infrastructure; however, much effort has been put into identifying and correcting the sources. Leak detection throughout the water system is continually being analyzed by an outside engineering firm. More recently, leak detection has been "ramped-up" from a one-third of the system to the entire water system in efforts to identify and reduce loss water. Among other objectives, the engineering firm follows-up on previous leaks detected to make sure they have not re-occurred.

Annual water consumption increased this past year after an approximate drop of 67 million cubic feet in the past 10 years. Water consumption increased 13.5 million cubic feet to 463 million cubic feet. Monthly billed customer's revenue increased due to an increase in water rates; however, quarterly billed customer's revenue also increased due in part to a milder fall season.

LETTER OF TRANSMITTAL-CONTINUED

2016 IN REVIEW-continued

Total operating revenue increased $6 million to $22.1 million for the 2015 year compared to the nine months ended December 31, 2014. Specifically, water sales increased $5.5 million to $20.3 million dollars. Other revenue sources increased $553,000 to $1.8 million for 2015 year.

Operating expenses increased $3.2 million to $13.6 million, before depreciation and amortization. In addition, operating expenses were less than budget by $818,000 primarily in the areas of engineering, distribution and general expenses consisting of electricity and gas, heating and postage. Depreciation and amortization increased $563,000 to $2.2 million for the 2015 year.

CAPITAL CONSTRUCTION

As in the past years, capital projects continued to require a large share of the Water Authority's budget, staff time and focus. The Water Authority has implemented a comprehensive Capital Improvement Program (CIP) with the goal of improving the water system's infrastructure through increased system capacity and dependability. Specifically, target areas include upgrading storage and delivery, enhance water quality, identify and comply with pending regulatory requirements, protect the water source and its watershed, and reduce unaccounted-for water. Security improvements, as recommended in the Vulnerability Assessment report, are underway and will continue through subsequent years. The capital project committee of the Water Authority has identified $99 million in projects over the next 15 years. These projects have been categorized into "priority type" and "project level".

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

The three project levels are as follows:

1) Maintenance of water system assets;

2) Remediate system deficiencies; and

3) Compliance with state and federal mandates.

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

The seven priority types are as follows:

1) Remediate imminent public health risks;

2) Remediate health and safety risks for Authority personnel;

3) Comply with current regulatory requirements;

LETTER OF TRANSMITTAL-CONTINUED

CAPITAL CONSTRUCTION-continued

4) Solve problems related to inadequate water pressure or flow, comply with Authority standards;

5) Improve reliability and/or redundancy of supply;

6) Routine replacement upgrades; and

7) Cost/effectiveness of system expansion or acquisitions.

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

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

Southern Reservoir Tank

The 6 million gallon southern reservoir tank project including additional piping and site improvements was completed at a cost of $4,648,411. The tank was brought on-line in the late fall of 2013 with site work and finishing work completed in the spring of 2014. The project was closed out in 2015. This tank and four (4) others including the two 6 million gallon Toby Road Tanks, the 10 million gallon Deerfield Tank and the 3 million gallon Marcy Reservoir Tank were required by new EPA/DOH water quality regulations. Their commissioning into the regional system has allowed the existing southern, Marcy and Deerfield reservoirs to be placed on inactive, stand-by service.

Mallory Road Pump Station Improvements

Two new 20 HP pumps, piping, valves and a new control system were made at the 40-year-old Mallory Road pump station at a cost of $41,977. Confined space issues were eliminated with electrical controls moved out of an existing pit. Pumping capacity was increased at the pump station including its efficiency and reliability.

Services Replacements: Main Street, New York Mills

Service lines for six residences in the Village of New York Mills were relocated from their existing two-inch service line to an existing 10-inch line serving other customers on Main Street in the Village. The cost of the project was $39,698. The existing two-inch line was abandoned due to the poor condition.

LETTER OF TRANSMITTAL-CONTINUED

FINANCIAL STABILITY

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

Prudent financial planning plays a vital role in assuring the viability and stability of the water utility. The following events highlighted the importance of financial planning during the year ended December 31, 2015:

- Water Rate Model – This comprehensive financial tool continues to drive the rate-setting process and is an integral part of the annual budget. The water rate model consists of a multitude of spreadsheets designed to reflect all current and future financial commitments the Water Authority will face over the next 20 to 30 years. In turn, it projects probable future rates. The water rate model also incorporates additional features that provide future impacts on current or proposed capital projects and water system investments.

  The rate model was used extensively to project the impact of the Water Authority's current operating and capital plans. The model is essential in assessing the effect of potential consumption losses in future operating budgets. Absent this tool, there is a risk that rates would not be properly set to offset consumption elasticity. As in the past, the model is instrumental in projecting the effects of incorporating capital construction plans by "priority type" and "project level" noted in previous paragraphs.

- Annual Rate Adjustments – Through the use of the Water Authority's comprehensive water rate model, water rates were raised 2.8% effective January 1, 2015. This trend of annual rate adjustments is consistent with the Water Authority's long-term financial plan that incorporates an aggressive, yet reasonable, capital improvement program.

  As a result of the budget in place during the year, the Water Authority continued its multi-year capital project program. As part of the budget, in November 2015, $24.45 million of revenue bonds were sold to fund various capital projects throughout the water service system. These capital projects include a 1 million gallon water tank in the high service zone; repair of one of the transmission pipe bridges at the treatment plant; replacement of the soda ash lime system and solo at the treatment plant; large valve replacements throughout the water system; and other repairs and improvements to existing tanks and other structures.

  In addition, both the year ended December 31, 2015 and the previous nine months ended December 31, 2014 budgets incorporated portions of debt service related to existing bonds into the water rate structure.

LETTER OF TRANSMITTAL-CONTINUED

FINANCIAL STABILITY-CONTINUED

- Cash Reserve Funding – The Board of the Water Authority has made a commitment to the long-term stability and growth of the water system by consistently funding reserves. The Board created a special reserve, the capital maintenance reserve, with the goal of eliminating the need to bond for major maintenance of capital infrastructure. Over the past several years, the Board has committed to setting-aside funds to meet the annual capital maintenance costs currently estimated at between $750,000 and $1 million annually. For the 2015 year, $550,000 was scheduled to be deposited to this reserve fund. However, due to the 2015 revenue bonding, which included refinance portions of the 2006A and 2008A bond, excess capital reserve funds of $2 million were released and placed in the capital maintenance reserve fund. The current accumulated balance in the capital maintenance reserve is $2.6 million. No other reserves were funded.

- Operating Cash Surplus – The Water Authority experienced an increase of $1.6 million in operating cash for the year ended December 31, 2015. Over the past several years, operating cash has experienced healthy increases; however, due to a reduction in water consumption and increases in operating costs primarily with water treatment, additional stress has been placed on monthly operating cash flow to retain positive balances.

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

- Debt Service Coverage – Continued strong fiscal management resulted in debt service coverage of 1.33 (See the debt service coverage schedule in the Statistical Section). The coverage is less than the rate consultant's cash coverage projection of 2.31. However, the rate consultant's calculation includes the use of cash carried forward from previous operating years. When this amount is added, the coverage increases to 2.61, beyond the consultant's projection. This will strengthen the Water Authority's prospects for raising its future bond rating.

- Bond Rating – The Water Authority is currently the recipient of favorable credit ratings from both Standard and Poor's Ratings Services and Moody's Investors Service.

  In November 2015, $24.45 million of revenue bonds were sold to fund various capital projects throughout the water service system. The bonding included advance refunding portions of the 2006A and 2008A bonds. Continued disclosure of the Water Authority's strong financial condition to rating agencies and other stakeholders has supported the favorable credit ratings.

  Standard and Poor's Rating Services maintains a rating of ***A+***. In the rating statement assigned to the Water Authority's 2015 revenue bonds indicated a "good financial risk profile, with good all-in debt service coverage and strong liquidity position." In addition, S&P noted the regional water system has a "very diverse customer base," and an "ample water capacity to meet demand."

  Moody's Investors Service maintains a rating of $\boldsymbol{A_1}$. The $\boldsymbol{A_1}$ rating is considered "upper-medium grade and the obligations are subject to low credit risk". The rating assigned to the Water Authority's 2015 revenue bonds reflected "conservative management practices" and ample system capacity" with "expected near-term service area growth".

LETTER OF TRANSMITTAL-CONTINUED

CONTINUED OPERATIONAL EFFICIENCIES

During previous years, the Water Authority has implemented improvements to its various technology platforms. These include Supervisory Control and Data Acquisition (SCADA) system, water modeling software, work order system to improve the water monitoring and improve operational efficiencies.

While these systems continue to undergo changes and upgrades on an on-going basis, the Water Authority began deploying a new technology called Advanced Meter Infrastructure (AMI) for the gathering of consumption data from approximately 38,000 water meters throughout the service area. The software and infrastructure consists of a fixed-network radio system comprised of radio towers and/or collectors, repeaters, and electronic meters equipped with radio modems commonly referred to as meter interface units (MIU's). The new system provides the ability to receive up to four meter readings per day from each meter in the service area using a specialized software package, data base, and server. The meter readings are transmitted directly to the operating software at the central office. The AMI project is approximately 58% complete and will take 3 years to finish.

During 2015, enhancements were made to the existing electronic purchasing system (eRequester) and the accounting system. More data and supporting documentation has been converted to electronic forms. Prospects for the future development include converting the approval and payment process to fully electronic. This includes electronic approvals for purchasing, currently deployed, and all receiving documents, invoices and payments to electronic images and processing.

Billing, payment and customer information processes continue to advance in an effort to convert customer payment processing from an existing service provider to a more robust system. Website activity continued to grow with the addition of self service features the new service provider offers, such as automatic recurring payments and account management. All automatic recurring payments have been transferred to the upgraded system and online customer accounts increased from 8,000 to approximately 10,000 users.

At the water maintenance repair facility, our bulk bidding and purchasing has reduced the overall cost of material used in the repair of the distribution system. Currently, an upgrade to a new inventory system will help manage the daily jobs and supplies necessary to maintain the complex water system.

LETTER OF TRANSMITTAL-CONTINUED

FINANCIAL INFORMATION

Internal Control Environment – Management of the Water Authority is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the water utility are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the financial presentation of financial statements in conformity with U.S. GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not outweigh their benefit.

Budget Formulation and Control – Public Authorities Law of the State of New York requires the Water Authority complete and deliver an annual budget to New York State government officials 60 days prior to the Water Authority's fiscal year end. In addition, an independent rate consultant is required to ensure the Water Authority establishes and collects rates, fees, and charges sufficient to pay all operating costs, debt service, PILOT payments, and any other amounts necessary to operate the utility system. This is known as the "Rate Covenant." To that end, a formalized process has been established culminating in a report by the independent rate consultant to ensure that all necessary rates, fees and other charges have been established to pay all costs associated with operating the water utility. Components of the budget process are as follows:

Through the water rate model, formulating, updating and maintaining a long-range plan, presently twenty (20) years—

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

Other budgetary controls include:

- Developing multi-year budgets by department function based upon long-range activities and capital project planning.
- Establishing and monitoring cost control center budgets for labor, materials and services for each of the operational plans (departments) and capital projects cost centers.
- Providing explanation of significant variances between budgeted and actual expenses to the Board on a monthly basis.

LETTER OF TRANSMITTAL-CONTINUED

ADDITIONS TO UTILITY PLANT

Capital construction completed for the year ended December 31, 2015 amounted to $3.3 million compared to $1.4 million for the short, nine month period. Construction projects currently underway in the amount of $8.8 million will be completed over the next several years. These projects consist primarily of water tanks, water main repairs and replacements, and other infrastructure repairs. When complete, these repairs and improvements will increase water capacity and efficiency, eliminate some lingering system deficiencies, and comply with regulatory mandates.

As part of normal operations, the Water Authority acquires newly constructed and existing water districts from cities, towns, villages and private contractors for operation and maintenance. These contributed capital assets are recorded at fair value at the date acquired. No utility assets were acquired from municipalities or private contractors for the year ended December 31, 2015 or the nine-month period ended December 31, 2014. Please see Notes to Combined Financial Statements under Utility Plant and Depreciation for further discussion on this topic.

DEBT ADMINISTRATION

In November 2015, $24.45 million of revenue bonds were sold to fund various capital projects throughout the water service system. The bonding also included the advance refunding of portions of the existing 2006A and 2008A bonds. Existing construction funds from the 2012 series bonds in addition to the capital maintenance reserve will allow for continued support of the Water Authority's capital project program.

The majority of the Series 2006A and 2008A bonds were advanced refunded through the purchase of treasury notes. These securities are placed in escrow and will generate resources necessary for paying the future debt service on $10.5 million of 2006A series bonds and $9.75 million of 2008A series bonds. As a result, the debt is also considered defeased, and the liability has been removed from the Water Authority's statement of net position.

The Water Authority's ratings issued in 2015 from both Moody's Investors Service and Standard and Poor's are maintained at $\boldsymbol{A_1}$ and $\boldsymbol{A+}$, respectively. Both ratings remain in the upper-medium grade scale and its revenue bonds are considered low credit risk. See "bond rating" under the Financial Stability section above.

At December 31, 2015, bonds totaling $60.3 million were outstanding. In addition, a promissory note of $5.7 million is due over the next 21 years to the City of Utica as part of the water system purchase agreement. Please see Notes to Combined Financial Statements under Long-Term Debt for further discussion on this topic.

PAYMENT IN LIEU OF TAXES (PILOT) PAYMENTS

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

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

DISCLOSURE REQUIREMENTS

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

Audited Financial Statements	Financial Section
Outstanding Indebtedness	Financial Section; Statistical Section
Number of Service Connections (Meters)	Statistical Section
Water System Facilities	Statistical Section
Revenues and Expenses	Financial Section (RSI)
Capital Expenses	Statistical Section
Detail of Revenues and Expenses	Financial Section (RSI)
Largest Customers	Statistical Section
Comparative Annual Water User Charges--Current Water Rates	Statistical Section
Employees' Pension	Financial Section
Projected Revenues, Expenses and Coverage	Separate Report
Conclusions of Rate Consultant	Separate Report
Forecasted Cash Flow	Financial Section—2015 Cash Basis Budget

CASH MANAGEMENT

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

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

A stagnant market during year ended December 31, 2015 resulted in overall low investment earnings. Trust fund money from capital borrowing was deposited into various investment vehicles, primarily certificates of deposit and repurchase agreements, earning in the range of .01% to 5.13%.
Under requirements stipulated in various bond resolutions, a trustee has been assigned to hold proceeds from the related bond issues. In addition, the trustee is required to hold funds deposited from time to time to pay Registered Owners (bondholders). The trustee is required to invest and reinvest funds as instructed by an authorized representative of the Finance Authority.

Over the last several years, the Water Authority has been participating in an investment program consisting of certificates of deposit for the larger trust fund balances including debt service reserve funds, construction funds and the repair and improvement fund. Investment returns are estimated between .50% and 2.30% annually depending on the term of the certificate. All certificates are appropriately covered by FDIC limits.

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

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

LETTER OF TRANSMITTAL-CONTINUED

RISK MANAGEMENT AND LIABILITY INSURANCE

The Water Authority carries general liability and property coverage for catastrophic losses on existing property, newly acquired property, floods, fire, and limited coverage on other miscellaneous property. Currently, there is a $55.4 million limit on buildings and personal property. Coverage is also afforded under a municipal boiler and machinery policy primarily to cover equipment breakdown. This carries a $25 million limit. There is also an inland marine policy to specifically cover schedule property.

Casualty coverage includes a vehicle coverage policy with an aggregate $1 million liability for bodily injury and property damage. Also, the Water Authority has an umbrella policy or excess catastrophic liability in the aggregate amount of $10 million.

The Water Authority also has obtained appropriate worker's compensation insurance, crime insurance and a public official policy for its board members.

Please see the Statistical Section for a more detailed representation of the types of insurance coverage by the Water Authority.

OTHER INFORMATION

INDEPENDENT AUDIT

Section 1226-w of The Upper Mohawk Valley Regional Water Finance Authority Act in the Public Authorities Law requires an annual audit of the books and records of the Water Authority by an independent accounting firm. The independent accounting firm of SaxBST LLP was jointly selected by the Water Authority and Finance Authority. The Firm was hired for a three-year term and the December 31, 2015 audit is the first year of their three-year term. SaxBST LLP's report is included in the Financial Section of this report.

AWARDS/PUBLICATIONS

Financial Reporting. The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (CAFR) in past years. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe this current CAFR for year ended December 31, 2015 meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

LETTER OF TRANSMITTAL-CONTINUED

ACKNOWLEDGMENTS

This Report was prepared by the staff of the Water Authority with leadership and support of the Executive Director and the Board of Directors.

Sincerely,

MOHAWK VALLEY WATER AUTHORITY

by_____

Patrick J. Becher, Executive Director

by_____

James C. Korfonta, Comptroller

WATER AUTHORITY BOARD MEMBERS

Member	Committees	Board Term Ending
ELIS DELIA, CHAIRMAN OF THE BOARD	Capital Projects Committee Chair; Budget and Finance; Governance	December 31, 2016
BRUCE BRODSKY, VICE CHAIRMAN	Audit Committee Chair; Capital Projects; Budget and Finance	December 31, 2017
ROCCO ARCURI, TREASURER	Budget & Finance Committee Chair; Audit and Personnel Committees	December 31, 2016
DENNIS BOVA	Operations and Capital Projects	December 31, 2017
VINCENT COYNE	Governance Committee Chair; Capital Projects; Budget and Finance; Audit and Personnel Committees	December 31, 2014
MARK FORD		December 31, 2016
MITCHELL FORD	Operations Committee Chair; Capital Projects	December 31, 2015
FRANK MUTOLO	Operations Committee Chair	December 31, 2018
SCOTT MAHARDY	Personnel Committee	December 31, 2016
BETTE SZESNY	Personnel, Operations and Governance	December 31, 2000*
STEVE ZYWIAK	Capital Projects Committee	December 31, 2015
SCOTT WILLIAMS	Operations Committee	December 31, 2016

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

FINANCE AUTHORITY BOARD MEMBERS AND PRINCIPAL OFFICERS

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

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

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

FINANCIAL SECTION

SAXBST
ACCOUNTING / TAX / ADVISORY

Independent Auditor's Report

Members of the Board
Mohawk Valley Water Authority
Utica, New York

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Mohawk Valley Water Authority and the Upper Mohawk Valley Regional Water Finance Authority (collectively the "Authority"), which comprise the combined statement of net position as of December 31, 2015, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the combined 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2015, and the changes in its financial 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 Matter

As discussed in Note 1, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* as of January 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Financial Statements

The combined financial statements of the Authority, as of and for the nine months ended December 31, 2014, were audited by other auditors whose report, dated June 19, 2015, expressed an unmodified opinion on those combined financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 32 through 56 and the schedules of funding progress for the OPEB liability, required pension contributions, and proportionate share of the net pension liability on pages 107 through 109 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information listed in the accompanying table of contents, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

***Other Matters* - Continued**

Other Supplementary Information - Continued

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information for the nine months ended December 31, 2014 was audited by other auditors whose report, dated June 19, 2015, expressed an unmodified opinion on such information in related to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 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.

SaxBST LLP

Albany, New York
July 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the Mohawk Valley Water Authority (hereafter referred as the Water Authority) provides an introduction to the major activities affecting the operations of the regional water system and an overview to the financial performance and statements of the Water Authority for the year ended December 31, 2015 and the nine month period ended December 31, 2014. The information contained in the MD&A should be considered in conjunction with the information contained in the Letter of Transmittal included in the Introduction Section and various historic summaries of activities and financial performance included in the Supplementary Information and Statistical Sections of this report.

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

WATER SYSTEM HIGHLIGHTS

- On October 27, 2014 the Board of Directors passed a resolution changing the fiscal year end date from March 31 to December 31.
- For the year-ended December 31, 2015, filtration plant treated 7.3 billion gallons of water to meet customer demands. This is an increase of 34 million gallons produced compared to the previous twelve months. Of the amount produced, customers consumed 3.5 billion gallons. This is an increase 13.5 million gallons over 2014.
- The average daily water production at the filtration plant was 20.0 million gallons for calendar year 2015. Daily water production during the year ranged from 16.8 million gallons per day to 24.2 million gallons per day - at the water system's peak production for the year.
- There was a slight increase in customers' water consumption of 0.4% over the previous 12 months. All customer water consumption averaged 9.5 million gallons per day compared to 9.4 million from the previous year.
- The water service area comprises the City of Utica and several towns; yet, approximately 75% of the consumption comes from three municipalities, the City of Utica, 1.7 million gallons (49%); the Town of New Hartford, 524 thousand gallons (15%), and the Town of Marcy, 364 thousand gallons (11%).
- Water districts are created within towns and villages paid through taxpayer funds. As new water districts are completed, the infrastructure assets are transferred to the Water Authority. The Water Authority has acquired millions of dollars of new infrastructure during the past decades at no cost to the organization providing the growth within its service area. During calendar year 2015, no new water districts were acquired.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

WATER SYSTEM HIGHLIGHTS-continued

- Unaccounted-for-water of approximately 45.7% is the result of an aging water system infrastructure; however, much effort has been put into identifying and correcting the sources. A multi-phase leak detection has been under continuous commission to aid in the effort to reduce unaccounted-for-water. The engineering firm's objectives are to follow-up on previous leaks detected as well as identify any new leaks throughout the system.
- Revenue for the year ended December 31, 2015 increased to $22.1 million. Specifically, water sales increased to $20.3 million dollars while other revenue sources contributed $1.8 million for the year.
- With the slight increase in annual water consumption and increase in metered customers, metered water sales increased to $20.3 million for the year ended 2015. Monthly billed customer's revenue increased due to an increase in water rates; however, quarterly billed customers revenue decreased due to less consumption that has been attributed to water conservation devices (i.e., dishwashers and clothes washer).
- Delinquency charges exceeded budget by $212,000 or 29.15% primarily due to late penalties charged on delinquent account balances. Fees and ancillary charges also exceeded budget by $161,000, the majority are charges for metered fire line charges. Also, there was a reduction in revenue of approximately $50,000 from power production at the Water Authority's two hydro-electric facilities. This can be attributed to the low market rate for hydropower.
- Operating expenses were $15.8 million for 2015. Excluding depreciation and amortization, expenses were under budget by $818,000. The favorable variances were in the areas of engineering and maintenance of the system.
- Capital projects in the amount of $4.8 million were completed and another $8.9 million are in various stages of construction as part of an aggressive multi-year capital plan to remediate system deficiencies and provide enhanced transmission and distribution facilities. The Advanced Meter Infrastructure (AMI) in its third year of build-out throughout the service area, the canal crossing repair near Marcy , the tank painting of the Gilbert Road tank in Whitesboro and the tank on the lower part of Higby Road in New Hartford and the repair of the pipe bridge at the water treatment plant account for the largest share of Work In Progress.

WATER SYSTEM HIGHLIGHTS-continued

- The completion of second tank at Southern Reservoir with a capacity of 6 million gallons concludes a multi-phase, $30 million, capital project designed to enhance the existing water system while complying with enacted water storage regulations. This tank is used to provide additional water storage in the high zones of the water system. The Southern Reservoir along with all other reservoirs throughout the water system have been removed from daily service and are in perpetual "stand-by" mode for use in fire-fighting or extraordinary circumstances.

  Also, all reservoirs were taken off-line from daily use during fiscal year 2012 and replaced with a series of newly-constructed tanks as part of the Water Authority's effort to comply with the open storage requirements for water systems serving populations over 100,000, promulgated by the United States Environmental Protection Agency (EPA).

  The first phase of the capital plan to eliminate open reservoirs within the water system consisted of constructing a 10 million gallon tank at Deerfield reservoir. Completed in fiscal 2010, the tank was placed in-service in fiscal 2012. In addition, construction of an additional clear-well tank at the water treatment plant was completed in fiscal year 2009 and placed in-service during fiscal year 2010. This clear-well allows the raw water to have more contact time with chemicals during the treatment process.

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

- The year ended December 31, 2015 was the third year under a new agreement between the Mohawk Valley Water Authority, the Canal Corporation, and New York State securing water rights for customers of the Water Authority. In the agreement, a new analytical tool was developed to ensure that water is available for drinking purposes throughout and extending beyond the service area into the foreseeable future.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

WATER SYSTEM HIGHLIGHTS--continued

- In November 2015, $24.45 million of revenue bonds were sold to fund various capital projects throughout the water service system. The bonding included advance refunding portions of the 2006A and 2008A bonds. Continued disclosure of the Water Authority's strong financial condition to rating agencies and other stakeholders has supported the favorable credit ratings.

  Standard and Poor's Rating Services maintains a rating of A+. In the rating statement assigned to the Water Authority's 2015 revenue bonds indicated a "good financial risk profile, with good all-in debt service coverage and strong liquidity position." In addition, S&P noted the regional water system has a "very diverse customer base," and an "ample water capacity to meet demand."

  Moody's Investors Service maintains a rating of ***A₁***. The ***A₁*** rating is considered "upper-medium grade and the obligations are subject to low credit risk". The rating assigned to the Water Authority's 2015 revenue bonds reflected "conservative management practices" and ample system capacity" with "expected near-term service area growth".

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015

This section is intended to serve as an introduction to the Water Authority's financial statements. Water Authority's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) promulgated by the Government Accounting Standards Board (GASB). The Water Authority is a single-purpose entity and revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

The financial statements are organized as follows:

The ***Combined Statements of Net Position*** presents information on all of Water Authority's assets, deferred outflows, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Water Authority. The ***Combined Statements of Revenue, Expenses and Changes in Net Position*** present information showing how Water Authority's net position changed during the most recent reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in prior or future periods (e.g., earned but unused vacation leave and depreciation expense on capital assets).

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

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Combined Statements of Net Position

As of December 31, 2015, the Water Authority's net position increased to $42.5 million. Consistent with prior years, the majority of the net position balance is invested in utility plant, net of related debt at $28.4 million as of December 31, 2015. In addition, $677,000 is restricted for the repair and improvement of the water infrastructure as stipulated under the original General Bond Resolution. Also, $2.3 million is legally restricted for current portions of debt service. A balance of $11.2 million is unrestricted.

However, the board of directors has designated $829,000 to meet coverage requirements of future debt service; $950,000 for repairs, replacement and renewal of system assets; $643,000 for operation and maintenance of water system assets; $2.6 million for the annual maintenance and upkeep of infrastructure; and $148,000 to fund specific board projects.

