

**O** **NONDAGA COUNTY WATER  
AUTHORITY**

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*FINANCIAL STATEMENTS*  
December 31, 2014 and 2013

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Dermody, Burke & Brown, CPAs, LLC

## INDEPENDENT AUDITORS' REPORT

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### BOARD OF DIRECTORS ONONDAGA COUNTY WATER AUTHORITY

#### Report on the Financial Statements

We have audited the accompanying financial statements of **ONONDAGA COUNTY WATER AUTHORITY** (the Authority), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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

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

#### Auditor's Responsibility

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

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

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

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## Opinion

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for the retiree healthcare plan, on pages 3 to 20 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Dermody, Burke & Brown*

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, NY

March 11, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Introduction**

Onondaga County Water Authority's (OCWA) Management's Discussion and Analysis for the fiscal year ended December 31, 2014, provides an introduction to the major activities that had an effect on the operations of the Authority and it also addresses the financial performance and status of OCWA. The information contained within the Management's Discussion and Analysis (MD&A) should be used and considered in conjunction with all of the information contained within the 2014 financial report, which follows this report.

**Financial Highlights**

OCWA's 2014 total revenues increased by \$1,694,044 (4.4%) over 2013 and water revenue increased by \$1,776,458 for the year. A Base System Fee of \$8.00 per year for each equivalent dwelling unit (EDU) accounted for approximately \$750,000 of the overall increase in revenue. The balance of the increase was due to increased Residential sales (98.462 MG), Commercial sales (71.233 MG) and Municipal Wholesale (123.178 MG). Industrial sales offset overall increased sales by declining by 73.7 MG for the year, primarily due to the closure of the Syracuse Tri-Gen generation facility (-131 MG) which was offset by increased use by Solvay Paperboard (+90.57 MG) which built its own facility to replace the closed Syracuse Tri-Gen facility.

OCWA's 2014 total customer account base increased by 357 (0.4%) over the 2013 year-end total. By year end, OCWA's total customer base amounted to 100,948 accounts with 99,626 metered residential, commercial, industrial and wholesale accounts. Overall, 2014 was a fairly nondescript year with respect to growth.

On the expense side of the Authority's operation, total expenses for 2014 increased \$1,536,221 (4.08%) over 2013. Purchased Water accounted for 28.0% of the increase in expense and the increase is primarily attributed to a 9 cent per 1,000 gallon rate increase passed on by the Metropolitan Water Board effective January 1, 2014.

Wages for the year increased \$262,268 (3.2%) and are attributed to wage increases for the Teamsters union personnel (2.5%), CSEA union personnel (3.0%) and Administrative personnel (2.5%). In addition to wage increases, a record number of water main breaks, experienced during the Polar Vortex during the winter months saw overtime increase by approximately \$100,000 during the first quarter of the year. Offsetting the overall increase in labor cost was the decision not to hire two new staff members included in the 2014 budget. Employee Benefits increased by \$275,725 in 2014 and are attributed to an increased pension contribution dictated by the New York State Retirement System. Increased health insurance costs and contributions for Social Security tied to increased payroll also added to the increase in benefit costs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Financial Highlights – Continued**

2014 Outside Contractor costs increased by \$263,985 over the previous year and are tied to increased cost of paving related to repairs needed after experiencing a record number of main breaks during the first quarter of 2014 and for the year as a whole. The extreme cold experienced during the first quarter of the year is primarily responsible for the increase in breaks and came on the heels of two relatively mild winters. Another contributing factor to the number of breaks is the overall increase in miles of main (151 miles added since 2010) in the system. Increased purchase of supplies, mainly due to need for water main repair parts, added another \$70,176 in expenses for the year.

Other contributing factors to increased expenses for 2014 are tied to increased electric and natural gas costs for the year (\$25,956). Electric costs soared as a result of the Polar Vortex over the course of the first five months of the year. Fortunately rates stabilized over the balance of the year and energy efficiency initiatives lowered OCWA overall energy demand for the year, thus offsetting the overall impact of the early increase experienced.

