



Dermody, Burke & Brown, CPAs, LLC

March 26, 2008

To the Board of Directors of
Onondaga County Water Authority

We have audited the financial statements of Onondaga County Water Authority for the year ended December 31, 2007, and have issued our report thereon dated March 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 4, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Onondaga County Water Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant accounting estimates affecting the financial statements were related to the allowance for doubtful accounts and depreciation.

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Significant Audit Findings – Continued

Management's estimate of the allowance for doubtful accounts is based on historical water revenues, historical loss levels, and an analysis of the collectibility of individual accounts. Management's estimate of depreciation is based on the estimated useful lives of the asset. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 26, 2008.

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Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Onondaga County Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Dermoddy, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Client: **0245873 - Onondaga County Water Authority**
 Engagement: **12/07 AUD - Onondaga County Water Authority**
 Trial Balance: **TB**
 Workpaper: **3700.10 - Passed Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Passed Journal Entries JE # 5				
To adjust payment to IBM back into payable at 12/31/07. Vendor never rec'd check; client voided in 1/08. Should be considered a payable as of 12/31/07.				
120200	CASH - O & M		26,451.00	
222000	ACCOUNTS PAYABLE			26,451.00
Total			26,451.00	26,451.00
Passed Journal Entries JE # 6				
Customer billed twice in error. To adjust out of account receivable at 12/31/07.				
613000	MISCELLANEOUS SALES		5,674.00	
125200	ACCOUNTS RECEIVABLE - MISC			5,674.00
Total			5,674.00	5,674.00
Passed Journal Entries JE # 7				
To correct overstatement of retainage related to Classic Protective Coatings				
223650	RETAINAGE - 2005 CONSTRUCTION FUND		11,530.00	
103100	CONSTRUCTION WIP - I & E			11,530.00
Total			11,530.00	11,530.00