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Combined Statements of Net Position-continued

COMBINED STATEMENTS OF NET POSITION			
	December 31, 2015	**December 31, 2014**	**March 31, 2014**
Assets			
Utility Plant, Net	$ 84,118,152	$ 82,326,461	$ 81,664,500
Restricted Assets	16,508,073	15,590,722	18,700,724
Current Assets	12,908,529	11,049,616	10,848,546
Total Assets	$ 113,534,754	$ 108,966,799	$ 111,213,770
Deferred Outflows			
Deferred Outflows of Resources	$ 3,669,378	$ 1,836,643	1,047,168
Liabilities			
Long-Term Obligations, Less Current Installments	$ 64,220,298	$ 61,407,428	$ 64,685,229
Current Liabilities	7,295,436	6,491,062	6,772,327
Other Liabilities	3,197,445	3,457,548	2,819,876
Total Liabilities	$ 74,713,179	$ 71,356,038	$ 74,277,432
Net Position			
Invested in Capital Assets, Net of Related Debt	$ 28,396,064	$ 27,981,757	$ 25,595,974
Restricted Debt Service and Repair & Improvements	2,943,316	2,929,016	4,124,783
Unrestricted	11,151,573	8,536,631	8,262,749
Total Net Position	$ 42,490,953	$ 39,447,404	$ 37,983,506

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Combined Statements of Net Position-continued

Assets

- For the year-ended December 31, 2015 total assets increased by $4.5 million compared to December 31, 2014. Major assets included in total assets consists of utility plant, restricted assets from bond proceeds and current assets including cash, water receivables, inventory and prepaid expenses.
- Utility plant consists of land, equipment, treatment and storage facilities and distribution lines. This utility plant is recorded at cost less related accumulated depreciation. In addition, there are numerous capital projects making up the balance of construction work-in-progress. As of December 31, 2015 and 2014, utility plant, net of depreciation, is $84.1 million and $82.3 million, respectively.
- Noncurrent assets represent proceeds and deposits held by a trustee related to various revenue bond issues. These trust funds are subject to external restrictions as stipulated under applicable bond resolutions. As of December 31, 2015 and 2014, restricted assets are $16.5 and $15.5 million, respectively. The increase as of December 31, 2015 is caused by the additional funding of the Repair & Improvement Fund resulting from the release of approximately $2 million from the debt service reserve funds no longer required as a result of the partial refinancing of the 2006A and 2008A bonds in November 2015 and the pay-down of outstanding debt. These proceeds are used to finance construction projects as identified in the 2015 capital projects improvement plan.
- Current assets represent operating, restricted and board-designated cash, receivables, inventory, and prepaid expenses. Current assets were approximately $12.9 and $11.0 million as of December 31, 2015 and 2014, respectively. Cash represents the largest portion of current asset at $9.8 million. The operating cash increased partly due to capital reimbursements from trust funds. Water receivables, net, increased by $106,000 to $2.4 million. This includes an addition of $112,000 to the allowance for doubtful accounts. Inventory decreased by $30,000 to $512,000 as products purchased in prior years at bulk rates were placed in service during the year.
- Deferred outflows of resources consist of deferred amounts from bond refundings, future pension obligations, and bond insurance premiums. At December 31, 2015, the balance consists of deferred amounts from bond refundings of $2.6 million, pension resources of $1.0 and unamortized bond insurance premiums of $93,000. Deferred amount for bonds are amortized over the life of bonds and will reduce over time.

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Combined Statements of Net Position-continued

UTILITY PLANT ASSETS	December 31, 2015	December 31, 2014	March 31, 2014
Water Rights & Other Intangible Assets	$ 1,050,000	$ 1,050,000	$ 1,050,000
Water Transmission and Storage	36,226,016	31,524,645	30,673,709
Water Treatment Facilities	22,280,583	22,253,180	22,253,180
Distribution	32,828,633	32,610,470	32,058,976
Office & Lab Equipment	2,434,622	2,364,585	2,310,132
Vehicles & Maintenance Equipment	3,082,015	2,916,226	2,830,091
	$ 97,901,869	$ 92,719,106	$ 91,176,088
Less: Accumulated Depreciation	(23,604,249)	(21,766,313)	(20,344,642)
	$ 74,297,620	$ 70,952,793	$ 70,831,446
Construction Work-in-Process	8,838,726	10,391,862	9,851,248
Land	981,806	981,806	981,806
Net Utility Plant	$ 84,118,152	$ 82,326,461	$ 81,664,500

- Work-in-process includes major construction projects and repairs to existing infrastructure not completed as of year end. When the projects are completed, these projects are closed and expensed if repairing an existing asset or capitalized as an asset into one of the major asset categories listed above.

  Capital construction additions for the year ended December 31, 2015 amounted to $3.3 million compared to $1.4 million for the short, nine-month period. Construction projects currently underway in the amount of $8.8 million will be completed over the next several years. These projects consist primarily of water tanks, water main repairs and replacements, and other infrastructure repairs. When complete, these repairs and improvements will increase water capacity and efficiency, eliminate some lingering system deficiencies, and comply with regulatory mandates. During 2015, $4.9 million of work-in-progress project were completed - the most significant completed project was the water tank located at southern reservoir at $4.6 million.

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

- Main replacements, relocations and valve replacements have occurred in the amount of $166,723 relating to the Route 12 Arterial reconstruction project primarily in the downtown area of the City of Utica.

FINANCIAL STATEMENT HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015 — continued

Combined Statements of Net Position-continued

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

- Advanced Meter Infrastructure to identify unusual consumption trends, and provide an increased response time to customers, among other features. Current cost is $4.6 million;
- Piping was installed under the Erie Canal at a cost of $1.0 million through the use of a directional-drilling process;
- Upgrade and additions to the existing SCADA system used to monitor water flows and key infrastructure performance throughout the system at a current cost of $219,000;
- Installation of a piping system and storage tank at the Oriskany Airport Park with current costs of $521,000;
- System-wide pump station improvements of at a current cost of $391,000;
- Specialized painting of the water tanks on Gilbert Road in Whitesboro and the lower Higby Road in New Hartford;
- Repair of the north pipe bridge spanning the West Canada gorge at a cost of $652,895.

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

Liabilities

- Current liabilities consist of accrued payments to suppliers and construction contractors, amounts owed to municipalities for collection services, and the current portions payable for accrued interest and principal on outstanding debt. The Water Authority had current ratios of 1.77 and 1.76 as of December 31, 2015 and 2014, respectively. A current ratio over 1.0 indicates there are sufficient assets on hand to cover liabilities that will come due in the next year.

Ratio of Current Assets to Current Liabilities			
	December 31, 2015	**December 31, 2014**	**March 31, 2015**
Current Assets	$ 12,908,529	$ 11,049,616	$ 10,848,546
Current Liabilities	$ 7,295,436	$ 6,491,062	$ 6,772,327
Current Ratio	1.77	1.70	1.60

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Combined Statements of Net Position-continued

Liabilities-continued

- Long-term obligations consist of water revenue bonds acquired to finance the water system's multi-year capital improvement plan and the actuarially-determined amount owed to retirees for post-employment health benefits. In addition to revenue bonds, long-term obligations also contain a promissory note payable to the City of Utica, a component of the original purchase of the water system in 1996. Also, the post-employment health benefits liability is affected by amounts paid for retiree health insurance premiums and any funds set-aside to offset future obligations. To date, the Water Authority has not set aside any assets to fund future liabilities. See the Note on Post-Employment Benefits Other Than Pensions in the Notes to the Combined Financial Statements.

Water Revenue Bonds

As of December 31, 2015, the Water Authority has seven water revenue bond series outstanding totaling $60.4 million. The series 2000 bonds issued for $8.5 million to fund various capital projects have an outstanding principal of $4.5 million. The series 2001A bonds and the 2001B bonds are funded through the New York State Drinking Water Revolving Fund administered by the Environmental Facilities Corporation (EFC), a public benefit corporation of the State of New York. The 2001A Series bonds are the result of an advanced refunding of the original 1996A Series bonds used to purchase the water system from the City of Utica. The series 2001A bonds issued for $26.7 million and the series 2001B bonds issued for $2.8 million have outstanding principal balances of $8.4 million and $1.3 million, receptively.

The series 2006 bonds were issued for $20.3 million to fund several large capital projects related to the US Environmental Protection Agency's new water quality standards and to partially advance refund the series 1999 and 2000 bonds. The series 2008 bonds were issued for $12.2 million to continue to build water tanks and other infrastructure as part of the EPA's new water quality standards. The series 2012 bonds were issued in the amount of $15.6 million to fund on-going capital projects and to advance refund $6.8 million of existing 2003 series revenue bonds. In November 2015, $24.45 million of revenue bonds were sold to fund various capital projects as part of the Water Authority's on-going capital project program. The bonding also included advance refunding portions of the 2006A and 2008A bonds.

Prior to 2006, annual debt service (principal and interest) was $3.2 million. The debt service increased to $5.0 million in 2010. During 2011 and 2012, EFC refinanced state-backed bonds related to the Water Authority's series 2001A and 2001B bond issues. Savings from these refinanced bond issues are currently passed on to the Water Authority as subsidies over the life of the two bond issues. Current debt service has increased to $5.5 million with the issuance of the 2015 series bonds. Rates on these current debt issues range from 2.87% to 6.25%.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Combined Statements of Net Position-continued

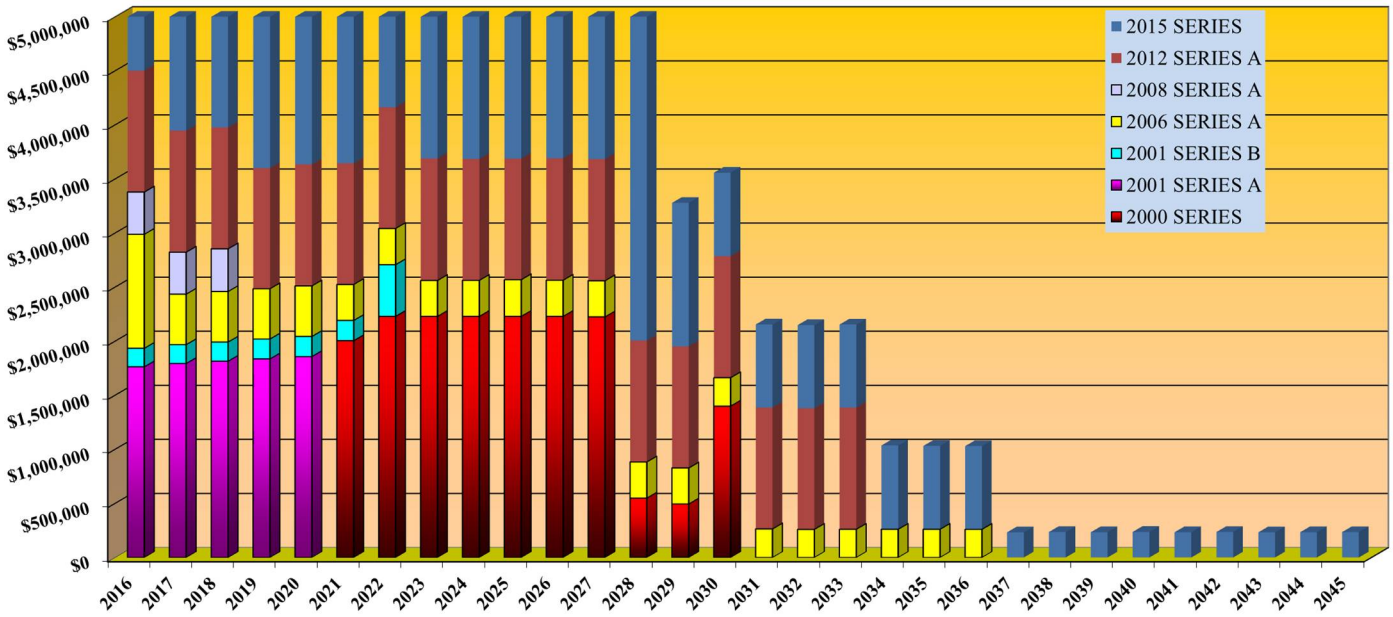
Water revenue bond series outstanding as of December 31, 2015 & 2014 and March 31, 2014 follows:

Water Revenue Serial Bonds	Principal Outstanding Balance		
Year of Issue	**December 31, 2015**	**December 31, 2014**	**March 31, 2014**
2000	$ 4,513,720	$ 4,513,720	$ 4,513,720
2001A	8,440,000	9,960,000	11,435,000
2001B	1,400,000	1,535,000	1,665,000
2006A	5,570,000	16,865,000	17,620,000
2008A	1,090,000	11,165,000	11,470,000
2012	14,915,000	15,350,000	15,635,000
2015	24,450,000	0	0
Total	**$60,378,720**	**$ 59,388,720**	**$ 62,338,720**

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

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

DEBT SERVICE REQUIREMENTS
YEARS 2016-2045



FINANCIAL STATEMENT HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015 — continued

Combined Statements of Net Position-continued

Net Position

The Water Authority's net position as of December 31, 2015 and 2014 was $42.5 million and $39.5 million, respectively. Net position is divided into three main categories: invested in utility plant, net of related debt; restricted and unrestricted assets.

- Invested in utility plant, net of related debt consists of the Water Authority's utility plant less related debt excluding unspent debt proceeds on the outstanding debt. The balance for this category was $28.4 million, and $28.0 million as of December 31, 2015 and 2014, respectively. The unspent debt proceeds offsetting invested in utility plant, net of related debt consist of construction fund amounts of $5.2 million and bond reserve funds of $4.0 million as of December 31, 2015.

- Restricted assets represent assets where constraints externally imposed or imposed by law are placed on the assets. The largest portion of restricted assets is amounts funded to a trustee for the retirement of debt. As of December 31, 2015 and 2014, amounts restricted for debt service was $2.3 million. Also, $677,000 has been restricted by legislation for the repair and improvement of the water system.

- Unrestricted assets in the Statements of Net Position represent residual amounts at the end of each year. Unrestricted assets are amounts that do not meet the definition of restricted or invested in capital assets, net of related debt. The Board of Directors has segregated portions of unrestricted assets to indicate tentative plans for future financial commitments and resource use. The strategy is to annually fund these programs to meet budgetary commitments. Of the $11.1 million in unrestricted as of December 31, 2015, approximately $5.1 million has been designated by the Board of Directors for specific programs. The following funds have been designated by the board to fund future efforts:

  - Water rates and fees are required by covenant to be set at 115% of the estimated aggregate debt service for each fiscal year plus all remaining obligations including operating expenses, PILOT payments, Finance Authority obligations, promissory note and debt service. To that end, the Water Authority has set-aside funds equivalent to the 115% of estimated aggregate debt service. As of December 31, 2015, the set-aside amount is $829,000.

  - A capital maintenance reserve was created during 2009 to fund the annual maintenance of larger infrastructure assets in the water system. The capital maintenance reserve current balance is $2.6 million. Amounts are anticipated to be funded each year with the goal of annually paying for the maintenance of these assets as opposed to bonding for the repairs over time.

  - $949,000 for the Repair, Renewal and Replacement of utility assets and $643,000 as a reserve for operation and maintenance as part of the 2002 Cost of Service Rate Study; $147,000 designated for future Board of Director's projects.

FINANCIAL STATEMENT HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015 — continued

Changes in Revenue, Expenses, and in Net Position

The statements of revenues, expenses and change in net position for the year ended December 31, 2015 consist of a twelve-month operating period compared to the nine-month period ended December 31, 2014. As a result of the comparative statements, amounts in the 2015 year are greater throughout compared to the 2014 year.

For the year-ended December 31, 2015, operating revenues increased by $6.1 million from the prior nine-month period ended December 31, 2014 and $1.1 million compared to the year ended March 31, 2014. When comparing the 2015 year actual to budget, operating revenues were higher by $864,000.

Operating expenses incurred for producing revenue increased by $3.7 million compared to the prior nine-month period and increased approximately 41million compared to the year ended March 31, 2014. Compared to budget, before amortization and depreciation, operating expenses are less by $818,000.

Net operating income is $6.3 million for the year-ended December 31, 2015, up $2.3 compared to the prior nine-month period and $200,000 compared to the year ended March 31, 2014.

Non-operating revenue and expenses are activities that are considered not directly related to the production of operating income. This net expense category increased $664,000 compared to the prior nine-month period ended December 31, 2014 primarily in the areas of interest expense and PILOT payments.

No new capital contributions were made during the year-ended December 31, 2015 or the nine-month period ending December 31, 2014.

The Water Authority's net position increased $3.0 million for year ended December 31, 2015 compared to $1.3 million for the nine month period ended December 31, 2014 and $2.7 million for the year ended March 31, 2014.

FINANCIAL STATEMENT HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015 — continued

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

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	December 31, 2015 (12 Months)	December 31, 2014 (9 Months)	March 31, 2014 (12 Months)
Operating Revenues	$ 22,072,955	$ 16,013,793	$ 20,920,928
Operating Expenses	(15,748,530)	(12,014,644)	(14,791,748)
Net Operating Revenue	6,324,425	3,999,149	6,129,180
Non-operating Revenues (Expenses):			
Investment Income	214,746	163,918	218,251
Interest Expense	(2,314,479)	(1,905,880)	(2,494,143)
PILOT Payments	(1,441,758)	(1,102,315)	(1,514,359)
Other	260,615	228,197	(199,274)
Total Non-operating Expenses	(3,280,876)	(2,616,080)	(3,989,525)
Income before Capital Contribution	3,043,549	1,383,069	2,139,655
Capital Contribution	-	-	542,475
Increase in Net Position	3,043,549	1,383,069	2,682,130
Net Position, Beginning of Year	39,447,404	37,983,506	35,301,376
Cumulative Effect of Changes in Accounting Principles	-	80,829	-
Net Position, Beginning of Year, Restated	39,447,404	38,064,335	35,301,376
Net Position, End of Year	$ 42,490,953	$ 39,447,404	$ 37,983,506

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

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

Water Rates

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

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

Water Sales, Consumption and Production

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

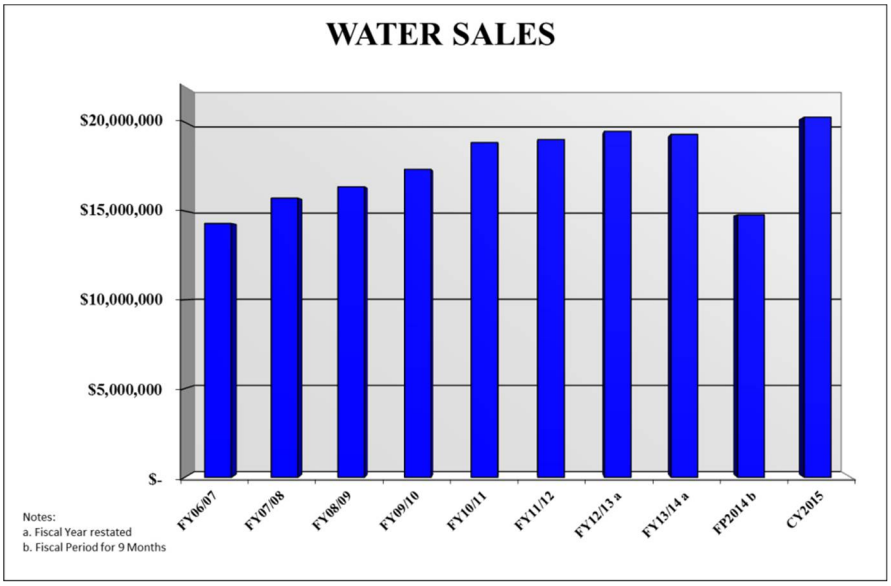
OPERATING REVENUES			
	December 31, 2015	**December 31, 2014**	**March 31, 2014**
Water Sales:	(12 Months)	(9 Months)	(12 Months)
Quarterly Customers	$ 14,840,625	$ 10,840,668	$ 14,571,855
Monthly Customers	5,446,836	3,940,566	4,745,913
Other Operating Revenues	1,785,494	1,232,559	1,603,160
Total Operating Revenues	$ 22,072,955	$ 16,013,793	$ 20,920,928

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

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

Water Sales, Consumption and Production-continued

Revenues and expenses for the year ended December 31, 2015 are up considerable compared to the nine-month period ended December 31, 2014. Comparing budget to actual for the year ended December 31, 2015, water sales exceeded the budget by $530,000 at $20.3 million for the year. Water consumption bucked the trend of annual decreases by slightly increasing 0.4% or 1.8 million cubic feet, compared to the twelve prior months of 2014.



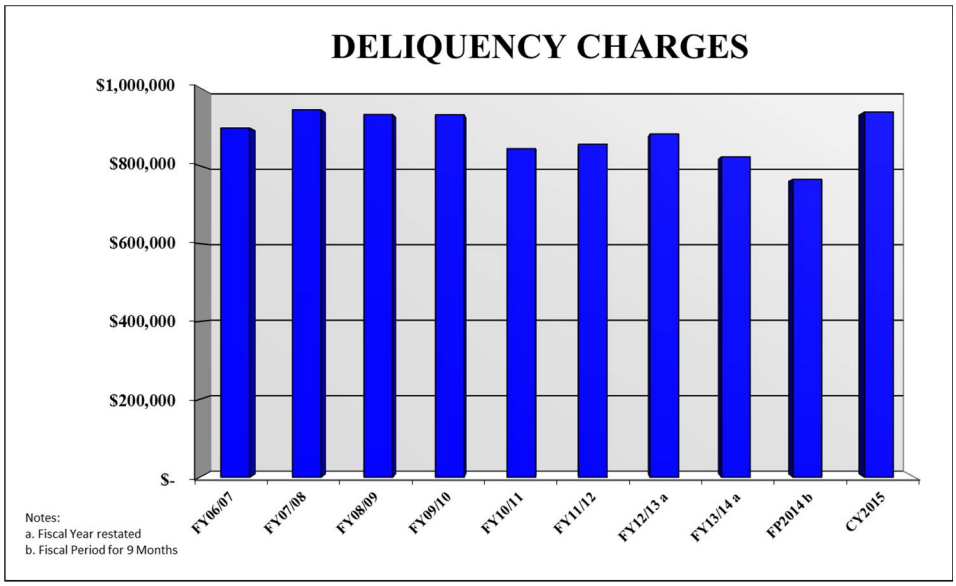
As of December 31, 2015, 463 million cubic feet (MCF) of consumption was recorded, up approximately 2 MCF compared to the prior twelve months of 2014. The increase in consumption and water rates contributed to an increase in water sales.

For the year-ended December 31, 2015, the filtration plant treated 7.3 billion gallons of water to meet customer demands. This is an increase of 34 million gallons produced compared to the previous twelve months. Of the amount produced, customers consumed 3.5 billion gallons. This is an increase 13.5 million gallons (or 1.8 million cubic feet) over 2014.

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

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

Delinquency Charges



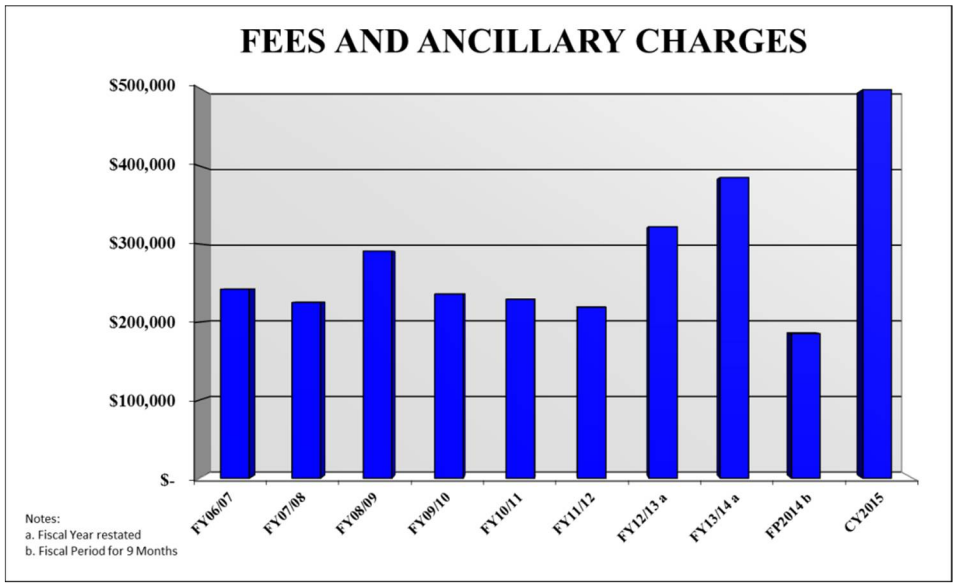
Operating revenue is supplemented by charges on delinquent accounts, ancillary fees and other service charges. Of these amounts, delinquency charges account for about half of the total supplemental revenue. Penalties, tampering fees and shut-off/ turn-on fees were in line with the previous year; yet in excess of the budget by approximately $187,000. Enforcement of delinquent accounts has continued into the current year. Accounts that are grossly overdue or a high dollar value have been significantly reduced over the past 10 years. As in past years, the collection of overdue accounts continues to be a focus. Service staff has aggressively targeted accounts overdue by posting notices on properties and terminating water service on accounts that remained unpaid. Also, a greater awareness was sought to allow MVWA staff to gain access into properties to change old meters and equipment to updated automated metering equipment. The delinquency charge "customer denial of access fee" was up $45,000. The results have been positive with greater collection and less delinquent accounts.

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

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

Ancillary Fees

Ancillary-type fees were higher for the year ended December 31, 2014 as compared to all prior fiscal. Fire service usage charges and Hydrant permit fees attributed the greatest portion to the increase in ancillary-type fees. Compared to budget, the metered fire line charges exceeded the budget by $205,000. Hydrant permit fees and water rent searches exceeded budget by $39,000 and $9,000, respectively.



Operating Expenses

OPERATING EXPENSES	December 31, 2015 (12 Months)	December 31, 2014 (9 Months)	March 31, 2014 (12 Months)
Operating Expenses	$ 13,552,767	$ 10,381,466	$ 12,620,713
Depreciation and Amortization	2,195,763	1,633,178	2,171,035
Total Operating Revenues	$ 15,748,530	$ 12,014,644	$ 14,791,748

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

Before amortization and depreciation, operating expenses increased to $13.5 million for the year ended December 31, 2015 as compared to $10.3 million for the nine month period ended March 31, 2014. Compared to budget, less depreciation and amortization, operating expenses were lower than budgeted by $818,000 for the year.

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Changes in Revenue, Expenses, and Net Position-continued

Operating Expenses-continued

Several departments operated under budget due in part to warmer temperatures during the last part of 2015 and allocations of labor and benefits to capital projects. Depreciation and amortization increased to $2.2 million for the year as more capital projects are completed and cost are amortized over their useful life.

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

- Labor costs had mild increases throughout the organization the result of agreements with the Water Authority's two labor unions. The majority of the Water Authority's employees are members of one of two labor unions, with the exception of a few non-represented employees. The International Brotherhood of Teamsters, Local Union 182, represents the office staff, operations staff, field labor staff, and foremen. The Management Employees Association represents the remainder of the represented employees. The agreement with the Management Employees Association expires as of March 31, 2016. The agreement with the International Brotherhood of Teamsters, Local Union 182 expires as of March 31, 2017.
- Salaries and wages for year ended December 31, 2015 were $5.0 million. This is before labor allocations of approximately $450,000 to capital projects. Some part-time positions were eliminated while some full time positions became vacant during the year. Full-time positions are anticipated to be filled during the next year. In addition, overtime in the beginning of 2015 was up $57,000 over the prior year due to a significant number of water main breaks the result of extreme cold temperature.
- Health & dental insurance and retirement benefits are major portions of employee benefits. Health & dental benefits accounted for $1.4 million of employee benefits for the 2015 year. During 2014, the restructuring of the employees' health insurance program to include a direct reimbursement subsidy for medical and dental costs was initiated. This reimbursement subsidy has reduced overall insurance costs. Overall health and dental insurance increased approximately 4.0% from 2014 to 2015. In addition, state-mandated retirement costs remained about the same as the prior fiscal year on a cash basis; however, with implementation of GASB 68, a deferral of retirement benefits for future years increased $347,000.
- Litigation expenses increased $143,000 for year ended December 31, 2015 in large part to enforcing the agreement between the Water Authority and New York State over management and water rights to the Hinckley Reservoir. During 2013, an agreement and new operating protocol was agreed to between New York State and the Water Authority.