Outside Professional Services increased for the year by \$67,137. \$29,100 was due to added storage tank inspection undertaken to assist with long range capital planning. Otisco Lake shoreline property sales issues added another \$7,737 for the year. OCWA also conducted a compensation study for its CSEA and Administrative personnel, adding \$18,926 for the year. Each of these items was a one-time only, unanticipated expense.

**Using This Annual Statement**

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

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

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

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**ONONDAGA COUNTY WATER AUTHORITY**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Summary of Statements of Net Position**

**TABLE 1**

	<b>2013</b>	<b>2014</b>
<b>ASSETS</b>		
Cash	\$ 507,673	\$ 130,731
Accounts Receivable	7,338,838	7,602,934
Materials, Supplies and Prepaid Expenses	2,318,712	2,493,966
Restricted Assets	24,707,265	24,850,468
Plant and Water Rights, Net	<u>220,238,765</u>	<u>221,924,275</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 255,111,253</u></u>	<u><u>\$ 257,002,374</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amount on Refunding	<u><u>\$ 840,747</u></u>	<u><u>\$ 755,216</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 3,195,426	\$ 3,156,480
Liabilities Payable from Restricted Assets	1,158,764	1,009,825
Bonds Payable	66,982,584	64,125,492
OPEB Liability	12,018,336	13,772,639
Capital Lease Obligations	<u>266,725</u>	<u>184,175</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 83,621,835</u></u>	<u><u>\$ 82,248,611</u></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 153,830,203	\$ 158,369,824
Restricted	23,345,031	23,555,390
Unrestricted	<u>(4,845,069)</u>	<u>(6,416,235)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 172,330,165</u></u>	<u><u>\$ 175,508,979</u></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Summary of Statements of Net Position – Continued**

Total assets increased by \$1,891,121 in 2014 as a result of the following items:

- The decrease in cash of \$376,942 is due to the lower balances in the Authority's operations and maintenance and payroll accounts at year-end.
- Accounts receivable have increased by \$264,096 or 3.6%. There are three components that make up most of this increase. The first is accounts receivable for water that has been billed to customers. Accounts Receivable – Water increased by \$70,075 (1.8%). The second component is for estimated revenue that has been accrued on accounts that are billed on a quarterly or longer basis. Accrued Utility Revenue increased by \$166,400 or 4.7% over the year-end 2013 balance. The third component is Accounts Receivable – Miscellaneous which is used for the billing of non-water related projects that the Authority will be paid for in full. This account decreased by \$7,620 over the 2013 balance.
- Materials, supplies and prepaid expenses increased by \$175,254 (7.6%) over 2013 levels. Inventory increased by \$157,073 due to higher quantities required for jobs in progress or starting in the near future. Prepaid expenses went up by \$18,182 due to the net of increases in prepaid insurance (\$7,663) and prepaid service contracts (\$54,703) partially offset by a decrease in the Authority's postage account (\$44,065).
- Restricted assets increased by \$143,203 (0.6%) in 2014. This increase is due to the net effect of several factors. One is that the amounts in various construction funds decreased by a total of \$1.84 million. More than offsetting that decrease was an increase in the Special Deposits Account of \$249,000 and the total increase of over \$1.87 million in money in the General Authority, Renewal and Replacement and General Funds.
- Plant and water rights increased due to additional capital projects either completed or in progress at the end of 2014. A detailed outline of the additions is located just after Table 4 "Capital Assets at Year End" later in this analysis.
- Deferred outflows of resources decreased by \$85,531 as compared to the 2013 amounts. This deferred outflow is related to the Authority's Deferred Amount on Refunding of two of its bond issues. The difference between the reacquisition price and the net carrying amount of the old debt is being recognized as a component of interest expense over the remaining life of the old debt. The \$85,531 is this year's amount.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Summary of Statements of Net Position – Continued**

Total liabilities decreased by approximately \$1.37 million in 2014 as a result of the following items:

- Accounts Payable and Accrued Liabilities decreased by \$38,946 (1.2%) in 2014 due, most significantly, to the net effect of an increase in Accrued Vacation/Sick Leave of \$117,672 and decreases of \$119,694 and \$26,429 in Accrued Payroll and Accounts Payable, respectively.
- Liabilities Payable from Restricted Assets decreased by \$148,939 (12.9%) as compared to 2013 due to the combination of several factors. Amounts due to contractors for work performed in 2013, for which payment was not made until 2014, was \$118,535 less than in the same period of the previous year. Retainage held at the end of 2014 was \$142,475 less than at the end of 2013. Customer deposits increased by \$167,554 and finally, accrued interest on bonds decreased by \$25,364.
- The Bonds Payable balance decreased by \$2.86 million. The Bonds Payable balance was affected by principal payments totaling \$2,677,835 which were made during 2014. It was also affected by the amortization of bond premium in the amount of \$179,257 during 2014.
- GASB Statement No. 45 establishes guidance for the financial reporting of OPEB cost over a period that approximates employees' years of service. Under GASB Statement No. 45, based on an actuarial valuation, an annual required contribution ("ARC") is determined by the Authority. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. To the extent that the Authority contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB Statement No. 45 does not require that the unfunded liability actually be funded, only that the Authority account for unfunded accrued liability. The financial statements at December 31, 2014 include a liability in the amount of \$13.77 million that represents the Authority's unfunded liability. This is an increase of \$1.75 million over the 2013 amount.

- Capital lease obligations decreased by \$82,550 due to principal payments made on various leases.
- Net Position is the difference between all the other elements of the statement. That is assets plus deferred outflows, less liabilities, less deferred inflows.

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**ONONDAGA COUNTY WATER AUTHORITY**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Review of Revenues**

**TABLE 2**

	<b>2013</b>	<b>2014</b>
Residential/Commercial Sales	\$ 28,784,567	\$ 30,377,723
Industrial Sales	4,487,000	4,340,561
Municipal (Water Utility) Sales	3,210,913	3,505,635
Fire Protection	1,205,075	1,240,094
Miscellaneous Revenue	1,130,295	1,061,652
Interest from Investments Held in Trust	15,273	11,083
Gain on Disposal of Fixed Assets	<u>17,628</u>	<u>8,047</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 38,850,751</u></u>	<u><u>\$ 40,544,795</u></u>

- On January 1, 2014, OCWA implemented a Base System Fee increase of \$8.00 per year for each equivalent dwelling unit (EDU) for all customer classes except fire protection. The increases, which were determined in late 2013, were based on the projected requirements for 2014 and took into account changes that were expected to have an effect on 2014 operations. The rate increases took effect on January 1, 2014.
- Total water revenues for 2014 increased by \$1,776,458 (4.7%) over the previous year. Residential and commercial sales increased by \$1,593,156 (5.5%), industrial sales decreased by \$146,439 (3.3%), municipal sales increased by \$294,722 (9.2%) and fire protection increased by \$35,019 (2.9%).
- As shown above, Residential and Commercial sales grew by more than the amount attributable to the EDU increase. This was due to an increase in consumption by residential and commercial customers from 6,506 MG in 2013 to 6,675 MG in 2014. The amount of the increase (169 MG) equates to a 2.6% rise in number of gallons billed.
- Industrial sales decreased even with the EDU increase. This was caused by a total consumption decrease of 73.7 MG or 2.9% by Industrial customers over the previous year.
- Municipal sales increased by 9.2% in 2014 over the 2013 amount. In addition to the EDU increase, Municipal consumption increased from 1,968 MG in 2013 to 2,091 MG in 2014. The increase of 123 MG equates to a 6.3% in the number of gallons billed.