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Changes in Revenue, Expenses, and Net Position-continued

Operating Expenses-continued

- The purchase of granulated activated carbon (GAC) used at the treatment plant remained the most significant operating cost for the year ended December 31, 2015; however, several other chemical purchases were below budgeted amounts. GAC is a chemical used in the water filtration process to achieve enhanced water purification and to comply with new federal drinking water standards.
- Paving costs continue to escalate as more water main breaks occur with the corresponding road cuts repaired. For 2015, paving costs totaled $879,000. Unseasonably cold temperatures from January through April 2015 caused an excessive amount of water main breaks resulting in additional road cut repairs.
- The installation of specialized meters as part of the Advanced Metering Infrastructure (AMI) capital project has minimized the repair and installation of existing meters. Also, systematic replacement of hydrants caused replacement costs for hydrants to remain constant compared to the prior year.
- Utilities for all operation lowered by $150,000 as northeast utility demands have tempered resulting in lower costs to users.
- Bad debt expense increased $160,000 as delinquent receivable balances have increased over the past year. An increase in the number of accounts and their respective balances placed as a lien on properties has increased over the last couple of years.

Non-operating Revenues and Expenses

- Non-operating revenues and expenses are budgeted annually and tracked by category. The following table summarizes non-operating expenses incurred during the year ended December 31, 2015 as compared to nine months ended December 31, 2014 and twelve months March 31, 2014:

NON-OPERATING REVENUES AND EXPENSES			
Revenues (Expenses):	**December 31, 2015** (12 Months)	**December 31, 2014** (9 Months)	**March 31, 2014** (12 Months)
Investment Income	$ 214,746	$ 163,918	$ 218,251
Interest Expense	(2,314,479)	(1,905,880)	(2,494,143)
PILOT Payments	(1,441,758)	(1,102,315)	(1,514,359)
Realized Gains/Loss on Investments	119,946	25,919	(75,742)
Other	140,669	202,278	(123,532)
Total Non-operating Expenses	$ (3,280,876)	$ (2,616,080)	$ (3,989,525)

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Changes in Revenue, Expenses, and Net Position-continued

Non-operating Revenues and Expenses-continued

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

- Investment income from operating accounts and trust fund proceeds experienced an increase in earnings from prior years; however, on a prorated basis investment income remained flat.
- Interest expense consists of interest paid on revenue bonds and to a lesser extent on a promissory note to the City of Utica. Interest expense decreased with the issuing of new 2015 bonds that partially refinanced the series 2006A and series 2008A bonds at a lower interest rate.
- Payments in lieu of taxes (PILOT) were made to schools and other governments in accordance with the Water Authority's state legislation. The amount paid of $1.4 million as of December 31, 2015 is consistent with the budget.
- Gains and losses on investments are derived from market fluctuations and realized gains and losses when trust fund investments are sold. For the year ended December 31, 2015, a net gains of $120,000 were realized compared to small realization of gains of $26,000 in previous year.
- Other net revenues (expenses) decreased compared to the previous year primarily due to no revenue from timber sales in the 2015 year.

Cash Flows

The following table summarizes the sources and uses of cash during the year ended December 31, 2015, the nine-months ended December 31, 2014 years and the year ended March 31, 2014:

SUMMARY OF CASH FLOW ACTIVITIES			
	December 31, 2015 (12 Months)	**December 31, 2014** (9 Months)	**March 31, 2014** (12 Months)
Cash Flows From:			
Operating Activities	$ 8,266,767	$ 5,366,708	$ 7,964,191
Non-Capital Financing Activities	(1,322,637)	(1,169,019)	(1,201,782)
Investing Activities	(691,057)	3,286,334	2,401,396
Capital & Related Financing Activities	(4,593,152)	(7,582,711)	(10,070,428)
Net Increase in Cash	1,659,921	(98,688)	(906,623)
Cash, Beginning of Year	8,130,177	8,228,865	9,135,488
Cash, End of Year	$ 9,790,098	$ 8,130,177	$ 8,228,865

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015—continued

Cash Flows-continued

The Authority's available cash increased at December 31, 2015 to $9.8 million.

Cash-flow generated from operating activities greatly increased; yet, this was attributed to the change in fiscal year. The Water Authority had a slight increase in consumption that increased the amount of cash collected from customers. Payments to suppliers and employees were on track to follow budget.

Cash used for non-capital financing activities, consisting primarily of PILOT payments to other municipalities, decreased slightly during the year ended December 31, 2015. All payments to towns and schools decreased in accordance to the enacting legislation

Cash used for investing activities consists of amounts from the purchase, sale and interest on investments. During the year ended December 31, 2015, $920,000 was invested in trust funds for active capital projects while $228,000 was received in interest from investments. Interest is up for the current year compared to the prior year primarily due to the short nine-month operating period for year ended December 31, 2014.

Cash from capital and related financing activities consists of amount used to acquire and construct of capital assets, payment of principal on long-term debt and loans and interest paid. For the year ended December 31, 2015, nearly $1.5 million of additional cash was used for the acquisition and construction of capital assets compared to December 31, 2014. Payments on principal and interest totaled $4.5 million, representing a decrease over the year fiscal year period ended December 31, 2015, as the new 2015 bond issue represented savings in debt service. The proceeds from the 2015 bond issue increased cash for capital projects by $3.5 million.

The $9.8 million cash at year-end consists of $7.3 million available from unrestricted operations; $1.5 million set aside to pay municipalities for sewer and outside water collections; $829,000 is set aside to fund the bond covenant reserve, and $148,000 for board-designated projects.

OUTLOOK FOR CALENDAR YEAR 2016

Infrastructure

Completion of capital projects, enhancing current technology and increasing customer payment options are some of the goals established for the 2016 year.

Starting in the 2013 year and continuing into 2016 is the implementation of an Advanced Metering Infrastructure (AMI) system, estimated at $5.3 million. The project upgrades all existing water meters making them electronically–suited to emit meter readings that will be available for use by the Water Authority for proactive maintenance of the water system. This AMI system will expedite the collection of consumption data for billing, review and reporting to customers and other stakeholders of the water system.

OUTLOOK FOR CALENDAR YEAR 2016-continued

Litigation

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

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

Financial Operations

The 2016 budget includes a 2.0% water rate increase as compared to a 2.80% and 2.9% increase in the previous two operating budgets. The Water Authority had planned for a drop in consumption of 2.0% or $400,000 in water sales for the year. However, with the increase in consumption for 2015 and the increase water rates for 2016, the overall effect on actual projected water sales will increase the budgeted water sales by $499,000. A decrease in non-water revenue (delinquency changes, fees and other services) of $21,000 was projected in the budget. Operating expenses were budgeted to increase by $365,000 when compared to the prior year's budget. Legal expenses for the negotiations for the Management Union and SEQRA review, paving expenses, and funding the Capital Maintenance Reserve were all identified in budget to increase from the prior approved budget. Debt service (principal and interest), was budgeted to increase by $229,000 due to the Series 2015 bonds. Staff monitors consumption and variances to other revenue and expenses items on a monthly basis and reports to the board of directors as part of their financial reporting.

The use of granulated activated carbon (GAC) as part of the filtration process has been incorporated into the budget. The amount budgeted for fiscal year 2016 is $950,000. This will be the third year of GAC use at the treatment plant.

The 2016 budget was prepared using the following assumptions:

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

OUTLOOK FOR CALENDAR YEAR 2016-continued

Financial Operations-continued

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

The following are revenue and expense highlights included in the 2016 budget:

1. nearly flat projection of water sales of $20.0 million resulting from a loss of water consumption and increase in water rates of 2.0%;
2. fees and ancillary charges will increase of $26,000;
3. investment interest and miscellaneous income will decrease $11,000 with a reduction in miscellaneous income;
4. use of $800,000 of surpluses accumulated from prior years to balance the budget;
5. salaries and wages will increase by $156,000;
6. legal fees budgeted at $64,000 to reflect the conclusion of the litigation and negotiation with the Teamster's bargaining unit;
7. paving cost will increase by $40,000 to $650,000;
8. retirement costs will decrease by $95,000 to annual payment of $740,000;
9. health insurance premiums are expected to decrease by $80,000 to $1.4 million;
10. worker compensation premiums will increase by $102,000;
11. chemical costs at the treatment plant targeted at $1.8 million;
12. debt service will increase approximately $228,000; a result of the 2015 bond series;
13. PILOT payments to other governments reduced $30,000;
14. capital maintenance reserve funding in the amount of $550,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

OUTLOOK FOR CALENDAR YEAR 2016-continued

CREDIT RATINGS

The Water Authority is currently the recipient of favorable credit ratings from both Standard and Poor's Ratings Services and Moody's Investors Service.

In November 2015, $24.45 million of revenue bonds were sold to fund various capital projects throughout the water service system. The bonding included advance refunding portions of the 2006A and 2008A bonds. Continued disclosure of the Water Authority's strong financial condition to rating agencies and other stakeholders has supported the favorable credit ratings.

Standard and Poor's Rating Services maintains a rating of ***A+***. In the rating statement assigned to the Water Authority's 2015 revenue bonds indicated a "good financial risk profile, with good all-in debt service coverage and strong liquidity position." In addition, S&P noted the regional water system has a "very diverse customer base," and an "ample water capacity to meet demand."

Moody's Investors Service maintains a rating of $\boldsymbol{A_1}$. The $\boldsymbol{A_1}$ rating is considered "upper-medium grade and the obligations are subject to low credit risk". The rating assigned to the Water Authority's 2015 revenue bonds reflected "conservative management practices" and ample system capacity" with "expected near-term service area growth".

The Water Authority has proven its commitment to providing quality water and unparalleled community service. All financial indicators have been met or exceeded expectation.
Under the Authority's Master Bond Resolution, it is required to maintain a debt service reserve equal to 115% of the Authority's aggregate debt service and a repair and replacement reserve of $500,000. The Authority currently maintains these reserves sufficient to comply with the respective covenants.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the Mohawk Valley Water Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Executive Director, Mohawk Valley Water Authority, One Kennedy Plaza, Utica, New York 13502 or through our web site www.mvwa.us.

COMBINED STATEMENTS OF NET POSITION
December 31, 2015 and 2014

ASSETS

	DECEMBER 31, 2015	DECEMBER 31, 2014 (restated)
UTILITY PLANT, AT COST		
Water Rights & Other Intangible Assets	$ 1,050,000	$ 1,050,000
Water Transmission and Storage	36,226,016	31,524,645
Treatment	22,280,583	22,253,180
Distribution	32,828,633	32,610,470
Office & Lab Equipment	2,434,622	2,364,585
Vehicles & Maintenance Equipment	3,082,015	2,916,226
	97,901,869	92,719,106
Accumulated Depreciation	(23,604,249)	(21,766,313)
	74,297,620	70,952,793
Construction Work in Process	8,838,726	10,391,862
Land	981,806	981,806
Net Utility Plant, at Cost	84,118,152	82,326,461
CURRENT ASSETS		
Cash:		
Unrestricted/ Undesignated	7,302,059	5,805,026
Board Designated Funds:		
Debt Covenant Reserve	828,618	783,271
Proceeds From Timber Sales	147,638	147,638
Sewer Charges Collected	1,511,783	1,394,242
Water Receivables, Net of Allowance of $432,845 in December 2015 and $321,288 in December 2014	2,395,853	2,289,390
Grants Receivable	44,464	28,000
Lab Fees Receivable	0	683
Interest Receivable	32,034	45,322
Miscellaneous Receivables	14,022	14,551
Materials Inventory	511,952	541,493
Prepaid Expenses	120,106	0
Net Current Assets	12,908,529	11,049,616
NONCURRENT ASSETS		
Serial Bond Funds	11,563,743	11,475,867
PILOT Payment Fund	1,068	122,754
Repair and Improvement Fund	4,902,478	3,942,284
Promissory Note Fund	40,784	49,817
Net Noncurrent Assets	16,508,073	15,590,722
TOTAL ASSETS	$ 113,534,754	$ 108,966,799

DEFERRED OUTFLOWS

DEFERRED OUTFLOWS OF RESOURCES		
Bond Insurance	92,710	170,841
Net Carrying Amounts on Bond Refundings	2,567,608	832,568
Pension Resources	1,009,060	833,234
Total Deferred Outflows of Resources	$ 3,669,378	$ 1,836,643

See notes to combined financial statements.

LIABILITIES

	DECEMBER 31, 2015	DECEMBER 31, 2014 (restated)
LONG-TERM OBLIGATIONS		
Long Term Debt, Less Current Installments	$ 64,220,298	$ 61,407,428
Net Pension Liability	562,489	752,405
Postemployment Benefits Other Than Pension	2,634,956	2,705,143
Total Long Term Obligations	67,417,743	64,864,976
CURRENT LIABILITIES		
Accounts Payable	360,624	349,527
Construction Contracts (Includes retainages of $131,370 in December 2015 and $97,859 in December 2014)	517,408	122,430
Accrued Liabilities	309,792	255,689
Lease Payable	9,431	23,460
Accrued Interest	401,719	560,118
Compensated Absences	268,000	268,000
Sewer Service Collections Due to Municipalities	1,511,783	1,394,242
Current Portion of Promissory Note	144,679	136,639
Current Portion of Revenue Bonds Payable	3,485,000	3,205,000
Current Portion of Postemployment Benefits Other Than Pensions	287,000	175,957
Total Current Liabilities	7,295,436	6,491,062
TOTAL LIABILITIES	$ 74,713,179	$ 71,356,038

NET POSITION

NET POSITION		
Invested In Capital Assets, Net of Related Debt	28,396,064	27,981,757
Restricted For:		
Repair and Improvement	677,372	670,880
Debt Service	2,265,944	2,258,136
Unrestricted	11,151,573	8,536,631
Total Net Position	$ 42,490,953	$ 39,447,404

See notes to combined financial statements.

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2015 and the Nine Months Ended December 31, 2014

	DECEMBER 31, 2015	(Nine Months) DECEMBER 31, 2014 (restated)
OPERATING REVENUE		
Metered Water Sales	$ 20,287,461	$ 14,781,234
Delinquency Charges	937,631	675,992
Fees and Ancillary Charges	497,619	273,902
Other Services	350,244	282,665
Total Operating Revenue	22,072,955	16,013,793
OPERATING EXPENSES		
Administrative	760,911	486,548
Finance & Accounting	924,146	786,544
Customer Service	386,152	277,453
Engineering	521,899	499,686
Water Distribution	414,560	301,111
Information Technology	587,387	514,408
Water Quality Maintenance	706,376	575,060
Treatment	2,637,093	2,635,505
System Repair & Maintenance	4,421,443	3,308,577
General Services	2,192,800	996,574
Amortization of Bond Expenses	158,129	147,453
Depreciation	2,037,634	1,485,725
Total Operating Expenses	15,748,530	12,014,644
OPERATING INCOME	6,324,425	3,999,149
NONOPERATING REVENUE (EXPENSE)		
Investment Income	214,746	163,918
Interest Expense	(2,314,479)	(1,905,880)
PILOT Payments	(1,441,758)	(1,102,315)
Independent Lab Services, Net	56,358	67,293
State and Federal Grants	84,000	28,000
Realized Gain on Investments	119,946	25,919
Post Employment Health Benefits	(40,856)	(61,224)
Other Income, Net	41,167	123,409
Timber Harvest Sales	0	44,800
Total Nonoperating Expense	(3,280,876)	(2,616,080)
INCREASE IN NET POSITION	3,043,549	1,383,069
NET POSITION		
Net Position, Beginning of Year and Period	39,447,404	37,983,506
Net Position, End of Year and Period, Prior to Restatement	42,490,953	39,366,575
Effect of Adoption of GASB 68 and 71	0	80,829
Net Position, End of Year and Period	$ 42,490,953	$ 39,447,404

See notes to combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2015 and the Nine Months Ended December 31, 2014

	December 31, 2015	December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 21,521,700	$ 15,455,079
Payments to Suppliers	(8,903,563)	(7,059,038)
Payments to Employees	(4,820,101)	(3,404,841)
Other Receipts	468,731	347,508
Net Cash Provided By Operating Activities	8,266,767	5,338,708
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to Other Governments	(1,322,637)	(1,169,019)
Net Cash Used In Noncapital Financing Activities	(1,322,637)	(1,169,019)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received From Investments	228,034	152,876
Proceeds from Sale of Investments and Maturities of Investment Securities	(919,091)	3,133,458
Net Cash Provided (Used) By Investing Activities	(691,057)	3,286,334
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(3,629,627)	(2,167,849)
Proceeds from Issuance of Revenue Bonds	26,424,964	0
Other Nonoperating Revenue and Expense, net	165,744	266,106
Principal Payments on Long-Term Bonds	(2,030,000)	(2,950,000)
Principal Payments on Promissory Note	(136,639)	(129,045)
Cash Paid for Defeasance of Revenue Bonds	(22,914,716)	0
Interest Paid	(2,472,878)	(2,573,923)
Net Cash Used In Capital and Related Financing Activities	(4,593,152)	(7,554,711)
Net Increase (Decrease) in Cash	1,659,921	(98,688)
Cash, Beginning of Year and Period	8,130,177	8,228,865
Cash, End of Year and Period	$ 9,790,098	$ 8,130,177

See notes to combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS-CONTINUED

Year Ended December 31, 2015 and the Nine Months Ended December 31, 2014

	December 31, 2015	December 31, 2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 6,324,425	$ 3,999,149
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	2,037,634	1,485,583
Amortization of Bond Expenses	158,129	147,455
Use of Equipment for Utility Plant Improvements	18,658	11,948
Disposition of Assets	(218,356)	(75,860)
(Increase) Decrease in Operating Assets:		
Billed Water Receivables & Other Receivables	(105,934)	(445,273)
Materials Inventory	29,541	74,395
Prepaid Expenses	0	79,557
Deferred Outflows of Resources	(175,826)	0
Increase (Decrease) in Operating Liabilities:		
Accounts and Construction Payable	406,075	98,371
Accrued Liabilities	30,644	(14,459)
Net Pension Liability	(189,916)	0
Compensated Absences	(48,307)	(22,158)
Net Cash Provided By Operating Activities	$ 8,266,767	$ 5,338,708
NONCASH INVESTING ACTIVITIES, AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Disposition of Assets	$ (218,356)	$ (75,860)
Change in Fair Value of Investments	$ 15,330	$ 25,919
Post Employment Benefits Other than Pension	$ 40,856	$ 61,224

See notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mohawk Valley Water Authority (hereafter referred to as the "Water Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The accounts are maintained substantially in accordance with the Uniform System of Accounts for Water Utilities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

On October 23, 2002, the Upper Mohawk Valley Regional Water Board filed and subsequently received a "Certificate of Amendment of Assumed Name", from the State of New York's Department of State, Division of Corporations changing the name of the public benefit corporation to the "Mohawk Valley Water Authority". Essentially, the public utility will be "doing business as" - (dba) Mohawk Valley Water Authority.

Included in the Water Authority reporting entity is a blended component unit, the Upper Mohawk Valley Regional Water Finance Authority (hereafter referred to as the "Finance Authority"). The reason for its inclusion in the Water Authority is more fully described in Note 1, Reporting Entity.

The more significant accounting policies of the Water Authority are described below.

Introduction

The Water Authority and the Finance Authority were created on August 2, 1994 pursuant to Title 10 and Title 10-A, respectively, of Article 5, §1226.e and §1226.c, of the Public Authorities Law of the State of New York.

The Water Authority is a corporate municipal instrument of the State of New York consisting of twelve appointed Board members responsible for the overall operations of the water system.

The Finance Authority is a public benefit corporation of the State of New York consisting of five members primarily responsible for financing projects of the Water Authority through issuance of debt and subsequent payment of the debt.

Board members for both the Water Authority and Finance Authority are appointed pursuant to the enabling legislation.

On December 19, 1996, the Finance Authority issued bonds for the benefit of the Water Authority, to enable purchase of the assets, net of liabilities, of the public water system from the City of Utica. The Water Authority began operation of the public water system on December 19, 1996.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The regional water system includes facilities within the following jurisdictions:

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

Currently there are approximately 38,000 residential and 1,000 commercial customers. Total population served by the water system is estimated in the range of 120,000 to 130,000 customers. The average daily production for the current year is 20.0 million gallons per day (MGD), consistent with the average daily production for the past several years.

Hinckley Reservoir serves as the source of water for the system. The reservoir is located approximately 18 miles north of the City of Utica. The 25 billion gallon reservoir is a multi-use facility owned by the State of New York. In addition to use by the Mohawk Valley Water Authority, the New York Power Authority and the Canal Corporation's Barge Canal use the reservoir as a water supply for power generation, flood control, and recreation. The New York State Power Authority controls regulation of the water level and discharge at the Hinckley Reservoir. The Jarvis Hydroelectric Plant at Hinckley generates power for the surrounding community. The reservoir watershed area covers 373 square miles in the southerly areas of the Adirondack Mountains, most of which lies within the Adirondack Park region. The watershed is mostly rural and undeveloped forest. Two main highways, NYS Route 8 and Route 365, pass through the watershed.

The water system transmission and distribution mains total 42.8 miles and 560 miles, respectively.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reporting Entity

The basic financial statements include the primary entity, the Water Authority, as well as a blended component unit, the Finance Authority, determined to be includable in the Water Authority's financial reporting entity in accordance with GASB Statement No. 14.

The decision to include a potential component unit in the Water Authority's reporting entity is based on several criteria set forth in GASB Statement No. 14, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of the criteria used to determine the Water Authority's reporting entity.

Blended Presentation of Component Unit

Blended component units, although legally separate entities are, in substance, part of the government's operations. The following is a brief description of the blended component unit included in the primary government:

Upper Mohawk Valley Regional Water Finance Authority

On August 2, 1994, state legislation created the Upper Mohawk Valley Regional Water Finance Authority (“Finance Authority”), under provisions of §1226.c of the Public Authorities law of the State of New York. The Finance Authority consists of five Board members including a chairperson, a vice-chair and a treasurer.

On December 19, 1996, the Finance Authority issued revenue bonds in the amount of $28.3 million, with varying interest rates, to purchase the water system from the City of Utica. The proceeds of this issue were designated for the operation, expansion and improvement of the water system, in compliance with state standards. These bonds were subsequently defeased through an advanced refunding with the issuance of the 2001A series bonds.

Among the powers given to the Finance Authority is the ability to borrow money and issue negotiable or non-negotiable notes, bonds or other obligations for the acquisition, renovation and improvement to the regional water system. The Finance Authority may also apply for licenses, permits and approval of plans associated with the acquisition, renovation and improvement of the regional water system. In the process of borrowing funds to improve facilities, professional consultants may be retained to offer technical services and advice for the purpose and benefit of acquiring or improving the regional water system.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Blended Presentation of Component Unit – continued

The Finance Authority has entered into an agreement with the Water Authority, the primary entity, to make payments for the debt service on the original issued bonds and any subsequent bonds or other debt issued by the Finance Authority. The Water Authority is also required to make payments to the Finance Authority for payment in lieu of taxes (PILOT) payments to certain municipalities and school districts, and to make funds available for the Finance Authority to make payments on the promissory note owed to the City of Utica and to fund the Repair and Improvement Fund. The obligation to make these payments is a general obligation for which the Water Authority's full faith and credit are pledged.

In consideration for operating the regional water system and the financing of capital projects from time to time, the Water Authority leases all its rights, title and interest of the regional water system and capital projects to the Finance Authority under terms and conditions of the original financing agreement. In turn, the Financing Authority appoints the Water Authority as the exclusive operator of the regional water system.

The Finance Authority is considered a component unit since the Water Authority is obligated to pay debt service, PILOT payments, and fund other accounts of the Finance Authority. Thus, the Finance Authority is "fiscally dependent" upon the Water Authority to establish and collect rates and fees necessary to pay these debts. Further, the Finance Authority is "blended" with the Water Authority in the combined financial statements because the Finance Authority exists solely to provide services that predominantly benefit the Water Authority.

All significant intercompany accounts and transactions are eliminated in this financial report.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The activities of the Water Authority are similar to those often found in the private sector (proprietary-type accounting). The measurement focus is upon determination of net income, financial position, and cash flows.

Proprietary-type accounting records transactions on a cost of services or economic resources measurement focus. This means all assets, deferred outflows, and liabilities, whether current or non-current, associated with this activity are included on the statement of net position. The equity consists of net position and contributed capital, if any. Proprietary statements of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in total net position.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

Accounting Changes

In July 2014, the Board voted to change the operating year for the Water Authority from an April through March reporting year to a January through December reporting year. However, since the Water Authority's operating year had already commenced, the Board agreed to have a shortened operating year from April 1, 2014 through December 31, 2014. This nine-month financial statement year, April 1 2014 to December 31, 2014 is presented in comparison to the twelve-month 2015 year. In addition, the Board for the Upper Mohawk Valley Regional Water Finance Authority also ratified the agreement to operate on a January through December year.

New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncements-continued

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with Statement No. 68.

The Authority adopted these accounting standards effective January 1, 2015. As a result, the Authority now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, deferred inflows of resources, and pension expense, as determined by the State and Local Employees' Retirement System. In accordance with GASB 68 and 71, the Authority retroactively applied these statements to the prior year and adjusted the beginning balance net position. The adoption resulted in an increase of net position of $80,829.

Budgets and Budgetary Accounting

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

Vacation Leave, Sick Leave, and Compensatory Absences

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Retirement Plan

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

Cash and Cash Equivalents

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

Receivables

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

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

Prepaid Expenses

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Utility Plant

Utility Plant acquired by the Water Authority with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year are capitalized and recorded on the Statement of Net Position. Such assets are stated at cost including interest capitalized during construction, where applicable. Cost includes material, direct and indirect labor and other items such as supervision, payroll taxes, employee benefits, transportation and certain preliminary legal, engineering and survey costs. The cost of repairs and maintenance is expensed as incurred. Contributed assets including transmission mains, hydrants, tanks, and pump stations are recorded at fair value at the date received.

Construction projects are conducted on a continual basis in order to maintain or enhance the water system. Preliminary legal, engineering and surveying costs include studies conducted prior to the actual construction period that directly result in specific construction projects. While capital projects are in process, all associated costs are recorded as work-in-process. Once complete, all costs, including legal, engineering, surveying and construction costs, are reclassified to their respective asset categories and depreciated according to their useful lives

Depreciation has been recorded using the straight-line method. The estimated useful lives for the major classes of assets include the following:

Class	Life in Years
Treatment Facilities	25-75
Office and Lab Equipment	5
Vehicles and Maintenance Equipment	5
Water Transmission and Storage	20-100
Distribution Facilities	15-100

Capitalization of Interest

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

Impairments

Long-lived assets held and used in operations are reviewed for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are stated at fair value.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, and liabilities and disclosure of contingent assets, deferred outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

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

Collateral is required for applicable deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipal entities. These securities must have a fair value of at least 102% of the cost of deposits.