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**ONONDAGA COUNTY WATER AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Review of Expenses**

**TABLE 3**

	<b>2013</b>	<b>2014</b>
Operations	\$ 9,502,166	\$ 9,483,848
Purchased Water	8,388,573	8,818,605
General and Administrative	5,998,060	6,477,084
Less: Burden Applied	(980,400)	(964,906)
Depreciation	5,588,684	5,457,138
Bond Premium Amortization	(166,200)	(179,256)
Water District Lease Amortization	514,945	508,115
Maintenance	5,960,908	6,762,492
Other Expense	<u>2,838,005</u>	<u>2,817,842</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 37,644,741</u></u>	<u><u>\$ 39,180,962</u></u>

Total expenses for 2014 were up by \$1,536,221 (4.1%) compared to fiscal year 2013. Areas of expense that experienced significant changes, both plus and minus, in 2014 included: labor, health insurance, pensions, OPEB, worker's compensation and general liability insurances, purchased water, professional services, outside contractors and depreciation are discussed below.

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

Labor expenses in operations, maintenance and general and administrative accounts increased by \$262,268 (3.2%) during 2014 as compared to 2013. Both the Teamsters and CSEA contracts included wage increases effective January 1, 2014. The rates for the CSEA employees increased by 3.0% and Teamsters rates increased by 2.5%.

Also impacting the increase was the extremely cold weather that the Authority's service area experienced at the beginning of 2014. At least partially due to the cold, OCWA repaired 42 more water main breaks in 2014 than it did in 2013. That is an 11.2% rise and the overtime required to mend the breaks increased labor costs significantly. One reason that the Labor increase is not more than \$262,268 is that in 2013 OCWA took over the former Camillus Consolidated Water System and especially at the beginning of that year spent an extraordinary amount of labor, both regular and overtime, operating, repairing, testing, mapping and generally getting the area up to OCWA standards. That effort was not required in 2014.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Notable Expense Changes (Other Than Labor)**

Group health insurance had an overall increase of \$164,971 (5.8%) as compared to 2013 for the Authority's employees and retirees. Health insurance premiums increased by 14.6% for CSEA and non-union employees in July and premiums for Teamsters employees increased by 2.5% in January 2015.

For pensions, OCWA's employees are covered under the New York State and Local Employees' Retirement System. OCWA's expense for contributions made to the system was \$1,858,246, an increase of \$69,828 (3.9%) over the 2013 amount.

OPEB expense for 2014 increased by \$51,638 (3.0%) as compared to the 2013 figure. The amount was determined by the Authority's interim actuarial valuation.

Worker's Compensation Insurance increased by \$70,368 and the expense related to various other insurances, including general liability, increased by \$44,464. The total increase of \$114,832 represents a 14.3% rise over 2013.

Purchased water cost increased by \$430,032 (5.1%) for 2014. This increase can be attributed to the Metropolitan Water Board's (MWB) rate increase of \$.09 per 1000 gallons implemented in 2014. The quantity purchased from MWB in 2014 was extremely close to the amount purchased in 2013, being just 4,298,000 gallons (0.06%) more.

Professional Services expense was \$67,137 (37.1%) higher than in 2013. The increase is due to several factors which include: additional storage tank inspections, additional bond counsel fees, a compensation study for CSEA and Administrative employees and costs associated with an Otisco Lake shoreline property sale issue.

The Authority's expense for Outside Contractors increased by \$263,985 (19.2%) in 2014 as compared to 2013. The most significant area of increase was in paving costs, going from \$444,000 in 2013 to \$648,951 in 2014, an increase of \$204,951. This rise which accounts for 77.6% of the total increase is connected, in part, to the high number of water main breaks repaired in 2014. For each break there are associated paving costs to restore the road under which the break took place.