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

The Water Authority has an investment program whereby cash received into its capital trust accounts are invested in certificates of deposit or repurchase agreements in an effort to maximize earnings. In addition, other idle cash has been invested in money market accounts backed by proper collateral. During years 2015 and 2014 interest earnings on capital investments have been in the range of .01%-5.13%.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 2 – CASH AND INVESTMENTS– CONTINUED

Cash, cash equivalents (consisting of money market funds) and investments at December 31, 2015 and December 31, 2014, respectively, are as follows:

Cash and Cash Equivalents

	December 31, 2015		December 31, 2014	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Demand Deposits	$ 9,904,070	$ 9,790,098	$ 8,120,835	$ 8,130,177

Investments

	Credit Rating	December 31, 2015	December 31, 2014
Cash and Accrued Income		$ 7,783	$ 597,314
U.S. Treasury Bills		582,755	582,977
Federated U.S. Treasury Cash Reserves #632	Aaa*	510,070	2,531,317
Dreyfus Government Prime Cash Management	Aaa*	6,381,524	1,273,744
BNY Cash Reserves	A1*	40,784	41,053
State and Local Government Series (SLGS)			
SLGS, 2.375%, due 11/15/2020	Aaa*	1,710,000	1,710,000
SLGS, 2.07%, due 05/15/2022	Aaa*	287,700	287,700
Certificates of Deposit		6,200,238	7,515,736
Master Repurchase Agreements	Aaa*	787,219	1,050,881
Total Investments		$16,508,073	$15,590,722

*-Moody's Investors Service

NOTE 2 – CASH – CONTINUED

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. Section 330.15 of the FDIC regulations (12 CFR 330.15) governs the insurance coverage of public unit accounts.

All accounts at an insured depository institution, including all noninterest-bearing transaction accounts and demand deposits, owned by a public unit and held by the same official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to $250,000.

All pledged collateral and investments are classified in the highest category by being held in bank trust departments in the Water Authority's legal name.

NOTE 3 – RESTRICTED ASSETS

Upon creation of the Water Authority as sole operator of the water system under the Public Authorities Law of the State of New York, certain requirements were established under the law to ensure sufficient funds were available to pay all costs associated with operating the water system. The law requires the Water Authority to set rates and charges sufficient to pay principal and interest on outstanding bonds, in accordance with the financing agreement, PILOT payments, and all other operational, renewal, replacement and maintenance costs. The Public Authorities Law creates a statutory lien (externally imposed restriction) on revenues to pay these amounts in accordance with the financing agreement. In addition, the financing agreement prescribed certain bond covenants and identified resources (consisting of cash and investments) must be maintained for specific purposes necessary to operate the regional water system (see Note 7 under "bond covenants" for a listing of the more significant covenants).

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

NOTE 3 – RESTRICTED ASSETS-CONTINUED

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

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

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

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

Credit Risk: Water Authority investment policy limits investments of funds to money markets, certificates of deposits, and repurchase agreements with appropriate collateral equal to 105% of the principal amount. Under the Water Authority's general revenue bond resolution, investment securities include government obligations guaranteed by the full faith and credit of the United States, bonds or notes issued by various federal institutions, interest-bearing or demand deposits, repurchase agreements, money market funds, commercial paper, and tax-exempt obligations rated A-3 or better. At December 31, 2015, investments in trustee accounts or through investment agreements as part of obligations held under the trust indenture or similar instrument are limited to treasury securities, repurchase agreements and certificates of deposit.

NOTE 3 – RESTRICTED ASSETS-CONTINUED

The following is a brief synopsis of the various trust funds:

Serial Bond Funds

Sinking Fund and Debt Service Reserve Fund

Various sinking funds and the debt service reserve funds are established to fulfill the debt service reserve requirements on the outstanding bonds as and when they become due and payable.

Construction Fund

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

Cost of Issuance Fund

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

PILOT Payment Fund

The PILOT payment fund is established to hold funds payable to each municipality and school district at the times and amounts determined pursuant to the legislation creating the Finance Authority and Water Authority.

Repair and Improvement Fund

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

Promissory Note Fund

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

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

Trust Fund Investments

The composition and estimated fair values for each fund's financial instruments as of December 31, 2015 and December 31, 2014, respectively, (all of which are held for non-trading purposes) are on the following pages.

The carrying amount for each investment listed approximates fair value of the cash equivalents. For long-term investments, fair values are estimates based on quoted market prices.

	December 31, 2015	
	Carrying Amount	**Fair Value**
2000 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	59,859	59,859
Master Repurchase Investment 5.13%, 04/01/2030	787,219	787,219
Value of 2000 Series Bonds	847,078	847,078
2001A Series Bonds		
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	354,559	354,559
US Treasury Notes-SLGS 2.3748% 11/15/2020	1,710,000	1,710,000
Value of 2001 A Series Bonds	2,064,559	2,064,559
2001B Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	2,978	2,978
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	98,112	98,112
US Treasury Notes-SLGS 2.07% 5/15/2022	287,700	287,700
Value of 2001 B Series Bonds	388,790	388,790
2003 Series Bonds		
Cash Equivalents – Fed. US Treasury Cash Reserves	7,586	7,586
Value of 2003 Series Bonds	7,586	7,586
2006A Series Bonds		
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	706,275	706,275
Value of 2006A Series Bonds	706,275	706,275
2008A Series Bonds		
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	286,003	286,003
Value of 2008A Series Bonds	286,003	286,003

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

	December 31, 2015	
	Carrying Amount	**Fair Value**
2012 Series Bonds		
Cash	7,783	7,783
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	586,653	586,653
Certificates of Deposit	1,889,771	1,891,926
Value of 2012 Series Bonds	2,484,207	2,486,362
2015 Series Bonds		
United States Treasury Bill	582,755	582,755
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	4,194,333	4,194,333
Value of 2015 Series Bonds	4,777,088	4,777,088
R & I Fund, Pilot Fund, Promissory Note		
Cash	1,068	1,068
BNY Mellon - Cash Reserves	40,784	40,784
Cash Equivalents – Dreyfus Gov Cast Prime Cash Mgmt.	155,591	155,591
Cash Equivalents – Fed. US Treasury Cash Reserves	438,577	438,577
Certificates of Deposit	4,282,977	4,308,312
Value of R&I Fund, Pilot Fund, and Promissory Note	4,918,997	4,944,332
Total Value of All Restricted Investments	$ 16,480,583	16,508,073

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

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

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 3 – RESTRICTED ASSETS – CONTINUED

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

NOTE 4 – ACCOUNTS RECEIVABLE

Water Receivables and Collections

Water receivables consist primarily of amounts due from customers for current and delinquent water charges including penalties, unpaid bill charges, collection fees and shut-off charges.

Customers are billed either on a monthly or quarterly basis depending on the type of customer (commercial or residential), and the level of water usage. Customers are provided a thirty-day (30) payment period from the billing date to pay their current water charges. A late penalty of 15% is assessed if the bill is not paid during the thirty-day period. Accounts not paid 10 days after the thirty-day payment period, 40 days from the original billing date, are sent an "unpaid bill" notice that indicates the customer could be subject to additional delinquent charges and action including the shut-off of their water service. All other charges and their assessment dates remain the same.

If the account remains unpaid ten days (10) after the unpaid bill notice is sent to the customer, a $15.00 unpaid bill charge is assessed to the account. Thirty to forty days (30-40) following the unpaid bill charge, 90 days from the billing date, the account is posted with a "20-day notice" requiring payment of the delinquent balance or risk termination of water service. If the property's water service is terminated, the unpaid balance remains on the account until paid in full.

At the Water Authority's discretion, if the delinquent balance remains unpaid, the amount is delivered to the respective government jurisdiction (county, city or village government) and added to their respective tax bill. As the City of Utica collects delinquent water charges, they are remitted to the Water Authority. The collections of delinquent town and village water charges are remitted at the end of their respective fiscal year-ends.

Management reviews the ability to collect delinquent water charges on an ongoing basis. Based upon past history, management has determined that the ability to collect delinquent receivables decreases rapidly as they become increasingly stale. The value of delinquent water receivables are reduced in a range from 20% to 85% as each subsequent operating year expires and collection of these water receivables has been unsuccessful. Although, approximately 98% of water accounts billed are eventually collected. At December 31, 2015 and December 31, 2014, an allowance for uncollectible accounts of water sales has been established in the amount of $432,845 and $321,288, respectively.

NOTE 4 – ACCOUNTS RECEIVABLE – CONTINUED

Lab Fees Receivable

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

The Water Authority considers lab fees receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Interest Receivable

Restricted trust funds used primarily to fund capital projects, as security to bond holders and to pay down outstanding debt, have been invested in various investment programs that periodically earn interest. Investments consist primarily of certificates of deposits, state and local government securities (SLGS) and repurchase agreements. This interest accrues over time and is paid out upon request or as stipulated in the investment agreement. Interest is periodically transferred out of various trust funds to pay down on outstanding debt service. For years ended December 31, 2015 and 2014, accrued interest receivable on these investments was recorded in the amount of $32,034 and $45,322, respectively.

Grants Receivable

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

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

During 2014, a grant was awarded in the amount $112,500 from the New York State Department of State, Division of Local Government Services for the examination of water issues affecting communities in the western part of Oneida County. The "Smart Grid' study seeks to identify ways of utilizing existing sources of drinking water and transmission lines to supply water to communities in need within western Oneida County. The grant is funded on a cost-reimbursement basis. As of December 31, 2015, the full amount of the grant was expended from the consulting firm hired to perform the study. During the year, $67,536 was reimbursed by the State of New York. Paperwork has been submitted to New York State for reimbursement of the final portion.

NOTE 4 – ACCOUNTS RECEIVABLE – CONTINUED

Miscellaneous Receivables

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

The Water Authority considers miscellaneous receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

NOTE 5 – UTILITY PLANT AND DEPRECIATION

Water System Valuation

The Water Authority performed a revaluation of the water system assets originally purchased from the City of Utica in December 1996. Utility plant assets were valued at the purchase price plus the liabilities assumed. The purchase price was established to assure the population served could reasonably afford the cost of maintaining the system over time. Since the purchase price was financed through the issuing of revenue bonds, the debt service related to the revenue bonds was also factored into the affordability of maintaining the system over time. As a result, the value of the utility plant assets was adjusted downward on a uniform basis without regard for their respective age and condition.

During 2004, management reviewed each utility plant asset to determine its age and condition at the time of purchase from the City of Utica. Utility plant assets were revalued to more correctly state each asset at its fair value at the time of purchase. The overall dollar value of utility plant remained consistent with the original purchase price; however, the values within the asset classes and asset sub-classes were restated to more realistically reflect the true value and composition of each asset's age and condition. In addition, depreciation was recalculated on each asset resulting in a more accurate net present value.

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

Contributed Property

Contributed assets including distribution mains, valves, hydrants, tanks, and pump stations are recorded at fair market value at the date acquired. As part of normal operations, the Water Authority will acquire newly constructed and existing water districts from cities, towns, villages and private contractors for operation and maintenance.

In conjunction with the purchase of the water system from the City of Utica in December 1996, several additional systems within the service area were acquired from various municipalities. In subsequent years, several other water districts were acquired from municipalities within the service area. These acquired assets and their associated values were not recorded in the Water Authority's financial statements.

During fiscal 2004, an inventory was performed to categorize and value these water districts and water systems. The associated infrastructure including distribution mains, valves, hydrants, tanks, pump stations and land were recorded on the Water Authority's books and records. Likewise, associated depreciation was calculated and recorded for these acquired assets. The Water Authority's financial statements reflect the recording of this additional utility plant and associated depreciation.

No contributed property was received during year ended December 31, 2015 and 2014.

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

Activity for utility plant for year ended December 31, 2015 and the nine months ended December 31, 2014 is summarized as follows:

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
Utility Plant, not being depreciated				
Water Rights & Other Intangible Assets	$ 1,050,000	$ 0	$ 0	$ 1,050,000
Land	981,806	0	0	981,806
Work In Progress	10,391,862	3,303,353	4,856,489	8,838,726
Total Utility Plant, not being depreciated	12,423,668	3,303,353	4,856,489	10,870,532
Utility Plant, being depreciated				
Water Transmission and Storage	31,524,645	4,701,371	0	36,226,016
Distribution	32,610,470	218,777	614	32,828,633
Vehicle and Maintenance Equipment	2,916,226	383,482	217,693	3,082,015
Office and Lab Equipment	2,364,585	71,275	1,239	2,434,621
Water Treatment	22,253,180	27,404	0	22,280,584
Total Utility Plant, being depreciated	91,669,106	5,402,309	219,546	96,851,869
Less Accumulated Depreciation for:				
Water Transmission and Storage	(3,438,110)	(625,313)	0	(4,063,423)
Distribution	(9,495,939)	(711,697)	614	(10,207,022)
Vehicle and Maintenance Equipment	(2,054,277)	(249,338)	216,502	(2,087,113)
Office and Lab Equipment	(2,059,917)	(74,665)	1,239	(2,133,343)
Water Treatment	(4,718,070)	(395,278)	0	(5,113,348)
Total Accumulated Depreciation	(21,766,313)	(2,056,291)	218,355	(23,604,249)
Total Utility Plant, being depreciated, net	69,902,793	3,346,018	437,901	73,247,620
Total Utility Plant, net	$ 82,326,461	$ 6,649,371	$ 5,294,390	$ 84,118,152

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 5 – UTILITY PLANT AND DEPRECIATION-CONTINUED

	3/31/2014	Increases	Decreases	12/31/2014
Utility Plant, not being depreciated				
Water Rights & Other Intangible Assets	$ 1,050,000	$ 0	$ 0	$ 1,050,000
Land	981,806	0	0	981,806
Work In Progress	9,851,248	1,939,189	1,398,575	10,391,862
Total Utility Plant, not being depreciated	11,883,054	1,939,189	1,398,575	12,423,668
Utility Plant, being depreciated				
Water Transmission and Storage	30,673,709	850,936	0	31,524,645
Distribution	32,058,976	551,494	0	32,610,470
Vehicle and Maintenance Equipment	2,830,091	161,995	75,860	2,916,226
Office and Lab Equipment	2,310,132	54,453	0	2,364,585
Water Treatment	22,253,180	0	0	22,253,180
Total Utility Plant, being depreciated	90,126,088	1,618,878	75,860	91,669,106
Less Accumulated Depreciation for:				
Water Transmission and Storage	(2,988,840)	(449,270)	0	(3,438,110)
Distribution	(8,963,796)	(532,143)	0	(9,495,939)
Vehicle and Maintenance Equipment	(1,964,163)	(165,030)	(74,916)	(2,054,277)
Office and Lab Equipment	(2,006,146)	(53,771)	0	(2,059,917)
Water Treatment	(4,421,697)	(296,373)	0	(4,718,070)
Total Accumulated Depreciation	(20,344,642)	(1,496,587)	(74,916)	(21,766,313)
Total Utility Plant, being depreciated, net	69,781,446	122,291	944	69,902,793
Total Utility Plant, net	$ 81,664,500	$ 2,061,480	$ 1,399,519	$ 82,326,461

Depreciation charged to expense for calendar year ended December 31, 2015 and the nine months ended December 31, 2014 was $2,037,634 and $1,485,725, respectively. Use of company-owned equipment to improve infrastructure was charged to the respective capital project.

NOTE 6 – SEWER AND WATER SERVICE COLLECTIONS

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

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

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

Local Government	December 31, 2015	December 31, 2014
Oneida County	$ 1,244,147	$ 1,130,253
City of Utica	235,241	225,233
Village of Holland Patent	1,515	2,605
Town of Marcy	10,273	14,585
Village of Bridgewater	18,684	17,822
Westmoreland	1,923	3,744
Total	$ 1,511,783	$ 1,394,242

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 7 – LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Long-Term Obligations December 31, 2014	Additions	Reductions	Long-Term Obligations December 31, 2015	Due Within One Year
Revenue Bonds	$ 56,183,720	$ 24,450,000	$ (23,740,000)	$ 56,893,720	$ 3,485,000
Premiums/ (Discounts)	(668,308)	1,974,964	233,708	1,540,364	-
Promissory Note	5,710,513	-	(144,679)	5,565,834	144,679
Capital Leases	34,630	-	(9,430)	25,200	9,431
Compensated Absences	146,873	331,001	(282,694)	195,180	268,000
Net Pension Liability	752,405	-	(189,916)	562,489	-
Postemployment Benefits other than Pensions	2,705,143	-	(70,187)	2,634,956	287,000
Total Liabilities	$ 64,864,976	$ 26,755,965	$ (24,203,198)	$ 67,417,743	$ 4,194,110

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

	Long-Term Obligations March 31, 2014	Additions	Reductions	Long-Term Obligations December 31, 2014	Due Within One Year
Revenue Bonds	$ 59,388,720	$ -	$ (3,205,000)	$ 56,183,720	$ 3,205,000
Premiums/ (Discounts)	(772,004)	118,311	(14,615)	(668,308)	-
Promissory Note	5,847,152	-	(136,639)	5,710,513	136,639
Capital Leases	52,330	-	(17,700)	34,630	23,460
Compensated Absences	169,031	282,694	(304,852)	146,873	268,000
Net Pension Liability	-	752,405	-	752,405	-
Postemployment Benefits other than Pensions	2,656,953	48,190	-	2,705,143	175,957
Total Liabilities	$ 67,342,182	$ 401,005	$ (3,678,806)	$ 64,864,976	$ 3,809,056

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 7 – LONG-TERM DEBT-CONTINUED

Revenue bonds, serial bonds and promissory note outstanding as of December 31, 2015 and December 31, 2014 bear annual interest, amortized premiums or discounts and mature as follows:

Issue	Purpose	Underlying Rating	Year of Maturity	Percent Interest Rate	Original Issue	Balance December 31, 2015	Balance December 31, 2014
REVENUE BONDS:							
2000 Series (Partially	System Improvement	Baa1					
Advanced Refunded)			July-09	4.75%-5.87%	$ 8,528,720	$ 4,513,720	$ 4,513,720
Less: Current Maturities						0	0
Add: Bond Premium						19,151	20,435
Total Long-Term						$ 4,532,871	$ 4,534,155
2001 Series A**	Refunding of 1996A Bonds	Baa1					
(Advanced Refunding)			July-09	3.43%-5.13%	$26,716,006	$ 8,440,000	$ 9,960,000
Less: Current Maturities						1,570,000	1,520,000
Less: Bond Discount						715,840	861,434
Total Long-Term						$ 6,154,160	$ 7,578,566
2001 Series B**	System Improvement						
(Advanced Refunding)		Baa1	July-09	3.02%-5.31%	$ 2,876,300	$ 1,400,000	$ 1,535,000
Less: Current Maturities						140,000	135,000
Total Long-Term						$ 1,260,000	$ 1,400,000
2006 Series A	System Improvement/	A3	July-09	4.00%-5.00%	$20,325,000	$ 5,570,000	$ 16,865,000
Less: Current Maturities	Partial Refunding-1999 & 2000 Series					830,000	790,000
Add: Bond Premium						23,147	66,407
Total Long-Term						$ 4,763,147	$ 16,141,407
2008 Series A	System Improvement	A3	July-09	3.00%-6.25%	$12,220,000	$ 1,090,000	$ 11,165,000
Less: Current Maturities						345,000	325,000
Less: Bond Discount						16,904	170,141
Total Long-Term						$ 728,096	$ 10,669,859
2012 Series	System Improvement/	A1/A+	July-09	3.00%-4.00%	$15,635,000	$ 14,915,000	$ 15,350,000
Less: Current Maturities	Partial Refunding-2003 Series					600,000	435,000
Add: Bond Premium						261,347	276,425
Total Long-Term						$ 14,576,347	$ 15,191,425
2015 Series	System Improvement/	A1/AA	August-09	2.87%-5.00%	$24,450,000	$ 24,450,000	$ -
Less: Current Maturities	Partial Refunding-2006 & 2008 Series					0	0
Add: Bond Premium						1,969,463	0
Total Long-Term						$ 26,419,463	$ -
PROMISSORY NOTE:							
City of Utica Note	Water System Purchase	N/A	July-09	Approx. 5.8%	$ 7,000,000	$ 5,710,513	$ 5,847,152
Less: Current Maturities	Agreement					144,679	136,639
Total Long-Term						$ 5,565,834	$ 5,710,513

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

NOTE 7 – LONG-TERM DEBT – CONTINUED

2015 SERIES BONDS

	Principal	Interest	Total
2016	$ -	$ 875,280	$ 875,280
2017	730,000	988,906	1,718,906
2018	750,000	959,306	1,709,306
2019	1,190,000	914,556	2,104,556
2020	1,245,000	853,681	2,098,681
2021-2025	6,605,000	3,339,897	9,944,897
2026-2030	8,405,000	1,607,227	10,012,227
2031-2035	3,070,000	779,324	3,849,324
2036-2040	1,395,000	312,500	1,707,500
2041-2045	1,060,000	109,400	1,169,400
	24,450,000	10,740,077	35,190,077
Less: Current Portion	0	0	0
Add: Bond Premium	1,969,463	0	1,969,463
	$ 26,419,463	$ 10,740,077	$ 33,220,614

2012 SERIES BONDS

	Principal	Interest	Total
2016	$ 600,000	$ 521,382	$ 1,121,382
2017	620,000	503,082	1,123,082
2018	640,000	480,982	1,120,982
2019	660,000	454,982	1,114,982
2020	695,000	427,882	1,122,882
2021-2025	3,890,000	1,718,794	5,608,794
2026-2030	4,620,000	1,001,667	5,621,667
2031-2033	3,190,000	176,348	3,366,348
	14,915,000	5,285,119	20,200,119
Less: Current Portion	600,000	0	600,000
Add: Bond Premium	261,347	0	261,347
	$ 14,576,347	$ 5,285,119	$ 19,338,772

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

2008 A SERIES BONDS

	Principal	Interest	Total
2016	345,000	45,875	390,875
2017	360,000	28,250	388,250
2018	385,000	9,625	394,625
	1,090,000	83,750	1,173,750
Less: Current Portion	345,000	0	345,000
Less: Bond Discount	16,904	0	16,904
	$ 728,096	$ 83,750	$ 811,846

2006 A SERIES BONDS

	Principal	Interest	Total
2016	830,000	224,144	1,054,144
2017	270,000	196,644	466,644
2018	285,000	182,769	467,769
2019	295,000	169,744	464,744
2020	310,000	157,644	467,644
2021-2025	1,015,000	656,348	1,671,348
2026-2030	1,180,000	417,987	1,597,987
2031-2036	1,385,000	183,492	1,568,492
	5,570,000	2,188,772	7,758,772
Less: Current Portion	830,000	0	830,000
Add: Bond Premium	23,147	0	23,147
	$ 4,763,147	$ 2,188,772	$ 6,951,919

2001 B SERIES BONDS

	Principal	Interest	Total
2016	140,000	68,554	208,554
2017	145,000	61,536	206,536
2018	150,000	54,176	204,176
2019	160,000	46,325	206,325
2020	165,000	37,990	202,990
2021-2023	640,000	41,845	681,845
	1,400,000	310,426	1,710,426
Less: Current Portion	140,000	0	140,000
	$ 1,260,000	$ 310,426	$ 1,570,426

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and December 31, 2014

NOTE 7 – LONG-TERM DEBT – CONTINUED

2001 A SERIES BONDS

	Principal	Interest	Total
2016	1,570,000	423,712	1,993,712
2017	1,630,000	346,940	1,976,940
2018	1,685,000	266,255	1,951,255
2019	1,745,000	181,499	1,926,499
2020	1,810,000	92,853	1,902,853
	8,440,000	1,311,259	9,751,259
Less: Current Portion	1,570,000	0	1,570,000
Less: Bond Discount	715,840	0	715,840
	$ 6,154,160	$ 1,311,259	$ 7,465,419

2000 SERIES BONDS (Partially Refunded)

	Principal	Interest	Total
2016	$ 0	$ 0	$ 0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	0	0	0
2021	0	0	0
2022-2025	$ 3,041,555	$ 7,883,446	10,925,001
2026-2030	1,472,165	5,427,736	6,899,901
	4,513,720	13,311,182	17,824,902
Less: Current Portion	-	0	-
Add: Bond Premium	19,151	0	19,151
	$ 4,532,871	$ 13,311,182	$ 17,844,053

PROMISSORY NOTE

	Principal	Interest	Total
2016	144,679	336,036	480,715
2017	153,193	327,522	480,715
2018	162,208	318,507	480,715
2019	171,753	308,962	480,715
2020	181,860	298,855	480,715
2021-2025	1,082,985	1,320,590	2,403,575
2026-2030	1,441,403	962,175	2,403,578
2031-2036	2,372,432	511,856	2,884,288
	5,710,513	4,384,503	10,095,016
Less: Current Portion	144,679	0	144,679
	$ 5,565,834	$ 4,384,503	$ 9,950,337

NOTE 7 – LONG-TERM DEBT – CONTINUED

Advance Refunding/ Defeasance of Debt

On November 17, 2015, the Water Finance Authority issued $24,450,000 of Series 2015 revenue bonds, to provide funds for both capital projects and to purchase treasury notes that were placed into an escrow fund for the purpose of generating resources for paying the future debt service on $10,505,000 of 2006A series bonds and $9,750,000 of 2008A series bonds. The treasury note securities purchased have variable interest rates ranging from 0.375% to 1.00%. Portions of both the 2006A and 2008A series bonds are considered partially refunded; as a result, the portions the bond series are also considered defeased, and the liability has been removed from the statement of net position. These new bonds were issued at a premium of $1,974,964, which is being amortized over the life of the new debt issue.

As a result of this advance refunding, the Water Finance Authority reduced its total debt service requirements by $2,781,000 over the life of the 2006A and 2008A series bonds, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,214,521.

Bond Covenants

The financing agreements relating to all the current and future bonding contain various covenants pertaining to the use and maintenance of the trust funds established from the proceeds of each bonding. For the twelve months ended December 31, 2015 and December 31, 2014, the Board was in compliance with the loan covenants. The following is a summary of the covenants:

- The Board is required to establish and collect rates, fees and charges sufficient to be at least equal to the sum of:

    a. 115% of the estimated aggregate debt service and projected debt service payable in that fiscal year; and

    b. 100% of operating expenses, accrued promissory note payments, PILOT payments, Finance Authority expenses and any other required deposits for the year.

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

NOTE 7 – LONG-TERM DEBT – CONTINUED

Bond Covenants-continued

- The Board has enforced the payment of any and all amounts owed for the use of the regional system. Likewise, the Board has enforced amounts delinquent at year-end as a lien against the property.

- The Board has not furnished or supplied any product, use or service of the regional system free of charge or at nominal charge to any person, firm or corporation, public or private, except any municipality in pursuit of its governmental function.

- The Water Authority's expenses for the month of December were covered and there were no shortfalls.

- The debt service reserve fund includes separate amounts for each series of bonds issued. The required amount maintained in the fund equals the debt service reserve requirement.

  a. The debt service reserve requirement is the lesser of the maximum annual debt service over the bond's life or 125% of the average annual debt service or the maximum amount allowed without jeopardizing the tax-exempt status of the bonds.

- Initial funding for the repair and improvement fund in the amount of $500,000 (currently $671,000) was received from the purchase of the water system. These funds can be used for the following:

  a. to pay all or any part of the cost of constructing, acquiring, completing or restoring projects;

  b. to pay the cost of renewals to or replacements of projects or to pay the cost of extraordinary maintenance or repairs or repay all or any part of the temporary loans;

  c. to pay for the cost incurred for the purpose of acquiring or constructing projects, renewals and replacements or extraordinary maintenance and repairs; and

  d. to pay other debts and liabilities of the regional system not otherwise provided for, any PILOT payments and payment of debt service requirements.

- The debt service and sinking fund balance is equal to the accrued debt service.

NOTE 7 – LONG-TERM DEBT – CONTINUED

Bond Covenants – Continued

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

NOTE 8 – DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources consist of bond insurance premiums, amounts deferred from the defeasance of prior debt issues, and pension resources. Bond insurance premiums and amounts deferred for the defeasance of prior debt issues are amortized over the life of the respective bond using the straight-line method. A summary of deferred outflows of resources outstanding at year-end is as follows:

	December 31, 2015	December 31, 2014
Amounts deferred on defeasance of debt:		
Series 2015 Bonds	$ 2,046,743	$ 0
Series 2012 Bonds	366,078	388,491
Series 2006 Bonds	154,787	444,077
Authority Financing Costs:		
Bond Insurance	92,710	170,841
Pension Resources	1,009,060	833,234
	$ 3,669,378	$ 1,836,643

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

NOTE 9 – OTHER LONG-TERM LIABILITIES

Compensated absences represent unused vacation, sick and compensatory time payable in the future. The balances for 2015 and the nine month period ended December 31 2014, were $463,180 and $414,873, respectively.

NOTE 10 – NET POSITION

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets, net of related debt—This component of net position reflects the portion that is associated with non-liquid, capital assets less outstanding capital asset related debt. If there are significant unspent related debt proceeds at year-end, this portion is not included in the calculation of invested in capital, net of related debt.

Restricted Assets—This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors, debt covenants, grantors, enabling legislation or regulation of other governments imposed by law.

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

The Board of Directors of the Water Authority has segregated portions of unrestricted assets to indicate tentative plans for future financial commitment and resource use. The strategy by the Board of Directors is to annually fund these programs to meet budgeted commitments. The use of these resources is determined by the Board based upon pre-determined occurrences or actions. The following is a list of these commitments:

	December 31, 2015	December 31, 2014
Internal Commitments:		
Debt Service Covenant	$ 828,618	$ 783,271
Repair, Replacement and Renewal Reserve	949,750	940,647
Operating & Maintenance Reserve	643,323	637,159
Capital Maintenance Reserve	2,632,033	2,310,253
Reserve For Board Projects	147,638	147,638
Total	$ 5,201,362	$ 4,818,968

NOTE 11 – EMPLOYEES' PENSION PLAN

Plan Description and Benefits Provided

The Water Authority participates in the New York State and Local Employee's Retirement System (System), a cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller of the State of New York serves as the Trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct state-wide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). 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 Water Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3.0 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 generally contribute 3.0 percent of their salary for their entire length of service. The average contribution rate for ERS for the System's fiscal year ended March 31, 2015, was approximately 20.1% of payroll. 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 ended March 31. Water Authority contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

NOTE 11 – EMPLOYEES' PENSION PLAN -CONTINUED

	Actual Contributions	Percentage of Covered Payroll
December 31, 2015	$ 878,511	17.6%
December 31, 2014	$ 859,755	18.4%
March 31, 2014	$ 1,004,985	21.4%
March 31, 2013	$ 897,364	18.8%
March 31, 2012	$ 665,564	14.4%

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

This law requires participating employers to make payments on a current basis, amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008. The Water Authority did not have an unpaid liability being amortized at year-end.

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

At December 31, 2015, the Water Authority reported a liability of $562,489 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 Water Authority's proportion of the net pension liability was based on a projection of the Water Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

NOTE 11 – EMPLOYEES' PENSION PLAN-CONTINUED

At December 31, 2015, the Water Authority's proportion was 0.0166503% percent.

For the year ended December 31, 2015, the Water Authority recognized pension expense of $512,769 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,006	$ -
Changes of assumptions	-	-
Net Differences between projected and actual investment earnings on pension plan investment	97,697	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,846	-
Water Authority contributions subsequent to the measurement date	878,511	-
Total	$ 1,009,060	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	$ 32,637
2017	32,637
2018	32,637
2019	32,638
Total	$ 130,549

NOTE 11 – EMPLOYEES' PENSION PLAN-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.

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	4.9 percent, indexed by service
Investment rate of return, including inflation	7.5 percent compounded annually, net of expenses
Decrement	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

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

The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

NOTE 11 – EMPLOYEES' PENSION PLAN-CONTINUED

Asset Type	Target Allocation	Long Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

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.

NOTE 11 – EMPLOYEES' PENSION PLAN-CONTINUED

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Water Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Water Authority's proportionate share of the net pension liability (asset)	$3,749,231	$562,489	($2,127,912)

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)

	Employee's Retirement System
Employers' total pension liability	$ 164,591,504
Plan net position	(161,213,259)
Employers' net pension liability	$ 3,378,245
Ration of plan net position to the employers total pension liability	97.9%

NOTE 12 – DEFERRED COMPENSATION PLAN

In fiscal 2007, The Water Authority entered into an agreement with the New York Deferred Compensation Board to provide a Deferred Compensation Plan in accordance with the Internal Revenue Code, Section 457, on a voluntary basis to full-time employees. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement or for an unforeseen emergency. The Water Authority makes no contributions to the plan. In accordance with federal law, a trust fund was established for deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Authority but are held in trust, the deferred compensation assets and related liabilities are not reported in the Water Authority's financial statements. The Water Authority's fiduciary responsibilities are to submit participant payroll deductions and enrollment changes to the plan administrator. Investments are managed by the plan's trustee with various investment options available. The choice of the investment option is made by the employee.

Twenty-six (26) employees contributed to the plan during the year ended December 31, 2015.

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the retirement benefits described above, the Water Authority provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the Board and its employee groups. Substantially all of employees may become eligible for these benefits if they reach normal retirement age while working for the Water Authority.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended March 31, 2009, the Water Authority recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Authority's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the fiscal year 2009 liability.

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

Plan Description

Post-employment health insurance coverage is afforded to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the Board and its employee groups. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the Water Authority.

More specifically, a small group of retirees and their survivors are afforded health insurance as a supplement to Medicare for life. All other retirees and their survivors are provided a number of years of health insurance premium payments based on their years of service to the Water Authority.

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

The number of participants as of December 31, 2015, the effective date of the annual OPEB valuation, follows:

Active Employees	83
Retired Employees	13
Dependents	8
Disabled	0
Total	104

Funding Policy

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2015, the Authority's Annual Required Contribution (ARC) is $277,908. The net annual OPEB cost consists of the ARC amount less an adjustment of $119,345; interest earned on the net OPEB obligations of $115,244 less payments for current health insurance premiums for retirees and their beneficiaries totaling $232,951. The result was an increase in the Net OPEB Obligation of $40,856 for the year ended December 31, 2015.

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

The Water Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at December 31, 2015, the nine-month period ended December 31, 2014, and the fiscal year ended March 31, 2014 were as follows:

Annual OPEB Cost and Net OPEB Obligation	December 2015	December 2014	March 2014
Annual Required Contribution	$277,908	$227,158	$587,243
Interest on Net OPEB Obligation	115,244	84,596	88,707
Adjustment to Annual Required Contribution	(119,345)	(87,607)	(137,804)
Annual OPEB Cost	273,807	224,147	538,146
Contributions made	(232,951)	(162,923)	(231,691)
Increase in Net OPEB Obligation	40,856	61,224	306,455
Net OPEB Obligation - beginning of year	2,881,100	2,819,876	2,513,421
Net OPEB Obligation - end of year	$2,921,956	$2,881,100	$2,819,876
Percentage of Annual OPEB Cost contributed	85.08%	72.69%	43.05%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Included coverage is "fully-insured community rated" and annual premiums for fully-insured community rated coverage were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level percent pay, open group basis.

Funded Status	December 31, 2015	Nine Months December 31, 2014	March 31, 2014
Actuarial Accrued Liability (AAL)	$4,430,240	$4,660,325	$5,783,723
Actuarial Value of Assets	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	4,430,240	4,660,325	5,783,723
Funded Ratio (Assets as a percentage of AAL)	0.00%	0.00%	0.00%
Annual Covered Payroll	4,983,419	3,546,451	4,697,048
UAAL as a Percentage of Covered Payroll	88.90%	131.41%	123.14%

Measurement Date	December 31, 2015	December 31, 2014	March 31, 2013
Investment Rate of Return	4.00%	3.50%	3.50%
Expected Return on Employer's Assets	4.00%	3.50%	3.50%
Inflation Rate	2.50%	3.00%	3.00%
Discount Rate	4.00%	4.00%	3.50%
Initial Medical Trend Rate	6.40%	7.20%	N/A
Ultimate Medical Trend Rate	4.20%	4.20%	N/A

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

Actuarial Methods and Assumptions-continued

Healthcare Cost Trend Rates

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

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

Additional Information

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

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

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

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation

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

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

Risk Management

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

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

Leases Committments

The Water Authority entered into a noncancellable 30-year operating lease for office space. Future minimum rental payments required under the operating lease, that has initial or remaining noncancellable lease terms in excess of one year as of December 31, 2015, are as follows:

2016	$ 104,870
2017	104,870
2018	104,870
2019	104,870
2020	104,870
Thereafter	620,831
Total	$ 1,145,181

The above lease is based upon a rate per square footage. Presently, the Water Authority is paying the landlord $104,870 per year for occupying approximately 12,800 square feet. Expense for all rental space and property easements amounted to $115,078 for the year ended December 31, 2015 and $81,092 for the nine months ended December 31, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB LIABILITY

For the Year Ended December 31, 2015

Actuarial Valuation Date	Acturial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
April 1, 2015	$ -	$ 4,430,240	$ 4,430,240	0.00%	$ 4,983,419	88.90%
April 1, 2014	$ -	$ 4,660,325	$ 4,660,325	0.00%	$ 3,546,451	131.41%
April 1, 2013	$ -	$ 5,783,723	$ 5,783,723	0.00%	$ 4,697,048	123.14%
April 1, 2012	$ -	$ 5,531,117	$ 5,531,117	0.00%	$ 4,774,885	115.84%

SCHEDULE OF WATER AUTHORITY PENSION CONTRIBUTIONS
Last Ten Years

	December 31 Yearend		March 31 Yearend							
	2015	2014	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	$ 878,511	$ 859,755	$ 1,004,985	$ 897,364	$ 665,564	$ 532,857	$ 339,758	$ 367,569	$ 418,865	$ 498,367
Contributions in relation to the contractually required contribution	878,511	859,755	1,004,985	897,364	665,564	532,857	339,758	367,569	418,865	498,367
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	4,820,101	4,672,582	4,696,192	4,773,213	4,621,972	4,332,171	4,470,500	3,789,371	3,807,864	3,719,157
Contributions as a percentage of covered employee payroll	18.23%	18.40%	21.40%	18.80%	14.40%	12.30%	7.60%	9.70%	11.00%	13.40%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2015

	2015
Water Authority's proportion of the net pension laibility (asset)	$ 562,489
Water Authority's proportionate share of the net pension laibility (asset)	0.0166503%
Water Authority's covered-employee payroll	$4,983,419
Water Authority's proportion of the net pension laibility (asset) as a percentage of its covered-employee payroll	11.29%
Plan fiduciary net position as a percentage of total pension liability	97.20%

The Water 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.

SUPPLEMENTARY INFORMATION

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

For the Year Ended December 31, 2015

	Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUE				
Metered Water Sales	$ 20,287,461	$ 19,755,851	$ 531,610	2.69%
Delinquency Charges	937,631	726,000	211,631	29.15%
Fees and Ancillary Charges	497,619	335,100	162,519	48.50%
Other Services	350,244	392,000	(41,756)	(10.65%)
Total Operating Revenue	22,072,955	21,208,951	864,004	4.07%
OPERATING EXPENSES				
Administrative	760,911	663,777	(97,134)	(14.63%)
Finance & Accounting	924,146	1,096,795	172,649	15.74%
Customer Services	386,152	380,724	(5,428)	(1.43%)
Engineering	521,899	888,032	366,133	41.23%
Water Distribution	414,560	578,902	164,342	28.39%
Information Technology	587,387	550,452	(36,935)	(6.71%)
Water Quality Maintenance	706,376	762,177	55,801	7.32%
Treatment	2,637,093	2,727,141	90,048	3.30%
System Repair & Maintenance	4,421,443	4,891,146	469,703	9.60%
General Services	2,192,800	1,831,322	(361,478)	(19.74%)
Amortization of Bond Expenses	158,129	0	(158,129)	0.00%
Depreciation	2,037,634	0	(2,037,634)	0.00%
Total Operating Expenses	15,748,530	14,370,468	(1,378,062)	(9.59%)
NET OPERATING INCOME	6,324,425	6,838,483	(514,058)	(7.52%)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	214,746	256,400	(41,654)	(16.25%)
Interest Expense	(2,314,479)	(6,567,181)	4,252,702	64.76%
PILOT Payments	(1,441,758)	(1,437,522)	(4,236)	0.29%
State and Federal Grants	84,000	0	84,000	0.00%
Independent Lab Services, Net	56,358	125,000	(68,642)	(54.91%)
Other Income, Net	41,167	87,404	(46,237)	(52.90%)
Timber Harvest	0	0	0	0.00%
Realized Gain/ (Loss) on Investments	119,946	0	119,946	0.00%
Post Employment Health Benefits	(40,856)	0	(40,856)	0.00%
Cash Carried Forward/ Use of Reserves	0	697,416	(697,416)	(100.00%)
Total Nonoperating Expenses	(3,280,876)	(6,838,483)	3,557,607	52.02%
INCOME BEFORE CAPITAL CONTRIBUTIONS	3,043,549	$ 0		
Capital Contributions	0			
Increase in Net Position	3,043,549			
NET POSITION				
Net Position, Beginning of Period	39,447,404			
Net Position, End of Period	$ 42,490,953			

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

For the Nine Months Ended December 31, 2014

	Actual	Budget	Variance Favorable (Unfavorable)	Percentage Variance
OPERATING REVENUE				
Metered Water Sales	$ 14,781,234	$ 14,644,199	$ 137,035	0.94%
Delinquency Charges	675,992	561,023	114,969	20.49%
Fees and Ancillary Charges	273,902	288,359	(14,457)	(5.01%)
Other Services	282,665	279,000	3,665	1.31%
Total Operating Revenue	16,013,793	15,772,581	241,212	1.53%
OPERATING EXPENSES				
Administrative	486,548	496,760	10,212	2.06%
Finance & Accounting	786,544	849,604	63,060	7.42%
Customer Services	277,453	297,787	20,334	6.83%
Engineering	499,686	703,364	203,678	28.96%
Water Distribution	301,111	513,277	212,166	41.34%
Information Technology	514,408	557,220	42,812	7.68%
Water Quality Maintenance	575,060	627,911	52,851	8.42%
Treatment	2,635,505	2,407,772	(227,733)	(9.46%)
System Repair & Maintenance	3,308,577	3,752,387	443,810	11.83%
General Services	996,574	1,148,930	152,356	13.26%
Amortization of Bond Expenses	147,453	0	(147,453)	0.00%
Depreciation	1,485,725	0	(1,485,725)	0.00%
Total Operating Expenses	12,014,644	11,355,012	(659,632)	(5.81%)
NET OPERATING INCOME	3,999,149	4,417,569	(418,420)	(9.47%)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	163,918	190,800	(26,882)	(14.09%)
Interest Expense	(1,905,880)	(4,406,969)	2,501,089	56.75%
PILOT Payments	(1,102,315)	(1,103,380)	1,065	(0.10%)
State and Federal Grants	28,000	0	28,000	0.00%
Independent Lab Services, Net	67,293	89,952	(22,659)	(25.19%)
Other Income, Net	123,409	54,302	69,107	127.26%
Timber Harvest	44,800	0	44,800	0.00%
Realized Gain/ (Loss) on Investments	25,919	0	25,919	0.00%
Post Employment Health Benefits	(61,224)	0	(61,224)	0.00%
Cash Carried Forward/ Use of Reserves	0	757,726	(757,726)	(100.00%)
Total Nonoperating Expenses	(2,616,080)	(4,417,569)	1,801,489	40.78%
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,383,069	0		
Capital Contributions	0	0		
Increase in Net Position	1,383,069	$ 0		
NET POSITION				
Net Position, Beginning of Year and Period	37,983,506			
Net Position, End of Year and Period, Prior to Restatement	39,366,575			
Effect of Adoption of GASB 68 and 71	80,829			
Net Position, End of Year and Period	$ 39,447,404			

UTILITY PLANT
For the Year Ended December 31, 2015

	Life (Years)	COST Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015
WATER RIGHTS & OTHER INTANGIBLE ASSETS					
WATER RIGHTS-1938 WATER SYSTEM PURCHASE		$ 800,000	$ 0	$ 0	$ 800,000
ORGANIZATIONAL & GOING CONCERN VALUE-1938 WATER SYSTEM PURCHASE		250,000	0	0	250,000
TOTAL WATER RIGHTS & OTHER INTANGIBLE ASSETS		1,050,000	0	0	1,050,000
LAND					
LAND-1938 WATER SYSTEM PURCHASE		400,000	0	0	400,000
SOURCE OF SUPPLY LAND		9,712	0	0	9,712
POWER AND PUMPING		487,501	0	0	487,501
PURIFICATION LAND		27,200	0	0	27,200
TRANSMISSION LAND & RIGHT OF WAY		1,588	0	0	1,588
DISTRIBUTION RESERVOIR & STANDPIPE LAND		31,344	0	0	31,344
DISTRIBUTION LAND & RIGHT OF WAY		5,901	0	0	5,901
SHOP, GARAGE, & STORES LAND		18,560	0	0	18,560
TOTAL LAND		981,806	0	0	981,806
WATER TRANSMISSION & STORAGE					
POWER & PUMPING STRUCTURES	20-100	1,941,322	0	0	1,941,322
PURIFICATION BUILDINGS	20-100	242,050	0	0	242,050
TANKS, DISTR.RESERVOIR & STANDPIPES	20-100	27,381,048	4,660,103	0	32,041,151
SHOP & GARAGE STRUCTURES	20-100	1,044,710	13,331	0	1,058,041
MISCELLANEOUS STRUCTURES	20-100	378,112	27,937	0	406,049
COLLECTING & IMPOUNDING RESERVOIRS	100	177,736	0	0	177,736
INTAKE STRUCTURES-RESERVOIR	100	281,743	0	0	281,743
TRANSMISSION STUDIES	20	77,924	0	0	77,924
TOTAL WATER TRANSMISSION & STORAGE		31,524,645	4,701,371	0	36,226,016
DISTRIBUTION					
DISTRIBUTION MAINS & OTHER EQUIPMENT-1938 WATER SYSTEM PURCHASE	100	1,758,656	0	0	1,758,656
ELECTRIC PUMPING EQUIPMENT	100	709,544	0	0	709,544
PUMPING STATIONS/BUILDINGS	25-50	186,245	57,798	0	244,043
PURIFICATION SYSTEMS	25-100	1,124,691	0	0	1,124,691
TRANSMISSION MAINS & ACCESSORIES	25-100	3,967,704	0	0	3,967,704
DISTRIBUTION MAINS & ACCESSORIES	25-100	21,964,177	160,979	0	22,125,156
METERS	15	1,197,416	0	0	1,197,416
METER INSTALLATION	15	614	0	614	0
HYDRANTS	15	742,280	0	0	742,280
DISTRIBUTION STUDIES & SPECIAL PROJECTS	25	959,143	0	0	959,143
TOTAL DISTRIBUTION		32,610,470	218,777	614	32,828,633
VEHICLES & MAINTENANCE EQUIPMENT					
TRANSPORTATION & EQUIPMENT	5	1,979,131	330,389	217,693	2,091,827
GARAGE & REPAIR EQUIPMENT	5	937,095	53,093	0	990,188
TOTAL VEHICLES & MAINTENANCE EQUIPMENT		2,916,226	383,482	217,693	3,082,015
OFFICE & LAB EQUIPMENT					
OFFICE FURNITURE & EQUIPMENT (MAIN)	5	620,401	53,167	0	673,568
LABORATORY EQUIPMENT	5	1,100,216	0	1,239	1,098,977
TOOLS & WORK EQUIPMENT	5	408,496	0	0	408,496
COMMUNICATION EQUIPMENT	5	122,388	18,108	0	140,496
OTHER TANGIBLE PROPERTY	5	22,455	0	0	22,455
SCADA SYSTEM	5	90,629	0	0	90,629
TOTAL OFFICE & LAB EQUIPMENT		2,364,585	71,275	1,239	2,434,621
WATER TREATMENT					
WATER TREATMENT PLANT	25-75	21,966,879	27,404	0	21,994,283
CORROSION CONTROL FACILITIES	25	286,301	0	0	286,301
TOTAL WATER TREATMENT		22,253,180	27,404	0	22,280,584
CONSTRUCTION IN PROGRESS					
CAPITAL PROJECTS		10,391,862	3,303,353	4,856,489	8,838,726
TOTAL PROPERTY, PLANT & EQUIPMENT		$ 104,092,774	$ 8,705,662	$ 5,076,034	$ 107,722,401

ACCUMULATED DEPRECIATION AND AMORTIZATION				
Balance 12/31/2014	Depreciation	Asset Retirements	Balance 12/31/2015	Net Asset Value 12/31/2015
$ 0	$ 0	$ 0	$ 0	$ 800,000
0	0	0	0	250,000
0	0	0	0	1,050,000
0	0	0	0	400,000
0	0	0	0	9,712
0	0	0	0	487,501
0	0	0	0	27,200
0	0	0	0	1,588
0	0	0	0	31,344
0	0	0	0	5,901
0	0	0	0	18,560
0	0	0	0	981,806
572,446	45,649	0	618,095	1,323,227
61,574	5,788	0	67,362	174,688
2,445,420	526,962	0	2,972,382	29,068,769
158,317	21,861	0	180,178	877,863
3,186	15,110	0	18,296	387,753
51,771	3,658	0	55,429	122,307
67,473	6,284	0	73,757	207,986
77,923	1	0	77,924	0
3,438,110	625,313	0	4,063,423	32,162,593
418,170	23,449	0	441,619	1,317,037
384,038	21,242	0	405,280	304,264
0	3,725	0	3,725	240,318
478,792	23,115	0	501,907	622,784
1,070,719	79,543	0	1,150,262	2,817,442
5,215,294	439,568	0	5,654,862	16,470,294
1,084,234	39,897	0	1,124,131	73,285
614	0	614	0	0
406,918	14,423	0	421,341	320,939
437,160	66,735	0	503,895	455,248
9,495,939	711,697	614	10,207,022	22,621,611
1,432,719	178,761	216,502	1,394,978	696,849
621,558	70,577	0	692,135	298,053
2,054,277	249,338	216,502	2,087,113	994,902
586,391	12,646	0	599,037	74,531
931,397	32,033	1,239	962,191	136,786
374,123	14,373	0	388,496	20,000
99,986	4,813	0	104,799	35,697
22,454	1	0	22,455	0
45,566	10,799	0	56,365	34,264
2,059,917	74,665	1,239	2,133,343	301,278
4,511,933	383,826	0	4,895,759	17,098,524
206,137	11,452	0	217,589	68,712
4,718,070	395,278	0	5,113,348	17,167,236
0	0	0	0	8,838,726
$ 21,766,313	$ 2,056,291	$ 218,355	$ 23,604,249	$ 84,118,152

SCHEDULE OF GOVERNMENTAL PILOT PAYMENTS

Years 2016 - 2037

Year End	TOWNS (1) **	CITY OF UTICA (2) **	SCHOOL DISTRICTS (3) ***	AUDITORIUM AUTHORITY VIA ONEIDA COUNTY (4) **	TOTAL
2016	$ 86,517	$ 455,000	$ 201,359	$ 665,500	$ 1,408,376
2017	$ 89,762	$ 395,000	$ 158,968	$ 715,413	$ 1,359,142
2018	$ 90,843	$ 375,000	$ 116,576	$ 732,050	$ 1,314,470
2019	$ 90,843	$ 375,000	$ 74,185	$ 732,050	$ 1,272,079
2020	$ 90,843	$ 375,000	$ 31,795	$ 732,050	$ 1,229,688
2021	$ 90,843	$ 375,000	$ 5,301	$ 732,050	$ 1,203,195
2022	$ 94,250	$ 412,500		$ 786,954	$ 1,293,704
2023	$ 95,385	$ 425,000		$ 805,255	$ 1,325,640
2024	$ 95,385	$ 425,000		$ 805,255	$ 1,325,640
2025	$ 95,385	$ 425,000		$ 805,255	$ 1,325,640
2026	$ 95,385	$ 425,000		$ 805,255	$ 1,325,640
2027	$ 98,962	$ 462,500		$ 865,649	$ 1,427,112
2028	$ 100,155	$ 475,000		$ 885,781	$ 1,460,935
2029	$ 100,155	$ 475,000		$ 885,781	$ 1,460,935
2030	$ 100,155	$ 475,000		$ 885,781	$ 1,460,935
2031	$ 100,155	$ 475,000		$ 885,781	$ 1,460,935
2032	$ 102,411	$ 512,500		$ 952,214	$ 1,567,125
2033	$ 103,162	$ 525,000		$ 974,359	$ 1,602,521
2034	$ 103,162	$ 525,000		$ 974,359	$ 1,602,521
2035	$ 103,162	$ 525,000		$ 974,359	$ 1,602,521
2036	$ 103,162	$ 525,000		$ 974,359	$ 1,602,521
2037	$ 25,791	$ 131,250		$ 243,590	$ 400,630
TOTAL	$ 2,055,877	$ 9,568,750	$ 588,184	$ 17,819,095	$ 30,031,906

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

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

(3) - As required by the enabling legislation, payments to school districts are reduced $42,390 each year. Following FY 2021, the Water Authority will determine payments, if any, to the designated school districts.