Depreciation decreased by \$131,546 (2.4%) in 2014 as compared to 2013 figures. The decrease is primarily due to the Authority's Conquest Project (General Ledger, Accounts Payable, Customer Information/Billing, Work Order, Asset Management etc.) which was placed in service in 2004, becoming fully depreciated in 2013. That project's annual depreciation of over \$367,000 was more than the increased depreciation from asset additions of over \$8.8 million to Water Plant in Service in 2014 as well as the nearly \$6.7 million in 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Summary of Overall 2014 Operations**

In 2014 OCWA experienced a net income before capital contributions of \$1,363,833, an increase of \$157,823 from the net income of \$1,206,010 for the fiscal year ended December 31, 2013. The most significant components that make up the increase were: increased water revenue being partially offset by increased labor, increased purchased water and increased outside contractors.

**OCWA Budget Process**

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**System Growth**

Areas of growth included the following:

- For 2014, system growth included the installation of 19 developer / individual main extensions, totaling 26,959 feet of main.
- The Town of Hastings continues to develop and add small districts.
- OCWA and Onondaga County continue to work proactively to attract industrial customers to the County, using the availability and cost of water as a selling point.

**Areas of Growth, 2015 and Beyond**

- The Town of Granby continues to work on the development of new water supply districts, and the Town Supervisor continues to seek additional funding from any and all sources. The current proposed district will add over 600 customers once everyone connects to the new system.
- The Town of Volney is working on its Airport Water Service Area # 3 which, once completed will add up to 120 connections.
- The Town of Constantia Bernard's Bay Water System which will extend water lines to the east, coming close to the western border of the Village of Cleveland is nearing construction and once completed has the potential to add over 600 new customers.
- The Town of Schroepfel received a zero interest hardship loan for the construction of its Route 10 & 12 / Pennellville water district which has the potential to add over 1,000 connections should the district be approved and constructed in 2016 as proposed.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Areas of Growth, 2015 and Beyond – Continued**

- Madison County is moving forward with the development of its Agricultural and Renewable Energy (ARE) Park. ARE Park has the potential to add up to seven industrial users with a projected daily demand between 100,000 to 200,000 gallons per day.
- Demand for developer main extensions has started to pick up. For all of 2014, nineteen developer extensions were completed. For the start of 2015 six contracts have been issued, five designs have been completed and the contracts are being prepared and an additional 5 extensions are in the design phase and several developers are initiating discussion related to new projects.
- The Town of Lysander is updating its Comprehensive Land Use Plan. Of note in the plan are two major developments located south of Route 31 along the Seneca River. Once completed the two developments have the potential to add 1,000 customers to the OCWA system.
- OCWA essentially now serves all the towns and villages within its potential service territory, which covers a very large geographic footprint in the Four Counties (Onondaga, Oswego, Madison and Oneida). Collectively OCWA serves 32 towns and 13 villages on a retail basis. OCWA now wholesales water to two towns on a regular basis and has another seven wholesale connections that are used on an intermittent basis. Future growth, with respect to retail sales will be tied to infill in the 32 towns served throughout the four-county region.

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**ONONDAGA COUNTY WATER AUTHORITY****MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Capital Assets at Year End (Net of Depreciation)****TABLE 4**

	<b>Governmental Activities</b>		<b>Total Percent Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013-2014</b>
Water Plant in Service	\$ 276,793,028	\$ 285,602,597	3.18%
Water Rights - Source	5,250,000	5,250,000	0.00%
Construction Work-in-Progress (I&E)	5,180,869	3,334,444	-35.64%
Water District Lease	23,169,890	23,169,890	0.00%
Pre-Survey and Investigation	164,381	217,311	32.20%
Jobbing in Progress	278,540	271,470	-2.54%
Allowance for Depreciation	(73,119,322)	(77,937,329)	6.59%
Accumulated Amortization/Water Districts	(12,214,379)	(12,722,494)	4.16%
Residual Amortization/Water Rights	(5,250,000)	(5,250,000)	0.00%
Deferred Charge - Capital Interest on FP	<u>(14,242)</u>	<u>(11,614)</u>	<u>-18.45%</u>
Total	<u>\$ 220,238,765</u>	<u>\$ 221,924,275</u>	<u>0.77%</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