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

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

SCHEDULE OF OPERATING REVENUES-BUDGET VS. ACTUAL
For Year Ended December 31, 2015

	Budget	Year Ended December 31, 2015	Favorable (Unfavorable) Variance	Percentage Variance
OPERATING REVENUE				
Metered Water Sales:				
Consumption	$ 14,048,296	$ 14,349,181	$ 300,885	2.14%
System Charge	5,707,555	5,938,280	230,725	4.04%
Total Metered Water Sales	19,755,851	20,287,461	531,610	2.69%
Delinquency Charges:				
Settlements & Fines	13,000	9,000	(4,000)	(30.77%)
Quarterly -Penalties	390,000	392,195	2,195	0.56%
Quarterly-Unpaid Bill	217,000	302,385	85,385	39.35%
Monthly-Penalties	25,000	77,969	52,969	211.88%
Monthly-Unpaid Bill	8,000	0	(8,000)	(100.00%)
Overdue Charge	20,000	68,762	48,762	243.81%
Missed Appointments	1,500	1,500	0	0.00%
Shut Off/Turn On Fee	13,500	11,010	(2,490)	(18.44%)
Posting of Property Fee	0	11,440	11,440	0.00%
Customer Denial of Access	19,000	63,370	44,370	233.53%
Collection Fee	19,000	0	(19,000)	(100.00%)
Total Delinquency Charges	726,000	937,631	211,631	29.15%
Fees and Ancillary Charges:				
Metered Line Charge	75,000	204,780	129,780	173.04%
Private Hydrant Rental	1,500	0	(1,500)	(100.00%)
Line Tap Charges	31,000	15,789	(15,211)	(49.07%)
Hydrant Permit Fees	15,000	52,180	37,180	247.87%
Water Rent Searches	30,000	38,650	8,650	28.83%
Inspection of New Water Mains	2,600	2,125	(475)	(18.27%)
Backflow Charges	135,000	132,900	(2,100)	(1.56%)
Replacement of Curb Box	3,700	450	(3,250)	(87.84%)
Termination of Services Charge	0	0	0	0.00%
Installation/Removal Fee	11,700	12,500	800	6.84%
Frozen Meter/ Lost Meter Charge	29,600	31,490	1,890	6.39%
Meter Installation/ Removal	0	5,225	5,225	0.00%
Building Frontage Fee	0	1,530	1,530	0.00%
Total Fees and Ancillary Charges	335,100	497,619	160,989	48.04%
Other Services:				
Billing and Collection Services	282,000	288,268	6,268	2.22%
Hydroelectric Power Revenue	110,000	61,976	(48,024)	(43.66%)
Total Other Services	392,000	350,244	(41,756)	(10.65%)
Total Operating Revenues	$ 21,208,951	$ 22,072,955	$ 862,474	4.07%

SCHEDULE OF OPERATIONAL EXPENSES
For the Year Ended December 31, 2015

	Administration	Finance & Accounting	Customer Service	Engineering	Water Distribution	Information Technology	Water Quality
OPERATING EXPENSES							
Personnel Costs:							
Salaries	$ 306,994	$ 367,602	$ 266,035	$ 210,222	$ 79,923	$ 217,187	$ 346,640
Overtime	1,510	7,790	1,792	32,866	12,596	-	3,774
Wages	-	-	-	-	76,005	13,541	37,845
Health Insurance	68,287	162,287	68,677	94,986	41,880	75,687	99,687
Social Security	27,802	31,606	17,962	38,584	19,120	17,141	27,342
Retirement	37,715	57,490	27,435	48,995	29,142	30,682	52,521
Unemployment	-	-	-	-	-	-	-
Workman's Compensation	34	264	25	411	259	28	118
Total Personnel Costs	442,342	627,039	381,926	426,064	258,925	354,266	567,927
Office Equipment	1,333	998	400	898	971	-	44
Equipment	-	-	-	720	4,978	12,707	5,297
Printing	-	-	-	-	-	-	-
Street Repair Material	-	-	-	-	-	-	-
Paving	-	-	-	-	-	-	-
Hydrants	-	-	-	-	-	-	-
Meters	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-
Electricity & Gas	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-
Gas & Oil	-	-	-	-	-	-	-
Office Materials	72	1,787	1,107	2,755	-	-	816
Membership Dues	17,138	2,145	-	-	500	-	17,401
License Fees	-	-	-	402	-	-	-
Tank Registration Renewal	-	-	-	500	-	-	-
Travel	2,678	1,769	1,795	3,423	2,073	1,330	9,527
Supplies	-	-	-	597	-	15,926	68,061
Chemicals	-	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-
Equipment Rental	-	-	-	-	-	-	-
Safety Equipment	2,257	-	-	-	-	-	-
Repairs	-	-	-	-	122,633	13,599	4,632
Vehicle Repair	-	-	-	-	-	-	-
Contracted Services	22,168	-	-	-	19,097	-	21,723
Professional Services	-	69,593	-	33,252	-	95,164	-
Software Maintenance Agreements	-	-	-	-	-	93,470	-
Banking Services and Collections	-	218,457	-	-	-	-	-
Inspections	-	-	-	39,615	-	-	-
Employee Uniforms	-	389	-	446	866	-	326
Legal Expenses	237,497	-	-	-	-	-	-
Operational Expenses	29,038	-	-	6,241	2,361	-	-
Training and Education	43	1,969	924	6,986	2,156	925	3,974
Safety Training	6,345	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-	-
Miscellaneous Expenses	-	-	-	-	-	-	-
Permits	-	-	-	-	-	-	3,450
Shipping Charges	-	-	-	-	-	-	3,198
Customer Claims	-	-	-	-	-	-	-
Authority Operations	-	-	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-	-	-
Vehicles and Equipment Purchases	-	-	-	-	-	-	-
Bond Closing Costs	-	-	-	-	-	-	-
Amortization of Bond Expenses	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Total Operating Expenses	$ 760,911	$ 924,146	$ 386,152	$ 521,899	$ 414,560	$ 587,387	$ 706,376

Treatment Plant	Maintenance	General Services	Total Operating Expenses	Budget (Cash Basis)	Favorable (Unfavorable) Variance
$ 419,737	$ 406,754	$ -	$ 2,621,094	$ 3,522,149	$ 901,055
46,818	249,574	-	356,720	297,900	(58,820)
-	1,055,715	-	1,183,106	1,235,463	52,357
88,834	452,486	232,951	1,385,762	1,501,164	115,402
33,684	150,777	-	364,018	386,747	22,729
43,434	185,599	-	513,013	835,424	322,411
-	-	-	-	3,000	3,000
377	1,846	20,982	24,344	273,959	249,615
632,884	2,502,751	253,933	6,448,057	8,055,806	1,607,749
-	-	-	4,644	4,425	(219)
18,595	40,468	-	82,765	157,634	74,869
-	0	22,378	22,378	29,456	7,078
-	121,806	-	121,806	93,500	(28,306)
-	878,687	-	878,687	610,000	(268,687)
-	147,502	-	147,502	47,000	(100,502)
-	63,851	-	63,851	30,000	(33,851)
-	-	154,388	154,388	135,400	(18,988)
-	-	321,990	321,990	388,000	66,010
-	-	49,980	49,980	55,655	5,675
-	-	96,418	96,418	87,894	(8,524)
-	-	154,350	154,350	194,250	39,900
2,816	-	39,125	48,478	51,535	3,057
-	200	-	37,384	35,355	(2,029)
-	-	-	402	765	363
-	-	-	500	500	-
3,034	2,143	-	27,772	61,705	33,933
5,706	192,918	-	283,208	322,875	39,667
1,688,687	-	-	1,688,687	1,815,650	126,963
-	-	115,078	115,078	109,568	(5,510)
-	4,326	-	4,326	6,000	1,674
-	-	-	2,257	29,350	27,093
56,923	99,483	-	297,270	247,050	(50,220)
-	108,947	-	108,947	65,000	(43,947)
218,617	244,488	-	526,093	248,370	(277,723)
-	-	-	198,009	205,702	7,693
-	-	-	93,470	63,610	(29,860)
-	-	-	218,457	212,400	(6,057)
-	-	-	39,615	25,300	(14,315)
2,026	5,454	-	9,507	19,600	10,093
-	-	-	237,497	21,500	(215,997)
154	3,146	-	40,940	25,970	(14,970)
5,651	5,273	-	27,901	55,150	27,249
-	-	-	6,345	14,250	7,905
-	-	281,618	281,618	235,712	(45,906)
-	-	206,524	206,524	225,000	18,476
-	-	7,879	7,879	-	(7,879)
2,000	-	-	5,450	7,825	2,375
-	-	-	3,198	3,600	402
-	-	10,651	10,651	-	(10,651)
-	-	16,740	16,740	15,106	(1,634)
-	-	-	-	101,000	101,000
-	-	-	-	256,000	256,000
-	-	461,748	461,748	-	(461,748)
-	-	158,129	158,129	-	(158,129)
-	-	2,037,634	2,037,634	-	(2,037,634)
$ 2,637,093	$ 4,421,443	$ 4,388,563	$ 15,748,530	$ 14,370,468	$ (1,378,062)

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

For the Year Ended December 31, 2015

	Independent Lab Services	Other Nonoperating Activities	Total Nonoperating Activities	Budget (Cash Basis)	Favorable (Unfavorable) Variance
NONOPERATING REVENUE					
Investment Income from Restricted Funds	$ -	$ 208,550	$ 208,550	$ 250,000	$ (41,450)
Investment Income from Operating Funds	-	6,196	6,196	6,400	(204)
Laboratory Fees	95,183	-	95,183	125,000	(29,817)
State and Federal Grants	-	84,000	84,000	-	84,000
Miscellaneous Income, Net	-	14,428	14,428	70,000	(55,572)
Gain on Sale of Scrap and Equipment	-	8,817	8,817		8,817
Returned Check Charges	-	5,425	5,425	5,500	(75)
Rent Income-Cell Tower	-	12,497	12,497	11,904	593
Cash Carried Forward	-	-	-	697,416	(697,416)
Bond Proceeds	-	-	-	-	-
Timer Harvest Sales	-	-	-	-	-
Realized Gain/ (Loss) on Investments	-	119,946	119,946	-	119,946
Total Nonoperating Revenue	$ 95,183	$ 459,859	$ 555,042	$ 1,166,220	$ (611,178)
NONOPERATING EXPENSES					
Post Employment Health Benefits	$ -	$ 40,856	40,856	$ -	$ (40,856)
Total Personnel Costs	-	40,856	40,856	-	(40,856)
Office Equipment	-	-	-	-	-
Vehicles and Machinery	-	-	-	-	-
Equipment	-	-	-	-	-
Telephone	-	-	-	-	-
Light & Power	-	-	-	-	-
Heat	-	-	-	-	-
Postage	-	-	-	-	-
Gas & Oil	-	-	-	-	-
Office Materials	-	-	-	-	-
Travel	-	-	-	-	-
Supplies	38,825	-	38,825	-	(38,825)
Rent	-	-	-	-	-
Contracted Services	-	-	-	-	-
Operational Expenses	-	-	-	-	-
Insurance	-	-	-	-	-
Shipping Charges	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-
Long-Term Asset Purchases	-	-	-	-	-
Interest Expense	-	2,314,479	2,314,479	4,406,969	2,092,490
Pilot Payments:	-	-	-	-	-
School Districts	-	235,806	235,806	230,502	(5,304)
Oneida County	-	665,496	665,496	665,499	3
Towns	-	85,452	85,452	86,517	1,065
City of Utica	-	455,004	455,004	455,004	-
O & M Reserve	-	-	-	-	-
Repair, Renewal & Replacement Reserve	-	-	-	-	-
Debt Convenant Reserve	-	-	-	-	-
"Pay-As-You Go" Capital Maintenance Reserve	-	-	-	-	-
Replenish R&I Fund	-	-	-	-	-
Total Nonoperating Expenses	$ 38,825	$ 3,797,093	$ 3,835,918	$ 5,844,491	$ 2,008,573
Nonoperating Income, net	$ 56,358	$ (3,337,234)	$ (3,280,876)	$ (4,678,271)	$ (2,619,751)

BOARD-ADOPTED 2016 BUDGET-CASH BASIS

		2016
REVENUES		
Water Sales	$	20,029,705
Delinquency Charges		718,900
Fees and Ancillary Charges		381,350
Other Services		452,000
Cash Carried Forward		800,000
Interest Income and Miscellaneous Items		332,904
Total Revenues	$	22,714,859
OPERATING EXPENSES		
Administrative	$	708,245
Finance and Accounting		947,502
Customer Services		377,143
Engineering		870,861
Water Distribution		680,153
Information Technology		571,407
Water Quality Lab--(In-house & Outside Services)		662,998
Treatment Plant		2,814,777
Maintenance		4,204,379
General Services		1,537,900
Long-Term Asset Purchases		0
Cash Financed Construction / Equipment		1,135,000
Total Operating Expenses		14,510,365
OTHER EXPENSES		
Existing Debt Service & Promissory Note		5,456,319
New Debt Service		277,612
Bond Covenant		31,472
Promissory Note		480,715
Pilot Payments		1,408,376
"Pay As You Go" Capital Maintenance Reserve		550,000
Total Other Expenses		8,204,494
Total Expenses	$	22,714,859

STATISTICAL SECTION

Statistical Section—
Contents

MOHAWK VALLEY WATER AUTHORITY

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FINANCIAL TRENDS **123**

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

REVENUE CAPACITY **128**

These schedules contain information to help the reader assess the Authority's most significant revenue source, water sales and other revenue sources.

DEBT CAPACITY **139**

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION **142**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

OPERATING INFORMATION **144**

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to services the Authority provides and the activities it performs.

NET POSITION BY COMPONENT
Last Ten Years

	MARCH YEAR END			DECEMBER	
	2012	2013	2014	2014	2015
NET POSITION	(restated)	(restated)			
Invested In Utility Plant, Net of Related Debt	$ 19,704,594	$ 21,674,806	$ 25,595,974	$ 27,981,757	$ 28,396,064
Restricted For:					
Repair and Improvement	652,870	659,763	662,829	670,880	677,372
Debt Service	2,582,437	3,322,848	3,461,954	2,258,136	2,265,944
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	766,869	766,869	783,271	783,271	828,618
Repair, Replacement and Renewal Reserve	924,043	929,140	929,350	940,647	949,750
Operating & Maintenance Reserve	618,987	626,116	629,512	637,159	643,323
Capital Maintenance Reserve	1,315,387	2,067,338	2,282,526	2,310,253	2,632,033
Reserve For Board Projects	147,638	147,638	147,638	147,638	147,638
Other Unrestricted	5,959,488	5,106,858	3,490,452	3,636,834	5,950,211
Total Net Position	$ 32,672,313	$ 35,301,376	$ 37,983,506	$ 39,366,575	$ 42,490,953

	FISCAL YEAR				
	2007	2008	2009	2010	2011
NET POSITION					
Invested In Utility Plant, Net of Related Debt	$ 4,454,666	$ 6,382,862	$ 7,966,593	$ 9,640,148	$ 12,329,769
Restricted For:					
Repair and Improvement	543,387	438,714	598,689	611,772	621,715
Unspent Construction Proceeds	15,998,066	6,436,408	14,852,834	8,506,163	3,829,810
Other Than Contruction Proceeds	6,283,039	7,255,904	8,398,940	9,417,748	8,298,245
Unrestricted:					
Internally Committed For:					
Debt Service Covenant	650,456	650,456	710,807	763,948	766,869
Repair, Replacement and Renewal Reserve	590,306	862,944	872,920	886,003	895,946
Operating & Maintenance Reserve	426,104	563,742	573,718	586,801	596,743
Capital Maintenance Reserve	0	0	526,280	1,064,987	1,603,740
Reserve For Board Projects	147,638	147,638	147,638	147,638	147,638
Other Unrestricted	(10,842,981)	(925,846)	(8,983,938)	(3,269,952)	2,540,738
Total Net Position	$ 18,250,681	$ 21,812,822	$ 25,664,481	$ 28,355,256	$ 31,631,213

SOURCE: FINANCE & ACCOUNTING

CHANGE IN NET POSITION
Last Ten Years

Year Ended	Operating Revenue	Operating Expenses	Net Operating Income	Total Nonoperating Revenue/ (Expenses)	Income (Loss) Before Capital Contribution	Capital Contributions	Extraordinary Item/ Change in Accounting Principles/ Prior Period Adjustment	Change in Net Assets
March 2007	15,811,154	11,173,624	4,637,530	(2,130,258)	2,507,272	2,765,431	-	5,272,703
'March 2008	17,258,046	11,929,047	5,328,999	(2,580,279)	2,748,720	813,421	-	3,562,141
March 2009	17,975,633	11,933,479	6,042,154	(3,906,997)	2,135,157	1,716,502	-	3,851,659
March 2010	18,829,615	11,958,526	6,871,089	(4,180,314)	2,690,775	-	-	2,690,775
March 2011	20,282,694	12,470,677	7,812,017	(4,536,207)	3,275,810	-	-	3,275,810
March 2012 (restated)	20,429,500	13,631,611	6,797,889	(3,824,971)	2,972,918	-	1,931,671	1,041,247
March 2013 (restated)	21,020,548	14,202,188	6,818,360	(4,189,297)	2,629,063	-	-	2,629,063
March 2014	20,920,928	14,791,748	6,129,180	(3,989,525)	2,139,655	542,475	-	2,682,130
December 2014*	16,013,793	12,014,644	3,999,149	(2,616,080)	1,383,069	-	(80,829)	1,463,898
December 2015	22,072,955	15,748,530	6,324,425	(3,280,876)	3,043,549	-	-	3,043,549

*--MVWA changed its operating year end from March to December. As a result, this operating year consisted of a nine month period.

SOURCE: FINANCE & ACCOUNTING

OPERATING REVENUE BY SOURCE
Last Ten Years

Year Ended	Water Sales	Delinquency Charges	Fees and Ancillary Charges	Other Services	Total
March 2007	14,298,975	896,739	242,258	373,182	15,811,154
'March 2008	15,726,802	943,449	225,158	362,637	17,258,046
March 2009	16,359,906	931,350	290,982	393,395	17,975,633
March 2010	17,342,710	930,792	235,926	320,187	18,829,615
March 2011	18,855,703	843,693	229,040	354,258	20,282,694
March 2012 (restated)	19,023,278	854,927	218,970	332,325	20,429,500
March 2013 (restated)	19,490,169	881,430	322,044	326,905	21,020,548
March 2014	19,317,768	822,682	385,245	395,233	20,920,928
December 2014	14,781,234	764,821	185,073	282,665	16,013,793
December 2015	20,287,461	937,631	497,619	350,244	22,072,955

SOURCE: FINANCE & ACCOUNTING

OPERATING EXPENSES

Last Ten Years

Year End	General & Administrative[1]	Finance & Accounting	Customer Service	Engineering	Water Distribution [2]	Information Technology	Water Quality
March 2007	2,168,194	780,071	305,187	484,375	0	493,231	661,478
March 2008	2,564,538	817,450	317,576	478,593	0	540,703	686,389
March 2009	2,149,756	786,457	331,072	465,117	0	517,798	704,810
March 2010	2,095,334	831,001	350,214	309,608	245,258	561,268	740,055
March 2011	2,284,277	882,848	431,190	385,479	322,426	604,205	738,464
March 2012 (restated)	2,066,149	989,175	367,778	498,373	314,460	656,214	703,536
March 2013 (restated)	2,732,069	1,010,453	393,419	518,226	265,624	664,554	730,000
March 2014	2,370,081	1,079,131	381,086	579,381	319,019	683,212	759,464
December 2014	1,483,122	786,544	277,453	499,686	301,111	514,408	575,060
December 2015	2,953,711	924,146	386,152	521,899	414,560	587,387	706,376

Year End	Water Treatment	Water System Maintenance	Depreciation & Amortization	Total Operating Expenses
March 2007	1,323,379	3,467,588	1,490,121	11,173,624
March 2008	1,378,908	3,551,980	1,592,910	11,929,047
March 2009	1,793,749	3,539,849	1,644,871	11,933,479
March 2010	1,660,728	3,465,778	1,699,282	11,958,526
March 2011	1,592,493	3,538,455	1,690,839	12,470,677
March 2012 (restated)	2,386,367	3,846,903	1,802,656	13,631,611
March 2013 (restated)	2,575,892	3,434,359	1,877,592	14,202,188
March 2014	2,721,736	3,727,603	2,171,035	14,791,748
December 2014	2,635,505	3,308,577	1,633,178	12,014,644
December 2015	2,637,093	4,421,443	2,195,763	15,748,530

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

SOURCE: FINANCE & ACCOUNTING

NON-OPERATING REVENUE AND EXPENSES
Last Ten Years

Year End	PILOT Payments	Interest Expense	Interest Income	Lab Fees & Grants	Other Expense	Other Revenue	Total Non-operating Expenses
March 2007	1,446,289	1,858,641	(755,746)	(410,071)	48,711	(57,566)	2,130,258
'March 2008	1,599,086	2,332,711	(1,085,977)	(254,178)	46,951	(58,314)	2,580,279
March 2009	1,553,163	2,380,045	(451,057)	(144,185)	627,332	(58,301)	3,906,997
March 2010	1,510,885	2,875,515	(411,998)	(143,174)	599,615	(250,530)	4,180,314
March 2011	1,471,913	2,965,973	(286,169)	(63,090)	466,665	(19,085)	4,536,207
March 2012 (restated)	1,445,725	2,518,531	(225,341)	(88,214)	547,704	(373,434)	3,824,971
March 2013 (restated)	1,556,746	2,714,726	(221,579)	(81,956)	348,025	(126,665)	4,189,297
March 2014	1,514,359	2,494,143	(218,251)	(68,223)	382,197	(114,700)	3,989,525
December 2014	1,102,315	1,905,880	(163,918)	(67,293)	61,224	(222,128)	2,616,080
December 2015	1,441,758	2,314,479	(214,746)	(56,358)	40,856	(245,113)	3,280,876

SOURCE: FINANCE & ACCOUNTING

HISTORICAL COLLECTION RATES
Last Ten Years

YEAR ENDED	HISTORICAL COLLECTION RATES		
	TOTAL BILLING	TOTAL RECEIPTS	PERCENT COLLECTED
December 2015	$ 22,072,955	$ 21,846,438	98.97%
December 2014	$ 16,013,793	$ 15,718,090	98.15%
March 2014	$ 20,920,928	$ 21,219,400	101.43%
March 2013	$ 21,020,548	$ 20,800,008	98.95%
March 2012	$ 20,429,500	$ 20,142,896	98.60%
March 2011	$ 20,282,694	$ 20,224,293	99.71%
March 2010	$ 18,829,615	$ 18,933,230	100.55%
March 2009	$ 17,975,633	$ 17,494,548	97.32%
March 2008	$ 17,258,046	$ 17,405,009	100.85%
March 2007	$ 15,811,154	$ 15,779,921	99.80%

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

SOURCE: FINANCE & ACCOUNTING

WATER PRODUCED AND CONSUMED

Last Ten Years

YEAR ENDED	WATER PRODUCED (1)	WATER CONSUMED (1)	UNBILLED POTABLE WATER (1)	PERCENT UNBILLED	AVERAGE QUARTERLY CHARGE PER CUSTOMER		AVERAGE ANNUAL CHARGE (3)
					MAINTENANCE CHARGE (2)	CONSUMPTION CHARGE (3) (Per 1,000 gallons)	
December 2015	978,167,300	463,323,400	514,843,900	52.63%	29.24	4.45	$ 361.84
December 2014	711,675,124	344,466,100	367,209,024	51.60%	28.43	4.33	$ 351.96
March 2014	985,065,209	470,292,500	514,772,709	52.26%	27.63	4.21	$ 342.04
March 2013	978,367,814	486,508,454	491,859,360	50.27%	27.13	4.13	$ 335.74
March 2012	947,768,337	479,638,300	468,130,037	49.39%	26.59	4.05	$ 329.16
March 2011	850,944,655	488,856,400	362,088,255	42.55%	26.07	3.97	$ 322.76
March 2010	849,447,431	490,113,900	359,333,531	42.30%	24.36	3.68	$ 299.63
March 2009	877,841,217	507,776,900	370,064,317	42.16%	22.82	3.40	$ 278.28
March 2008	926,153,431	529,231,400	396,922,031	42.86%	21.31	3.16	$ 259.28
March 2007	887,479,597	520,453,200	367,026,397	41.36%	20.00	2.96	$ 242.84

Note 1: All amounts are stated in cubic feet.

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

Note 3: Consumption charge is based on an average household that consumes 1,838 cubic ft. (13,750 gallons) of water per quarter.

SOURCE: FINANCE & ACCOUNTING

BILLED WATER SALES--BY SERVICE AREA

Last Ten Years

Service Area	Calendar Year 2015	Nine Months Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2008	Year Ended March 31, 2007
City of Utica	$ 9,909,660	$ 7,330,650	$ 9,666,555	$ 9,772,778	$ 9,601,733	$ 9,491,800	$ 8,674,450	$ 8,405,599	$ 7,874,046	$ 7,154,097
Town of Deerfield	477,553	360,520	450,919	459,658	441,120	442,616	412,550	373,926	375,912	348,161
Town of Frankfort	243,524	181,425	229,676	218,864	225,150	235,868	197,958	192,589	181,810	158,175
Town of Kirkland	431,785	316,535	398,844	391,958	391,233	394,992	333,233	277,295	304,451	254,055
Town of Marcy	1,641,166	1,163,086	1,470,196	1,470,841	1,374,827	1,379,791	1,287,743	1,184,880	1,176,092	1,036,356
Town of New Hartford	3,198,680	2,168,024	2,846,363	2,858,406	2,778,467	2,737,046	2,535,455	2,290,201	2,241,366	2,017,970
Town of Schuyler	284,190	185,571	238,010	240,045	235,977	234,744	207,957	182,223	180,248	157,752
Town of Trenton	173,150	119,887	160,351	157,268	153,345	158,271	147,261	129,252	147,869	137,149
Town of Westmoreland	28,466	20,152	26,358	26,406	24,701	24,737	19,114	26,650	48,741	35,833
Town of Whitestown	1,287,197	933,095	1,223,162	1,254,633	1,204,222	1,207,508	1,146,534	1,052,600	1,038,191	979,370
Village of Holland Patent	64,197	49,022	63,888	64,654	65,434	69,444	61,136	54,528	53,479	51,423
Village of New Hartford	236,104	277,019	358,614	383,285	365,062	372,572	342,600	369,877	319,306	295,676
Village of New York Mills	609,513	424,807	542,128	545,783	546,276	522,088	501,834	446,174	431,785	407,752
Village of Oriskany	299,974	235,857	306,058	303,990	284,571	283,234	263,944	250,719	249,587	232,724
Village of Stittville	53,235	38,615	55,006	52,454	51,134	50,735	47,371	42,946	43,152	39,032
Village of Washington Mills	352,134	241,177	314,756	317,880	323,604	316,438	284,735	271,939	262,953	243,980
Village of Whitesboro	557,346	417,023	551,644	552,657	546,267	531,738	510,279	472,353	452,620	430,094
Village of Yorkville	439,587	318,769	415,240	418,609	410,155	402,081	368,556	336,155	339,605	319,376
TOTAL	**$ 20,287,461**	**$ 14,781,234**	**$ 19,317,768**	**$ 19,490,169**	**$ 19,023,278**	**$ 18,855,703**	**$ 17,342,710**	**$ 16,359,906**	**$ 15,721,213**	**$ 14,298,975**

SOURCE: FINANCE & ACCOUNTING

NUMBER OF WATER CUSTOMERS—BY TYPE
Last Ten Years

YEAR ENDED	RESIDENTIAL WATER CUSTOMERS [1]	COMMERCIAL/ GOVERNMENTAL WATER CUSTOMERS [1], [2]	TOTAL CUSTOMERS
December 31, 2015	35,798	3,314	39,112
December 31, 2014	35,601	3,326	38,927
March 31, 2014	35,593	3,324	38,917
March 31, 2013	35,500	3,305	38,805
March 31, 2012	35,558	3,311	38,869
March 31, 2011	35,585	3,348	38,933
March 31, 2010	35,602	3,352	38,954
March 31, 2009	35,628	3,332	38,960
March 31, 2008	35,633	3,311	38,944
March 31, 2007	35,589	3,288	38,877

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

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

SOURCE: FINANCE & ACCOUNTING

QUARTERLY BILLED WATER RATES
Last Ten Years

Quarterly Billed Customers

Water Rates (Per 1,000 cubic feet)

Efecctive Date/ TIERS	January 1, 2015	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006
Block I	$ 31.90	$ 31.03	$ 30.16	$ 29.60	$ 29.02	$ 28.46	$ 26.41	$ 24.32	$ 22.70	$ 21.83
Block II	31.26	30.41	29.55	29.00	28.44	27.89	25.73	23.91	22.18	20.14
Block III	30.94	30.10	29.25	28.71	28.15	27.61	25.58	23.66	22.45	19.63
Block IV	21.05	20.48	19.90	19.53	19.15	18.79	16.32	15.30	14.18	13.49
Block V	-	-	-	-	-	-	-	-	-	10.43

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

"Readiness-to-Serve" Maintenance Charge

Effective Date/ METER SIZE	January 1, 2015	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006
5/8 inch	$ 29.24	$ 28.43	$ 27.63	$ 27.13	$ 26.59	$ 26.07	$ 24.36	$ 22.82	$ 21.31	$ 20.00
3/4 inch	32.16	31.28	30.40	29.84	29.25	28.68	26.79	25.11	23.44	22.00
1 inch	73.09	71.10	69.09	67.82	66.49	65.17	60.90	57.06	53.27	50.00
1 1/2 inch	146.17	142.19	138.18	135.63	132.97	130.35	121.80	114.12	106.55	99.99
2 inch	233.88	227.51	221.10	217.01	212.75	208.55	194.87	182.60	170.48	159.99
3 inch	467.75	455.01	442.19	434.02	425.51	417.11	389.74	365.20	340.95	319.97
4 inch	730.86	710.96	690.92	678.16	664.86	651.73	608.98	570.62	532.74	499.96
6 inch	1,461.73	1,421.92	1,381.85	1,356.31	1,329.72	1,303.46	1,217.95	1,141.25	1,065.47	999.92
8 inch	2,338.77	2,275.07	2,210.96	2,170.10	2,127.55	2,085.54	1,948.72	1,826.00	1,704.76	1,599.87

SOURCE: FINANCE & ACCOUNTING

MONTHLY BILLED WATER RATES
Last Ten Years

Water Rates (Per 1,000 cubic feet)

Efecctive Date/ TIERS	January 1, 2015	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006
Block I	$ 31.90	$ 31.03	$ 30.16	$ 29.60	$ 29.02	$ 28.46	$ 26.41	$ 24.32	$ 22.70	$ 21.83
Block II	31.26	30.41	29.55	29.00	28.44	27.89	25.73	23.91	22.18	20.14
Block III	30.94	30.10	29.25	28.71	28.15	27.61	25.58	23.66	22.45	19.63
Block IV	21.05	20.48	19.90	19.53	19.15	18.79	16.32	15.30	14.18	13.49
Block V		-	-	-	-	-	-	-	-	10.43

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

"Readiness-to-Serve" Maintenance Charge

Effective Date/ METER SIZE	January 1, 2015	April 1, 2014	April 1, 2013	April 1, 2012	April 1, 2011	April 1, 2010	April 1, 2009	April 1, 2008	April 1, 2007	April 1, 2006
5/8 inch	$ 9.74	$ 9.48	$ 9.00	$ 9.00	$ 9.00	$ 9.00	$ 8.00	$ 8.00	$ 7.00	$ 7.00
3/4 inch	10.72	10.43	10.13	9.95	9.75	9.56	8.93	8.37	7.81	7.33
1 inch	24.36	23.70	23.03	22.61	22.16	21.72	20.30	19.02	17.76	16.67
1 1/2 inch	48.72	47.40	46.06	45.21	44.32	43.45	40.60	38.04	35.52	33.33
2 inch	77.96	75.84	73.70	72.34	70.92	69.52	64.96	60.87	56.83	53.33
3 inch	155.92	151.67	147.40	144.67	141.84	139.04	129.91	121.73	113.65	106.66
4 inch	243.62	236.99	230.31	226.05	221.62	217.24	202.99	190.21	177.58	166.65
6 inch	487.24	473.97	460.62	452.10	443.24	434.49	405.98	380.42	355.16	333.31
8 inch	779.59	758.36	736.99	723.37	709.18	695.18	649.57	608.67	568.25	533.29

SOURCE: FINANCE & ACCOUNTING

LARGEST CUSTOMERS

Year Ended December 31, 2015

Usage Rank	Monthly Billed Customers	Consumption in in Cubic Feet	Billings
1	Oneida County Sewer District	16,680,200	$ 364,236
2	Midstate Correctional Facility	14,893,500	322,412
3	Matt Brewing Company, Inc.	11,023,900	245,523
4	St. Lukes Hospital	8,413,200	193,639
5	Marcy Correctional	7,655,300	167,410
6	Utica College	6,613,500	152,577
7	Hamilton College	6,443,000	141,598
8	Masonic Home	4,529,600	116,799
9	Special Metals	3,143,900	72,780
10	Wal-Mart Distribution Center	3,078,900	76,122
11	St. Elizabeth Hospital	2,981,000	74,147
12	G&K Services (formerly Tri-State Laundry)	2,821,000	66,286
13	Maplehurst Bakery (formerly Granny's Kitchen)	2,776,500	63,768
14	Con Med Corporation	2,537,900	74,593
15	Municipal Housing - Armory & Tilden	2,439,600	50,838
16	Faxton Hospital	2,217,500	61,073
17	Property Serv. LLC, Intercoastal (apt. copmplex)	2,215,600	52,607
18	OFFICE OF MENTAL HLT BSC-41534	2,191,500	52,099
19	Mohawk Valley Community College (MVCC)	1,809,900	60,248
20	Yahnundasis Golf Club	1,401,300	34,305
	TOTALS	105,866,800	$ 2,443,060
	% of Monthly Consumption / Revenue	47.75%	33.14%
	% of Total Consumption / Revenue	22.85%	12.04%

Usage Rank	Quarterly Billed Customers	Consumption in in Cubic Feet	Billings
1	Oneida County Correctional Facility	1,122,300	$ 29,457
2	Garden Home Mgmt. (Millgate Meadows)	1,496,900	40,149
3	Town of Westmoreland	902,600	27,639
4	Dinitto Farms, LLC	885,600	21,726
5	Riverside Enterprise , LLC. (Riverside Mall)	732,900	33,395
6	Brookside Mobile Park, Chadwicks	702,800	17,127
7	Superior Car Wash (9447 River Road)	520,300	14,680
8	Jensen's Cherrywood Community, LLC	494,300	18,358
9	Juliano's Laundromat	471,800	13,659
10	Colonial Laundromat - NY Mills	459,400	13,047
11	Pilgrim USA, LLC	433,400	13,435
12	M. D. Buck Memorial Apartments	417,600	14,135
13	Heritage Acres, LLC (Jeffrey Cook)	405,400	12,072
14	Royal Meadows II (Mobil Park)	403,600	12,223
15	Precision Car Wash (Oneida Street)	391,500	11,859
16	Cranesville Block	382,300	11,511
17	Precision Car Wash (Commercial Drive)	381,400	11,532
18	BNY Mellon Corp. (A/P Center)	375,400	14,933
19	Indium Corp. of America	361,400	10,508
20	Bruce Edwards (Dairy Farm-Powell Rd.)	356,700	9,751
	TOTALS	11,697,600	$ 351,196
	% of Quarterly Consumption / Revenue	4.84%	2.72%
	% of Total Consumption / Revenue	2.52%	1.73%

SOURCE: FINANCE & ACCOUNTING

LARGEST CUSTOMERS

Nine Months Ended December 31, 2014

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

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

SOURCE: FINANCE & ACCOUNTING

LARGEST CUSTOMERS

Fiscal Year 2014 (April 2013-March 2014)

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

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

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

SOURCE: FINANCE & ACCOUNTING

LARGEST CUSTOMERS
Fiscal Year 2013

Usage Rank	CUSTOMER	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	16,510,300	$ 334,605
2	Midstate Correctional Facility	12,766,600	257,581
3	Matt Brewing Company, Inc.	9,989,500	208,843
4	St. Lukes Hospital	8,155,900	*174,298*
5	Marcy Correctional	7,144,500	145,340
6	Hamilton College	5,435,000	111,683
7	Masonic Home	5,183,900	123,442
8	Municipal Housing - Armory & Tilden	4,145,200	96,153
9	Utica College	4,077,400	91,924
10	Special Metals	3,739,700	79,116
11	St. Elizabeth Hospital	3,329,000	83,334
12	Kurt Weiss (Greenhouse)	3,419,300	84,284
13	Granny's Kitchen	2,891,300	*61,570*
14	Con Med Corporation	2,838,500	75,947
15	Marcy Psychiatric Center	2,567,100	55,673
16	Utica Zoo (see note)	2,407,000	-
17	Wal-Mart Distribution Center	2,321,300	56,159
18	Faxton Hospital	2,301,700	58,037
19	Mohawk Valley Community College	2,162,700	61,261
20	G&K Services (formerly Tri-State Laundry)	2,160,800	48,627
	TOTALS	103,546,700	$ 2,207,877
	% of Monthly Consumption / Revenue	59.60%	47.12%
	% of Total Consumption / Revenue	21.39%	11.33%

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

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

SOURCE: FINANCE & ACCOUNTING

LARGEST CUSTOMERS
Fiscal Year 2012

Usage Rank	CUSTOMER	Annual Consumption in Cubic Feet	Annual Billings
1	Oneida County Sewer District	18,541,200	$ 366,987
2	Midstate Correctional Facility	12,297,400	290,308
3	Matt Brewing Company, Inc.	9,391,800	212,724
4	St. Lukes Hospital	8,366,400	187,432
5	Marcy Correctional	6,842,700	136,732
6	Hamilton College	6,296,800	126,013
7	Masonic Home	5,098,000	121,101
8	Municipal Housing - Armory & Tilden	4,093,000	*101,195*
9	Utica College	3,886,800	86,556
10	Special Metals	3,427,700	71,601
11	St. Elizabeth Hospital	3,381,000	80,622
12	Marcy Psychiatric Center	2,585,700	54,945
13	Granny's Kitchen	2,548,400	53,805
14	Utica Zoo (see note)	2,495,000	-
15	Con Med Corporation	2,605,900	70,246
16	Tri State Industrial Laundries	2,309,500	50,507
17	Faxton Hospital	2,220,200	55,352
18	Mohawk Valley Community College	2,086,700	58,282
19	Kurt Weiss (Greenhouse)	2,036,500	56,646
20	Wal-Mart Distribution Center	1,906,700	46,956
	TOTALS	102,417,400	$ 2,228,010
	% of Monthly Consumption / Revenue	59.39%	45.91%
	% of Total Consumption / Revenue	21.44%	11.71%

Usage Rank	Quarterly Billed Customer	Annual Consumption in Cubic Feet	Annual Billings
1	Utica Alloys, Inc.	1,531,700	$ 32,724
2	Garden Home Mgmt. (Millgate Meadows)	1,483,900	36,276
3	Oneida County Correctional Facility	1,398,800	36,336
4	Indium Corporation of America	864,400	19,360
5	Town of Westmoreland	838,400	23,915
6	Dinitto Farms, LLC	783,500	17,811
7	Oneida County Buildings & Grounds	740,400	20,230
8	M. D. Buck Memorial Apartments	437,600	12,845
9	Colonial Laundromat - NY Mills	435,600	11,414
10	Juliano's Laundromat	431,700	11,659
11	Brookside Mobile Park, Chadwicks	428,800	11,603
12	Whitesboro Sr. High School	393,500	13,020
13	AMA Realty	371,600	13,959
14	Fountainhead Group	366,100	10,342
15	Oriskany Lodging Assn.	357,200	10,981
16	Precision Car Wash - Commercial Drive	347,900	9,931
17	BNY Mellon Corp. (A/P Center)	337,800	12,635
18	Bruce Edwards (Dairy Farm-Powell Rd.)	337,200	9,104
19	Precision Car Wash - Oneida Street	324,500	9,393
20	Cranesville Block	323,000	9,189
	TOTALS	12,533,600	$ 332,727
	% of Quarterly Consumption / Revenue	4.11%	2.35%
	% of Total Consumption / Revenue	2.62%	1.75%

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

SOURCE: FINANCE & ACCOUNTING

SCHEDULE OF DEBT SERVICE

As of December 31, 2015

	2000 SERIES		2001 SERIES A			2001 SERIES B			2006 SERIES A	
	Partially Refunded				Administrative			Administrative		
Year	Principal	Interest	Principal	Interest	Subsidy	Principal	Interest	Subsidy	Principal	Interest
2016	$ -	$ -	$ 1,570,000	$ 423,713	$ (230,234)	$ 140,000	$ 68,554	$ (37,379)	$ 830,000	$ 224,144
2017	-	-	1,630,000	346,940	(182,621)	145,000	61,536	(32,319)	270,000	196,644
2018	-	-	1,685,000	266,255	(136,046)	150,000	54,176	(27,334)	285,000	182,769
2019	-	-	1,745,000	181,499	(90,024)	160,000	46,325	(22,324)	295,000	169,744
2020	-	-	1,810,000	92,852	(44,827)	165,000	37,990	(17,263)	310,000	157,643
2021	628,026	1,376,974	-	-	-	170,000	29,357	(12,240)	185,000	147,744
2022	658,318	1,571,682	-	-	-	470,000	12,488	(4,661)	195,000	140,022
2023	620,319	1,609,681	-	-	-	-	-	-	200,000	131,750
2024	584,416	1,645,584	-	-	-	-	-	-	210,000	123,037
2025	550,476	1,679,525	-	-	-	-	-	-	225,000	113,793
2026	518,408	1,711,592	-	-	-	-	-	-	230,000	104,125
2027	487,008	1,737,992	-	-	-	-	-	-	240,000	94,138
2028	113,630	436,370	-	-	-	-	-	-	250,000	83,725
2029	96,263	398,737	-	-	-	-	-	-	260,000	72,887
2030	256,856	1,143,045	-	-	-	-	-	-	200,000	63,112
2031	-	-	-	-	-	-	-	-	210,000	54,400
2032	-	-	-	-	-	-	-	-	215,000	45,369
2033	-	-	-	-	-	-	-	-	225,000	36,019
2034	-	-	-	-	-	-	-	-	235,000	26,244
2035	-	-	-	-	-	-	-	-	245,000	16,044
2036	-	-	-	-	-	-	-	-	255,000	5,419
2037	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-
	$ 4,513,720	$ 13,311,182	$ 8,440,000	$ 1,311,259	$ (683,752)	$ 1,400,000	$ 310,426	$ (153,520)	$ 5,570,000	$ 2,188,772

SOURCE: FINANCE & ACCOUNTING

SCHEDULE OF DEBT SERVICE

	2008 SERIES A		2012 SERIES A		2015 SERIES		
Year	Principal	Interest	Principal	Interest	Principal	Interest	TOTAL
2016	$ 345,000	$ 45,875	$ 600,000	$ 521,382	$ -	$ 875,279	$ 5,376,334
2017	360,000	28,250	620,000	503,082	730,000	988,905	5,665,417
2018	385,000	9,625	640,000	480,982	750,000	959,305	5,684,732
2019	-	-	660,000	454,982	1,190,000	914,554	5,704,756
2020	-	-	695,000	427,882	1,245,000	853,680	5,732,957
2021	-	-	720,000	399,582	1,320,000	789,555	5,753,998
2022	-	-	750,000	370,182	865,000	734,930	5,762,961
2023	-	-	785,000	342,425	1,405,000	678,180	5,772,355
2024	-	-	805,000	316,587	1,470,000	606,306	5,760,930
2025	-	-	830,000	290,010	1,545,000	530,930	5,764,734
2026	-	-	865,000	262,475	1,625,000	451,680	5,768,280
2027	-	-	890,000	233,956	1,695,000	386,690	5,764,784
2028	-	-	920,000	202,819	3,445,000	310,648	5,762,192
2029	-	-	955,000	168,835	1,085,000	242,021	3,278,743
2030	-	-	990,000	133,581	555,000	216,188	3,557,782
2031	-	-	1,025,000	97,060	570,000	198,045	2,154,505
2032	-	-	1,060,000	59,269	590,000	178,826	2,148,464
2033	-	-	1,105,000	20,028	610,000	157,585	2,153,632
2034	-	-	-	-	640,000	134,460	1,035,704
2035	-	-	-	-	660,000	110,410	1,031,454
2036	-	-	-	-	685,000	84,500	1,029,919
2037	-	-	-	-	165,000	67,500	232,500
2038	-	-	-	-	175,000	60,700	235,700
2039	-	-	-	-	180,000	53,600	233,600
2040	-	-	-	-	190,000	46,200	236,200
2041	-	-	-	-	195,000	38,500	233,500
2042	-	-	-	-	205,000	30,500	235,500
2043	-	-	-	-	210,000	22,200	232,200
2044	-	-	-	-	220,000	13,600	233,600
2045	-	-	-	-	230,000	4,600	234,600
	$ 1,090,000	$ 83,750	$ 14,915,000	$ 5,285,119	$ 24,450,000	$ 10,740,077	$ 92,772,033

SOURCE: FINANCE & ACCOUNTING

DEBT SERVICE COVERAGE
Last Ten Years

	March 2007	March 2008	March 2009	March 2010	March 2011	March 2012	March 2013	March 2014	December 2014	December 2015
REVENUE										
Operating Revenue	$ 15,811,154	$ 17,258,046	$ 17,975,633	$ 18,829,615	$ 20,282,694	$ 20,429,500	$ 21,020,548	$ 20,920,928	$ 21,175,099	$ 22,072,955
Non-Operating Revenue	1,223,386	1,398,469	641,607	845,027	395,607	713,758	437,485	352,913	521,655	555,042
	17,034,540	18,656,515	18,617,240	19,674,642	20,678,301	21,143,258	21,458,033	21,273,841	21,696,754	22,627,997
EXPENSES										
Operating Expenses less depreciation, amortization, bad debts and expenses paid from bond proceeds	9,569,948	10,143,320	10,476,462	10,183,806	10,700,798	11,481,713	12,159,428	12,482,859	12,519,718	13,346,243
Non-Operating Expenses	48,711	46,951	58,103	39,326	27,263	26,769	25,102	27,480	43,458	38,825
	9,618,659	10,190,271	10,534,565	10,223,132	10,728,061	11,508,482	12,184,530	12,510,339	12,563,176	13,385,068
Net Revenue, before PILOTS and Promissory Note	7,415,881	8,466,244	8,082,675	9,451,510	9,950,240	9,634,776	9,273,503	8,763,501	9,133,578	9,242,929
PILOTS	1,446,289	1,599,086	1,553,163	1,510,885	1,471,913	1,445,725	1,556,746	1,514,359	1,479,040	1,441,758
Promissory Note, Net	380,715	480,715	480,715	480,715	480,715	480,715	480,722	480,710	480,715	471,657
	1,827,004	2,079,801	2,033,878	1,991,600	1,952,628	1,926,440	2,037,468	1,995,069	1,959,755	1,913,415
Net Revenue	$ 5,588,877	$ 6,386,443	$ 6,048,797	$ 7,459,910	$ 7,997,612	$ 7,708,336	$ 7,236,035	$ 6,768,432	$ 7,173,823	$ 7,329,514
Debt Service	$ 3,449,670	$ 4,248,694	$ 4,296,845	$ 4,951,060	$ 5,112,362	$ 4,854,129	$ 5,153,060	$ 5,207,112	$ 5,315,959	$ 5,505,453
Debt Service Coverage	1.62	1.50	1.41	1.51	1.56	1.59	1.40	1.30	1.35	1.33
Debt Service Requirement	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

Required Debt Service Coverage—1.15.

Bond Covenant--The financing agreement creating the Water Authority stipulates that revenue be generated and collected through establishing rates, fees and charges sufficient to cover 100% of all operating expenses, promissory note payments, PILOT payments, Water Finance Authority expenses and any other required deposits for the year; and 115% of the estimated aggregate debt service and projected debt service payable in each fiscal year. For December 2014, the calculation was performed on a rolling twelve month period (January 2014 to December 2014) in accordance with the master bond resolution.

SOURCE: FINANCE & ACCOUNTING

CENSUS DATA-BY SERVICE AREA
December 2015

	2014 Population Estimates	2010 Population Per Census	2000 Population Per Census	Estimated Total Area Income	Occupied Housing Units	Labor Force	Per Capita Income	Median Household Income	Median Age	EDUCATION LEVEL High School +	EDUCATION LEVEL Under Graduate	EDUCATION LEVEL Advanced Degree	Unemployment Rate
Oneida County:	232,871	234,878	235,469	$ 5,969,182,343	93,028	112,981	$ 25,633	$ 48,931	41	52.7%	13.8%	9.4%	8.00%
City of Utica	62,235	62,235	60,651	$ 1,113,819,795	23,828	27,372	$ 17,897	$ 31,173	35	52.7%	20.8%	5.7%	12.90%
Town of New Hartford	22,166	22,166	21,172	$ 850,398,590	9,367	11,240	$ 38,365	$ 62,529	48	41.7%	20.6%	19.1%	4.90%
Whitestown	18,671	18,667	18,635	$ 540,357,411	7,511	9,607	$ 28,941	$ 55,334	43	52.7%	30.2%	9.8%	6.80%
Kirkland	10,274	10,315	10,138	$ 325,901,554	3,548	5,131	$ 31,721	$ 60,542	38	36.8%	35.8%	22.1%	4.40%
Marcy	9,121	8,982	9,469	$ 196,019,411	2,146	3,238	$ 21,491	$ 75,000	39	51.3%	22.1%	8.2%	5.30%
Westmoreland	6,118	6,138	6,207	$ 210,795,690	2,383	3,336	$ 34,455	$ 78,947	47	55.4%	28.9%	9.3%	6.00%
Trenton	4,480	4,498	4,670	$ 135,049,600	1,735	2,320	$ 30,145	$ 66,780	40	44.8%	29.6%	16.7%	3.40%
Deerfield	4,295	4,273	3,906	$ 128,055,425	1,612	2,378	$ 29,815	$ 69,013	44	48.2%	33.9%	12.2%	7.3%
Whitesboro	3,713	3,772	3,943	$ 88,792,682	1,679	1,980	$ 23,914	$ 45,729	42	60.6%	25.0%	6.5%	4.60%
New York Mills	3,307	3,327	3,191	$ 66,993,206	1,507	1,270	$ 20,258	$ 29,724	43	53.6%	28.4%	9.2%	8.0%
Yorkville	2,649	2,689	2,675	$ 59,734,950	1,081	1,559	$ 22,550	$ 49,213	37	51.8%	30.6%	5.4%	12.00%
Clark Mills	2,105	1,905	1,424	$ 56,653,970	1,037	1,083	$ 26,914	$ 51,166	42	55.9%	29.1%	7.9%	7.80%
Village of New Hartford	1,848	1,847	1,886	$ 67,945,416	830	962	$ 36,767	$ 52,652	46	37.0%	39.0%	18.4%	4.30%
Oriskany	1,378	1,400	1,459	$ 37,591,840	512	629	$ 27,280	$ 56,167	47	61.9%	24.1%	7.1%	2.50%
Holland Patent	456	458	461	$ 13,952,688	153	210	$ 30,598	$ 66,458	46	53.1%	27.3%	14.8%	1.00%
Herkimer County:	64,329	64,519	64,427	$ 1,518,614,703	26,583	31,990	$ 23,607	$ 45,649	43	53.5%	26.6%	8.6%	9.30%
Frankfort	7,636	7,636	7,478	$ 180,415,772	3,127	4,015	$ 23,627	$ 47,780	44	51.0%	29.2%	8.7%	8.20%
Schuyler	3,436	3,420	3,385	$ 83,278,332	1,415	1,634	$ 24,237	$ 50,097	44	50.7%	25.3%	13.0%	9.70%

SOURCE: FINANCE & ACCOUNTING

CENSUS DATA—LARGEST AREA EMPLOYERS
December 2015

	Business	Industry	No. of Full Time Mohawk Valley Employees	Percentage of County Employment
1	Oneida Indian Nation Enterprises	Resort and casino	4,500	12.49% *
2	Mohawk Valley Network	Medical facilities	4,029	3.57%
3	Resource Center for Independent Living	Independent living facility	1,935	1.71%
4	Remington Arms Company	Gun manufacturer	1,300	3.74% **
5	Utica City School District	Educational institution	1,232	1.09%
6	Met Life, Inc.	Insurance / Finance	1,200	1.06%
7	Air Force Research Lab / Rome	Gov't / Reseasrch and Development	1,166	1.03%
8	United Cerebral Palsy	Social Services	1,145	1.01%
9	Wal Mart	Warehousing / Transportation	950	0.84%
10	Defense Finance and Accounting Service	Accounting Services	950	0.84%
11	Birnie Bus Service	Transportation	923	0.82%
12	ConMed Corporartion	Medical Equipment Manufacturer	900	0.80%
13	Masonic Care Community of New York	Nursing Home & Research	900	0.80%
14	Rome City School District	Educational institution	879	0.78%
15	BNY Mellon Bank	Bank Office	835	0.74%
16	Rome Memorial Hospital	Medical Facility	791	0.70%
17	Utica National Insurance Group	Finance / Insurance	748	0.66%
18	ARC Oneida-Lewis Chapter	Not for Profit - Human Services	715	0.63%
19	The Hartford Insurance Company	Insurance	700	0.62%
20	Hamilton College	Educational Institution	670	0.59%

*--Madison County

**--Herkimer County

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

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

SOURCE: FINANCE & ACCOUNTING

STATISTICAL SUMMARY AND FLASH REPORT

Last Ten Years

	December 31, 2015	December 31, 2014 (9 months)	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
Estimated Population Served	130,000	130,000	130,000	130,000	130,000	126,000	120,000	120,000	120,000	120,000
Employees Headcount	96	98	97	97	97	100	93	94	96	95
Billed Consumption (in million gallons)	3,469	2,577	3,518	3,639	3,588	3,657	3,666	3,798	3,959	3,893
Average Daily Consumption (in million gallons)	9.5	9.4	10.0	10.0	10.0	10.0	10.0	10.4	10.8	10.7
Average Daily Peak Consumption (in million gallons)	10	11	11	12	12	11	11	12	12	12
Average Daily Consumption per Person (in gallons)	73	72	74	77	75	80	84	87	90	89
Operating Information										
Treatment Plant Capacity in MGD (2)	32	32	32	32	32	32	32	32	32	32
Treated Water Tanks and Reservoir Capacity (3), (4)	435.5	435.5	451.0	451.0	444.0	432.0	432.0	422.0	422.0	422.0
Supply Mains in Miles (1)	107	107	107	107	107	107	107	107	107	107
Transmission & Distribution Mains in Miles (1)	605.3	605.3	603.0	603.0	602.0	602.0	598.0	598.0	660.0	648.0
Active Taps-End of Year (1)	37,482	37,490	37,468	37,447	37,470	38,433	38,406	38,375	38,334	38,280
Fire Hydrants Operated & Maintained (1)	4,163	4,155	4,156	4,128	4,119	4,115	4,100	4,094	4,063	4,039
Financial Information										
Gross Property, Plant & Equipment (3)	$ 107.7	$ 104.1	$ 102.0	$ 96.8	$ 91.9	$ 89.0	$ 82.5	$ 75.9	$ 71.3	$ 60.5
Net Property, Plant & Equipment after depreciation (3)	$ 84.1	$ 82.3	$ 81.7	$ 78.5	$ 75.3	$ 73.9	$ 68.9	$ 63.6	$ 60.4	$ 50.9
Additions to Property, Plant & Equipment (3)	$ 3.6	$ 2.1	$ 5.2	$ 4.9	$ 3.0	$ 12.2	$ 7.0	$ 5.3	$ 10.7	$ 4.7
Restricted Assets (3)	$ 16.5	$ 15.6	$ 18.7	$ 21.0	$ 14.0	$ 17.5	$ 22.8	$ 27.7	$ 17.0	$ 25.4
Total Long-Term Debt (3)	$ 67.5	$ 64.9	$ 65.5	$ 68.5	$ 62.4	$ 56.7	$ 59.1	$ 61.3	$ 51.7	$ 53.8
Rate Increases	2.80%	2.90%	1.90%	2.00%	2.00%	7.90%	5.60%	7.10%	8.30%	13.50%
Operating Revenues (3)	$ 22.1	$ 16.0	$ 20.9	$ 21.0	$ 20.4	$ 20.3	$ 18.8	$ 18.0	$ 17.3	$ 15.8
Operating Expenses (3)	$ 15.7	$ 12.0	$ 14.8	$ 14.2	$ 13.6	$ 12.5	$ 12.0	$ 11.9	$ 11.9	$ 11.2
Operating Income (3)	$ 6.4	$ 4.0	$ 6.2	$ 6.8	$ 6.8	$ 7.8	$ 6.8	$ 6.1	$ 5.4	$ 4.6
Debt Service & Promissory Note (3)	$ 6.0	$ 3.8	$ 5.7	$ 5.6	$ 5.3	$ 5.6	$ 5.4	$ 5.7	$ 4.7	$ 2.2
Amortization & Depreciation Expense (3)	$ 2.2	$ 1.6	$ 2.2	$ 1.9	$ 1.8	$ 1.7	$ 1.7	$ 1.6	$ 1.6	$ 1.5
Net Increase (Decrease) In Net Position (3)	$ 3.1	$ 1.4	$ 2.7	$ 2.6	$ 3.0	$ 3.3	$ 2.7	$ 3.9	$ 3.6	$ 5.3