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

Increase to Water Plant in Service Highlights

- Seneca Street Pump Station Upgrades – \$1,332,469
- Thurber Street Pump Station Upgrades – \$1,123,434
- Corporate Park Drive Tank Improvements and Renovations – \$611,673
- East Hill Standpipe Improvements and Renovations – \$536,254
- Water meters in the amount of \$809,548 as part of an ongoing meter replacement project
- The completion of various water main projects – \$2,083,084
- The installation of new and replacement water services – \$936,046
- The installation of new and replacement hydrants – \$434,270
- The replacement of vehicles in its fleet as part of OCWA's asset management program

Construction Work-In-Progress Highlights

Construction Work-In-Progress decreased by \$1,846,425 during 2014, from \$5,180,869 at the beginning of the year, to \$3,334,444 at year end. Of that amount, \$2,008,190 is related to the following six projects:

- 8" Ext. Sunflower Dr. – \$628,695
- Otisco Water Treatment Plant Facility Upgrade – \$411,739
- 8" & 12" Ext. Township 5 Phases 1 & 2 – \$288,368
- 8" Ext. Myers Rd. – \$238,492
- 8" Ext. Parsons Dr./Granger Rd. – \$223,016
- 8" Ext Johnson & Stoutenger St. – \$217,880

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

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

Pre-Survey and Investigation Highlights

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

Jobbing in Progress

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

**Long-Term Debt Administration**

The Authority has four General Water System Revenue Bond issues and two E.F.C. Drinking Water Bond issues outstanding with a remaining principal totaling \$61,995,000 as of December 31, 2014. OCWA's most recent bonds were issued in March 2013.

On March 5, 2013, the Authority issued \$8,390,000 in General Water System Revenue Bonds Series 2013. The bonds bear interest at rates ranging from 2.0% to 4.5% and have a final maturity date of September 15, 2025. The bonds were issued to advance refund the Authority's 2005 Series A bonds maturing after 2015. The 2005 Series A Bonds were originally issued to pay capital costs of certain improvements of the Water System. As of December 31, 2014, the 2013 bonds have a remaining principal of \$8,185,000. This amount reflects a principal payment of \$30,000 made in September 2014.

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

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## ONONDAGA COUNTY WATER AUTHORITY

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

#### Long-Term Debt Administration – Continued

The General Water System Revenue Bonds, Series 2010A have a remaining principal balance of \$1,895,000 as of December 31, 2014. This amount reflects a principal payment of \$1,060,000 made in September 2014. The required principal payment on the bond in 2015 is \$420,000. The bonds bear interest at rates ranging from 3.0% to 5.0% and have a final maturity date of September 15, 2025. The bonds were issued to provide funds to redeem all outstanding 2001 Series A Bonds maturing after 2010 as well as provide funds for capital improvements.

The E.F.C. Drinking Water Bonds, 2009 Series A have a remaining principal balance of \$22,695,000 as of December 31, 2014. The remaining balance reflects a principal payment of \$437,835 made in June 2014. The required principal payment on the bond in 2015 is \$465,000. The interest rate is 4.8721%. Bonds mature serially in varying annual amounts and have a final maturity date of June 15, 2038.

The E.F.C. Drinking Water Installment Bonds, 2008 Series A were issued in the amount of \$14,226,510 has a remaining principal balance of \$11,675,000 as of December 31, 2014. This amount reflects a principal payment of \$540,000 made in October 2014. The required principal payment on the bond in 2015 is \$555,000. The 2008 Bonds mature serially in varying annual amounts through 2029, with an interest rate of 4.27%, one third of which is subsidized by E.F.C. (New York State Environmental Facilities Corporation).

The General Water System Revenue Bonds, 2005 Series A have a remaining principal balance of \$635,000 as of December 31, 2014. During 2013, the 2005 Series A bonds maturing after 2015 (\$8,390,000) were advance refunded. The advance refunding reduced the total debt service payments by \$962,963. This amount also reflects a principal payment of \$610,000 made in September 2014. The required principal payment on the bond in 2015 is \$635,000. As is the case with all of the bonds, one twelfth of the required amount is set aside monthly. The 2005 bonds mature serially in varying annual amounts with interest rates ranging from 3.5% to 5.00%, payable semi-annually.

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**ONONDAGA COUNTY WATER AUTHORITY**

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Long-Term Debt Administration – Continued**

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

<b>Series Bonds</b>	<b>Bonds Outstanding as of December 31, 2014</b>
2013 Series Bonds	\$ 8,185,000
2011 Series Bonds	16,910,000
2010 Series A Bonds	1,895,000
2009 E.F.C. Bonds	22,695,000
2008 E.F.C. Bonds	11,675,000
2005 Series A Bonds	<u>635,000</u>
Total	<u>\$ 61,995,000</u>

**OCWA Bond Rating**

In February 2013, Moody’s Investors Service assigned an Aa3 rating to OCWA’s 2013 Bonds. At the same time it affirmed the Aa3 rating on OCWA’s previously issued revenue bonds and the 2008 and 2009 E.F.C. Bonds.

**Looking Forward**

For 2015 OCWA implemented a \$3 per quarter (\$12 per year) increase of its Base System fee for each Equivalent Dwelling Unit (EDU). A 5/8-inch meter equals one EDU and is representative of a typical residential meter. By way of example, a 2-inch commercial meter equals 8 EDUs and an 8-inch industrial meter equals 85 EDUs. Based on OCWA’s current metered customer base of 99,610 metered accounts (as of February 18, 2015) and a total EDU count of 117,719, a projected annual revenue increase of \$1,412,628 is anticipated for 2015, which represents a 3.57% increase in total water sales revenue. It should also be pointed out that the increase is fixed and not subject to the water use fluctuations as is the commodity rate per 1,000 gallons. OCWA also increased its commodity cost by 2.5 cents per 1,000 gallons. The increase was put in place to offset the 5 cent per 1,000 gallon increase passed on by the Metropolitan Water Board, effective January 1, 2015. The overall impact on an average OCWA customer, using 13,500 per quarter, is a monthly increase of \$1.11 or 5.39% per year. The ongoing annual rate increases are in accordance with the Authority’s 2005 Bond Trust Indenture, whereby OCWA’s Board is required to review rates on an annual basis and adjust them accordingly.

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**ONONDAGA COUNTY WATER AUTHORITY**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Looking Forward – Continued**

Rate increases since 2001 and up to and including 2015 are listed below:

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

- For 2015 the Metropolitan Water Board increased its water rates 5-cents per 1,000 gallons which, based on OCWA's approved budget, should result in a projected increased \$333.098 for purchased water for the year. The Syracuse Water Department, which is on a July 1 – June 30 budget cycle, did not raise rates for the 2014-2015 cycle. OCWA's 2015 O&M Budget takes both into account. For 2014, OCWA purchased 49.34% (down from 50.29% in 2013) of its water from MWB. The purchase of water from the City of Syracuse increased to 3.05%, up from 2.78% in 2013. Total water purchased for 2014 decreased to 52.39%, down from 53.07% in 2013. For 2014, purchased water costs represents 28.84% of the Authority's operating expense, before depreciation and amortization.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Looking Forward – Continued**