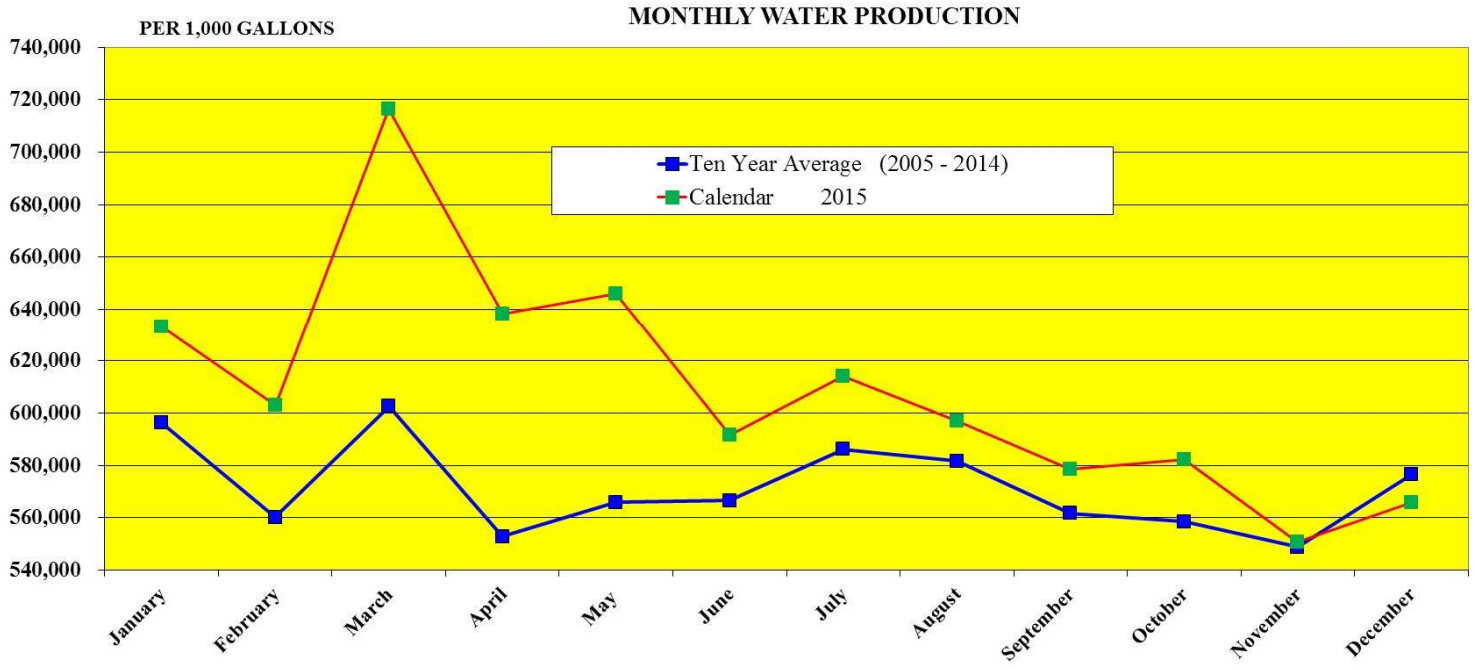
(1) Estimates
(2) MGD = Million Gallons per Day
(3) In Millions of Dollars
(4) Includes Emergency Reservoirs Southern # 4, Deerfield, and Marcy

SOURCE: FINANCE & ACCOUNTING

WATER PRODUCTION
Last Ten Years

PER 1,000 GALLONS

	Calendar 2015	Ten Year Average (2005 - 2014)
January	633,300	596,320
February	603,000	560,260
March	716,500	602,690
April	638,400	552,800
May	646,000	565,850
June	591,500	566,630
July	614,000	586,250
August	596,900	581,720
September	578,500	561,630
October	582,400	558,490
November	550,800	548,750
December	565,900	576,500
Total	7,317,200	6,857,890



SOURCE: FINANCE & ACCOUNTING

ANNUAL CONSUMPTION – BY SERVICE AREA

Last Ten Years
(In Cubic Feet)

Service Area	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2008	Year Ended March 31, 2007
City of Utica	227,159,300	230,595,800	238,237,300	248,453,654	244,963,800	246,179,300	245,657,500	252,629,200	261,495,500	259,993,800
Town of Deerfield	8,332,800	9,045,600	8,462,700	9,087,900	8,744,800	9,084,900	9,110,400	9,535,600	9,721,200	9,739,600
Town of Frankfort	6,714,300	6,936,400	6,829,600	6,412,900	6,992,900	7,825,300	6,841,900	7,823,600	7,469,000	6,744,000
Town of Kirkland	13,226,900	13,532,300	12,923,400	12,630,000	13,122,600	13,681,800	12,378,900	13,159,800	13,769,000	12,339,300
Town of Marcy	48,645,000	49,383,800	48,201,200	45,965,700	43,539,400	44,831,800	46,089,500	49,867,900	51,276,400	50,267,800
Town of New Hartford	70,024,300	63,838,100	65,497,000	68,103,500	67,707,400	68,900,800	70,388,800	71,769,900	73,515,300	70,099,500
Town of Schuyler	6,239,500	5,664,600	5,561,000	5,822,200	5,876,800	6,135,900	5,390,000	5,200,100	5,608,200	5,167,600
Town of Trenton	6,634,500	6,678,900	6,595,900	6,666,700	6,698,500	7,183,600	7,595,200	7,260,700	9,749,200	10,286,700
Town of Westmoreland	920,600	664,600	893,800	920,100	857,600	884,900	982,500	1,289,300	2,267,900	2,304,400
Town of Whitestown	24,870,200	24,165,400	25,019,700	26,971,600	25,370,400	27,498,200	29,926,800	32,100,500	34,345,200	32,871,700
Village of Holland Patent	1,067,200	1,137,800	1,155,800	1,239,400	1,272,200	1,485,200	1,354,600	1,329,900	1,358,900	1,438,500
Village of New Hartford	7,056,200	7,424,100	7,530,400	9,033,200	8,383,100	9,036,200	8,852,000	7,074,800	9,427,300	9,007,300
Village of New York Mills	10,919,200	10,296,300	10,439,100	11,036,300	11,209,900	11,250,500	11,468,400	12,436,400	11,704,400	12,171,400
Village of Oriskany	5,256,400	6,019,500	6,142,300	6,478,300	6,685,500	6,413,100	6,442,600	6,610,900	7,074,600	7,266,700
Village of Stittville	923,600	997,700	1,107,400	1,059,700	1,041,200	1,105,700	1,087,100	1,101,200	1,216,300	1,127,800
Village of Washington Mills	7,159,700	6,602,300	6,629,900	6,843,700	7,300,200	7,490,000	6,508,600	7,224,800	7,523,300	7,350,900
Village of Whitesboro	9,852,400	10,400,100	10,730,200	11,138,600	11,255,200	11,252,500	11,669,200	12,708,700	12,374,900	12,810,400
Village of Yorkville	8,321,300	8,133,300	8,335,800	8,645,000	8,616,800	8,616,700	8,369,900	8,653,600	9,334,800	9,465,800
TOTAL	**463,323,400**	**461,516,600**	**470,292,500**	**486,508,454**	**479,638,300**	**488,856,400**	**490,113,900**	**507,776,900**	**529,231,400**	**520,453,200**

SOURCE: FINANCE & ACCOUNTING

ANNUAL CONSUMPTION – BY MONTH

Last Ten Years
(In Cubic Feet)

Month	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
January	37,011,700	39,486,300	37,166,100	39,092,700	39,550,100	40,668,600	41,704,100	41,407,400	38,350,000	40,794,900
February	38,565,200	40,128,700	38,050,754	36,259,700	38,160,200	38,223,700	38,884,600	42,683,300	43,482,200	39,857,900
March	35,851,000	37,435,500	37,085,100	39,039,900	37,076,400	38,240,900	38,818,100	41,310,200	41,034,900	40,051,700
April	38,157,900	35,254,700	34,948,800	37,718,800	37,998,200	39,530,900	39,528,800	37,897,600	43,291,600	41,992,600
May	37,389,000	36,501,300	39,249,000	39,807,700	37,672,600	39,770,400	40,616,100	45,773,800	42,691,500	41,221,000
June	37,902,900	38,173,600	39,134,300	40,961,000	38,631,100	39,950,300	40,616,700	43,013,800	44,380,400	43,997,600
July	38,202,100	38,682,700	39,607,100	41,384,400	42,528,000	42,436,700	42,184,250	40,389,900	44,165,900	43,477,700
August	43,121,200	44,334,300	45,057,700	48,016,400	44,530,000	45,979,600	44,646,750	47,622,200	50,987,200	47,531,500
September	39,642,500	40,435,300	41,190,400	47,271,000	46,256,500	45,006,600	44,157,100	44,308,900	49,035,000	48,171,400
October	42,150,100	40,094,000	37,754,200	40,217,900	40,563,000	42,548,600	42,941,600	44,528,100	44,283,200	43,378,800
November	39,801,600	38,196,600	40,229,200	42,414,400	39,872,500	40,785,000	43,014,600	46,569,200	45,322,800	47,244,100
December	35,528,200	32,793,600	36,071,300	36,414,900	37,194,100	38,061,600	35,274,800	38,266,600	39,672,900	40,571,400
TOTAL	**463,323,400**	**461,516,600**	**465,543,954**	**488,598,800**	**480,032,700**	**491,202,900**	**492,387,500**	**513,771,000**	**526,697,600**	**518,290,600**

SOURCE: FINANCE & ACCOUNTING

ACTIVE METERS – BY SIZE
Last Ten Years

METER SIZE	December 2015	December 2014	March 2014	March 2013	March 2012	March 2011	March 2010	March 2009	March 2008	March 2007
5/8"	36,817	36,627	36,616	36,504	36,558	36,613	36,641	36,645	36,640	36,605
3/4"	563	562	564	559	563	568	570	568	558	551
1"	505	508	509	512	514	526	523	517	520	514
1 1/4"	-	-	-	-	-	-	-	-	-	-
1 1/2"	238	238	244	239	241	236	232	232	227	227
2"	201	215	218	222	224	221	224	230	231	231
3"	64	60	60	60	61	59	56	56	58	57
4"	53	57	55	56	56	59	60	63	66	63
6"	23	24	22	23	23	22	22	23	25	24
8"	-	1	1	1	1	1	1	1	1	1
Combined	62	57	55	54	50	51	48	48	51	52
Fire	586	578	573	575	578	577	577	577	567	552
TOTAL	**39,112**	**38,927**	**38,917**	**38,805**	**38,869**	**38,933**	**38,954**	**38,960**	**38,944**	**38,877**

SOURCE: FINANCE & ACCOUNTING

ACTIVE METERS – BY LOCATION
Last Ten Years

SERVICE AREA	December 2015	December 2014	March 2014	March 2013	March 2012	March 2011	March 2010	March 2009	March 2008	March 2007
City of Utica	19,030	19,027	19,024	18,991	19,132	19,167	19,213	19,275	19,346	19,422
Town of Deerfield	1,282	1,277	1,277	1,269	1,259	1,258	1,251	1,252	1,233	1,225
Town of Frankfort	290	289	286	284	285	285	286	286	287	286
Town of Kirkland	487	486	486	482	479	481	482	481	481	481
Town of Marcy	2,146	2,130	2,126	2,108	2,092	2,099	2,072	2,052	2,033	2,004
Town of New Hartford	5,599	5,569	5,563	5,548	5,534	5,514	5,521	5,506	5,474	5,437
Town of Schuyler	473	371	379	375	375	378	377	376	371	360
Town of Trenton	262	255	260	261	253	253	258	252	251	244
Town of Westmoreland	1	1	1	1	1	1	1	1	1	1
Town of Whitestown	3,060	3,062	3,059	3,045	3,024	3,018	3,013	2,999	2,999	2,969
Village of Holland Patent	174	174	177	177	174	181	182	181	181	181
Village of New Hartford	791	788	789	787	785	786	787	786	785	791
Village of New York Mills	1,312	1,305	1,301	1,296	1,285	1,293	1,293	1,300	1,303	1,293
Village of Oriskany	667	669	667	672	667	668	668	663	660	660
Village of Stittville	153	151	148	147	155	159	154	155	151	151
Village of Washington Mills	804	796	798	794	801	807	805	804	801	782
Village of Whitesboro	1,487	1,481	1,482	1,478	1,474	1,485	1,490	1,493	1,488	1,486
Village of Yorkville	1,094	1,096	1,094	1,090	1,094	1,100	1,101	1,098	1,099	1,104
TOTAL	**39,112**	**38,927**	**38,917**	**38,805**	**38,869**	**38,933**	**38,954**	**38,960**	**38,944**	**38,877**

SOURCE: FINANCE & ACCOUNTING

ANNUAL METER INSTALLATION – BY SERVICE AREA

Last Ten Years

SERVICE AREA	December 31, 2015	December 31, 2014	March 2014	March 2013	March 2012	March 2011	March 2010	March 2009	March 2008	March 2007
City of Utica	976	526	1,177	2,650	1,428	1,600	1,920	1,811	1,756	1,174
Town of Deerfield	33	35	206	97	72	107	126	85	111	69
Town of Frankfort	6	13	13	60	20	47	28	30	20	12
Town of Kirkland	7	6	9	49	49	19	13	14	18	29
Town of Marcy	106	70	298	119	145	242	195	126	262	122
Town of New Hartford	375	111	140	693	497	846	537	308	516	381
Town of Schuyler	109	7	16	101	25	23	48	37	36	21
Town of Trenton	10	11	44	11	20	10	13	35	31	55
Town of Westmoreland	-	-	-	-	-	-	1	-	-	-
Town of Whitestown	141	49	229	416	351	294	239	265	233	152
Village of Holland Patent	5	2	13	2	3	11	26	80	17	9
Village of New Hartford	53	11	9	8	64	131	57	49	68	38
Village of New York Mills	15	12	19	292	90	233	144	71	135	100
Village of Oriskany	5	16	40	133	84	44	75	46	61	46
Village of Stittville	11	15	61	4	11	43	15	13	47	65
Village of Washington Mills	39	11	12	118	30	37	232	174	88	56
Village of Whitesboro	37	28	46	386	77	147	138	100	116	92
Village of Yorkville	19	22	14	261	71	175	74	59	93	57
TOTAL	1,947	945	2,346	5,400	3,037	4,009	3,881	3,303	3,608	2,478

SOURCE: FINANCE & ACCOUNTING

CAPITAL PROJECT ACTIVITY

December 2015

CAPITAL PROJECT		LOCATION	DECEMBER 31, 2014	ADDITIONS	SUBTRACTIONS	DECEMBER 31, 2015
WTF--Facility upgrades		Water Treatment Plant	0	21,044	21,044	0
Airport Tank & Mains		Oriskany Airport Park	480,335	40,969	0	521,303
Emergency Generator		Administrative Offices	10,946	0	0	10,946
SCADA System		System Wide	219,711.79	0	0	219,712
Canal Crossing		Marcy	1,009,448	16,734	0	1,026,182
Security Surveillance		System Wide	25,041	15,688	0	40,728
Third Water Intake Line		Water Treatment Plant	24,377	11,978	0	36,355
Pump Station Improvements		System Wide	367,384	23,623	0	391,007
Security Fencing		System Wide	19,475	0	19,475	0
Storage Building		Kemble Street Maintenance Yard	6,103	0	6,103	0
Health & Safety Improvements		System Wide	12,316	0	0	12,316
Transmition Main Improvements		System Wide	11,826	5,507	0	17,333
Water Tank		Southern Reservoir--Low Zone	4,646,131	2,280	4,648,411	0
Fence & Gates		System Wide	8,462	0	8,462	0
Electrical Upgrades		System Wide	0	516	0	516
Tank Repairs		Holland Patent	7,939	3,753	11,692	0
Arterial Highway Betterments		Arterial/ Route 12, City of Utica	53,607	133	0	53,741
Automated Meter Infrastructure		System Wide	3,374,780	1,234,659	0	4,609,439
Facility Upgrades		Water Treatment Plant	19,799	121	0	19,920
Facility Repairs		Water Treatment Plant	2,852	15,063	0	17,915
Main Replacement		City CSO	0	166,723	0	166,723
Metering and Billing		Westmoreland	41,977	0	41,977	0
Tank Painting		Gilbert Road, Whitesboro	400	6,118	0	6,518
Tank Painting		Lower Higby Road	0	735,110	0	735,110
Pipe Bridge Repairs		Water Treatment Plant	20,953	631,941	0	652,895
Smart Grid Water Study		System Wide	28,000	100,311	0	128,311
Pump Station Improvements		Mallory Road	0	57,798	57,798	0
Pump Station Improvements		Hanger Road	0	82,599	0	82,599
Large Valve Replacements		System Wide	0	37,553	0	37,553
Main Replacement		City of Utica	0	19,634	0	19,634
Main Replacement		New York Mills	0	39,698	39,698	0
Fencing and Gate		Water Treatment Plant	0	1,829	1,829	0
Pipe Bridge Repairs		Water Treatment Plant	0	31,971	0	31,971
Total Construction In Progress			10,391,862	3,303,353	4,856,489	8,838,726

SOURCE: FINANCE & ACCOUNTING

STAFFING STATISTICS
Last Ten Years

	December 31st		March 31st							
	2015	2014	2014	2013	2012	2011	2010	2009	2008	2007
ADMINISTRATION:										
Executive Director	1	1	1	1	1	1	1	1	1	1
Comptroller / Deputy Comptroller	2	2	2	2	2	2	2	1	1	1
Internal Auditor	1	1	1	1	1	1	1	1	1	1
Personnel Director	1	1	1	1	1	1	1	1	1	1
Customer Service	6	6	6	6	6	6	6	6	6	6
Meter Reading	6	6	6	6	6	6	6	6	6	5
Information Technology	4	5	5	5	5	5	5	5	5	5
Accounting/Billing	4	3	3	3	3	4	4	5	4	4
Administrative Support Staff	1	1	1	1	1	1	1	1	1	1
ADMINISTRATION - SUBTOTAL	26	26	26	26	26	27	27	27	26	25
SYSTEM MAINTENANCE:										
Water System Maintenance	36	36	36	36	37	38	36	36	36	36
Meter Service Shop	5	6	5	5	5	4	5	5	5	5
Engineering	7	7	7	7	6	5	6	10	10	10
Capital Projects	-	-	-	-	-	2	2	-	-	-
Water Distribution	4	5	5	5	4	4	4	-	-	-
Water Treatment	8	8	8	8	9	9	9	9	9	9
Lab Operations and System Monitoring	8	8	8	8	8	8	7	7	7	7
Maintenance Support Staff	2	2	2	2	2	3	3	3	3	3
SYSTEM MAINTENANCE - SUBTOTAL	70	72	71	71	71	73	72	70	70	70
TOTAL EMPLOYEES	96	98	97	97	97	100	99	97	96	95

SOURCE: FINANCE & ACCOUNTING

OPERATING CAPACITY
Last Ten Years

	December 31st		March 31ST							
	2015	2014	2014	2013	2012	2011	2010	2009	2008	2007
Water Capacity :										
Treatment Plant	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD	32 MGD
Treated Water Reservoirs - Standby (3)	386 MG	386 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG	401 MG
Treated Water Tanks (Active)	49.5 MG	49.5 MG	49.5 MG	49.5 MG	43.5 MG	31 MG	31 MG	21 MG	21 MG	21 MG
Facilities :										
Transmission Mains	42.8 Miles	42.8 Miles	42.8 Miles	42.8 Miles	42.8 Miles	42.8 Miles	42.5 Miles	42.5 Miles	42.5 Miles	42.5 Miles
Distribution Mains	562.5 Miles	562.5 Miles	560 Miles	560 Miles	558.9 Miles	558.9 Miles	554.5 Miles	554.5 Miles	617 Miles	606 Miles
Supply Mains	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles	107 Miles
Pump Stations (Active)	19	19	19	21	21	21	21	21	22	21
Pressure Regulators	135	135	135	129	129	126	123	123	123	105
Altitude Valves	19	19	19	19	19	19	19	19	19	18
Meter Stations	14	14	14	14	14	14	14	14	14	14
Storage Tanks - Active (1)	27	27	28	28	28	25	25	25	24	23
Pump Control Valves	5	5	5	5	5	5	5	5	5	5
Other Facilities (2)	24	24	24	24	24	24	22	22	21	14

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

SOURCE: FINANCE & ACCOUNTING

SCHEDULE OF INSURANCE IN FORCE
Year Ended December 31, 2015

TYPE	PREMIUM	CONTRACTS	COVERAGE
I. Property & Liability Protection			
General Liability	**$47,644**	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-03 / 000 01/01/2016 - 12/31/2016	Operations of Water Authority-Govt. Subdivision Budget
Crime Policy / Government Crime	**$811**	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-03 / 000 01/01/2016 - 12/31/2016	Operations of Water Authority-Govt. Subdivision Budget
Property	**$41,744**	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-03 / 000 01/01/2016 - 12/31/2016	Building and Personal Property
Equipment Breakdown	**$19,846**	The Hartford Steamboiler Inspection and Insurance Company FBP2345558 01/01/2016 - 12/31/2016	
Inland Marine Coverage	**$4,105**	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-01 / 000 01/01/2016 - 12/31/2016	Scheduled Property
II. Casualty			
Automobile Policy	**$39,048**	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-03 / 000 01/01/2016 - 12/31/2016	List of Declared Vehicles and Equipment and hired and non-owned autos
Excess Liability Coverage Umbrella	**$56,168**	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-03/000 01/01/2016 - 12/31/2016	Extends failure to supply water
III. Employee Protection			
Public Officials' Liability Policy	**$12,756**	American Alternative Insurance Corp Policy No. GPPA-PF-6055463-03 /000 01/01/2016 - 12/31/2016	Claims Made
Workers' Compensation	**$375,699**	Public Employer Risk Management Association, Inc., Policy No. WC 0001380-00 (2) 01/01/2016 - 12/31/2016	Statutory Coverage
TOTAL PREMIUM	**$597,821**		

SOURCE: FINANCE & ACCOUNTING

MAJOR COVERAGE LIMITS	DEDUCTIBLE
$ 1,000,000 - Each Occurrence / $3,000,000 General Aggregate	$ 5,000 Deductible
$ 3,000,000 - Products and Completed Operations Aggregate	$0 Deductible
$ 3,000,000 - General Aggregate	$0 Deductible
$ 1,000,000 - Damage to properties rented to MVWA	$0 Deductible
$ 1,000,000 - Personal and Advertising injury	$0 Deductible
$ 1,000,000 - Fire Damage	$0 Deductible
$ 10,000 - Medical Expense per person	$0 Deductible
$ 500,000 - Employee theft	$ 5,000 Deductible
$ 250,000 - Forgery and Alteration	$ 5,000 Deductible
$ 250,000 - Inside the premises-theft of money / securities	$ 5,000 Deductible
$ 250,000 - Outside the premises-theft of money / securities	$ 5,000 Deductible
$ 100,000 - Computer fraud / funds transfer fraud / money orders	$ 5,000 Deductible
$ 100,000 - Money Orders	$ 5,000 Deductible
$ 100,000 - Computrer Fraud	$ 5,000 Deductible
$ 100,000 - Funds Transfer Fraud	$ 5,000 Deductible
$ 63,985,252 - Blanket Building and Contents	$ 5,000 Deductible
$ 250,000 - Extra Expense (per occurrence)	$ 5,000 Deductible
$ 1,000,000 - Earthquake each occurrence / annual)	$ 25,000 Deductible
$ 1,000,000 - Flood each occurrence / annual)	$ 25,000 Deductible
$ 750,000 - Pipe Bridge (each)	$ 5,000 deductible
$ 25,000 - Property in transit	$ 0 Deductible
$ 500,000 Software	$ 0 deductible
$ 50,000 Accounts Receivable	$ 0 deductible
$ 50,000 Valuable Papers	$ 0 deductible
$ 25,000,000 - Limited to property and off-premise damage	$ 0 Deductible
$ 100,000 - Perishable goods	$ 5,000 Deductible
$ 100,000 - Data Restoration	$ 0 Deductible
$ 250,000 - Demolition / ordinance (per occurrence)	$ 5,000 Deductible
$ 250,000 - Business Income / Service Interruption (per occurrence)	$ 0 Deductible
$ 25,000 - Mold, Green, Pollution, Wet Dry Rot	$ 5,000 Deductible
$ 25,000 - Polution Remediation	$ 5,000 Deductible
$ 5,000 - Water contamination	$ 0 Deductible
$ 100,000 - Hazardous substances	$ 0 Deductible
$ 250,000 - Ordinance or Law	$ 0 Deductible
$ 1,052,098 Scheduled Equipment	$1,000 Deductible
$ 157,283 - subject to a per item limit of $10,000	$1,000 Deductible
$ 7,250 - watercraft	$1,000 Deductible
$ 100,000 - Lease / Rented equipment	$1,000 Deductible
Per Accident :	
$ 1,000,000 - Liability Combined Single Limit	$ 0 Deductible
$ 150,000 - Personal Injury Protection - per person	$ 0 Deductible
$ 500,000 - Underinsured / Uninsured Motorist	$ 0 Deductible
$ 10,000 - Medical Payments/ Per Accident or Loss	$ 0 Deductible
Limits of Insurance:	
$ 10,000,000 - Each Occurrence Limit	$ 10,000 self insured retention
$ 20,000,000 - Products-completed operations aggregate limit	
$ 20,000,000 - Aggregate limit	
Coverage A - $ 1,000,000 Liability for Monetary Damages (includes Employee Benefits Liability)	$10,000Deductible
Coverage B - $5,000 for Injunctive Relief	$0 Deductible
Annual Aggregate Coverage (A&B combined) = $3,000,000	$0 Deductible
Self-Insured Retention = $10,000	$0 Deductible
Unlimited	$0 Deductible

COMPLIANCE SECTION

SAXBST
ACCOUNTING / TAX / ADVISORY

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*

Audit Committee
Mohawk Valley Water Authority
Albany, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined statement of net position of the Mohawk Valley Water Authority and the Upper Mohawk Valley Regional Water Finance Authority (collectively the "Authority"), as of December 31, 2015, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the combined financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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.

Members of the Board
Mohawk Valley Water Authority

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
July 8, 2016