- OCWA ended 2014 with 133.25 full time equivalent employees, 5.75 less than budgeted due primarily to year end retirements. For 2015, the Authority has budgeted to increase staff to 140.5 full time equivalent employees. The half employee is a short term situation due to the early hire of a new Executive Engineer who will be assuming the duties in July 2015 when the current Executive Engineer will be promoted to Deputy Executive Director upon retirement of the incumbent. The other added staff members include the hire of a Database Administrator for the IT Department (this position was in the 2014 budget but went unfilled due to Civil Service delays), the addition of an Engineering Technician in the Engineering Department and the addition of a technician in the Distribution Operations Department.
- Chemical costs for 2015 are projected to remain stable. OCWA's cost of electric and natural gas costs in 2015 remain stable with improved energy efficiencies softening the impact of potential rate increases.
- The pace of capital projects underway will be picking up in 2015 and 2016. Key projects underway in 2015 include enhancing the stability of the Otisco Lake Dam (\$550,000), construction of two replacement pump stations in the recently acquired Camillus Water System (\$1,320,401), tank repairs (\$479,000), replacement tank construction (\$2,900,000), meter test facilities improvements (\$600,000) and three major water main improvements / extension projects (\$3,900,000).
- OCWA's ongoing annual capital budget for 2015 is approved for \$4,370,800 with an additional \$9.85 million in major improvements anticipated in 2015 and 2016. The additional capital work will be funded in part by a \$5.2 million bond issue scheduled for April 2015 and through use of funds on hand being held for capital improvements. The annual capital budget addresses increasing demand for meter replacements and upgrades, replacement of water mains, hydrants and valves. The budget also covers ongoing replacement of vehicles and heavy equipment. Additionally, the capital budget addresses building and facilities improvements ranging from control pit repairs to two storage tank rehabilitation projects. All approved projects are in keeping with OCWA's ongoing asset management efforts, whereby operating and engineering staff continually review and prioritize the overall needs related to replacement and or enhancement of all assets throughout the system.

**Request for Information**

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

**AUDITED FINANCIAL STATEMENTS**

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**STATEMENTS OF NET POSITION**

December 31, 2014 and 2013

**ASSETS**

	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 130,731	\$ 507,673
Accounts Receivable - Customers (Less Allowance for Doubtful Accounts of \$60,000 and \$80,000 in 2014 and 2013, Respectively)	7,591,167	7,334,692
Accounts Receivable - Other	11,767	4,146
Materials, Supplies and Prepaid Expenses	<u>2,493,966</u>	<u>2,318,712</u>
Total Current Assets	10,227,631	10,165,223
<b>RESTRICTED ASSETS</b>		
Customer Deposits	754,348	505,010
General Authority Fund	2,461,053	2,516,287
Bond Fund	1,796,069	1,825,623
General Fund	12,599,073	10,256,923
Renewal and Replacement Fund	404,860	899,678
Bond Reserve Fund	5,273,184	5,277,254
Construction Fund	<u>1,561,881</u>	<u>3,426,490</u>
Total Restricted Assets	24,850,468	24,707,265
<b>PLANT AND WATER RIGHTS, NET</b>	<u>221,924,275</u>	<u>220,238,765</u>
<b>TOTAL ASSETS</b>	<u>257,002,374</u>	<u>255,111,253</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amount on Refunding	<u>755,216</u>	<u>840,747</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>755,216</u>	<u>840,747</u>

**LIABILITIES AND NET POSITION**

	<b>2014</b>	<b>2013</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	3,156,480	3,195,426
Capital Lease Obligations - Current Portion	<u>45,925</u>	<u>82,550</u>
Total Current Liabilities	3,202,405	3,277,976
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Accounts Payable	59,654	350,664
Customer Deposits	469,095	301,540
Bonds Payable, Portion Due Within One Year	2,670,000	2,677,835
Accrued Interest on Bonds Payable	<u>481,076</u>	<u>506,560</u>
Total Liabilities Payable from Restricted Assets	3,679,825	3,836,599
<b>LONG-TERM DEBT</b>		
Bonds Payable	61,455,492	64,304,749
Postemployment Benefits Other Than Pension	13,772,639	12,018,336
Capital Lease Obligations, Net of Current Portion	<u>138,250</u>	<u>184,175</u>
Total Long-Term Debt	<u>75,366,381</u>	<u>76,507,260</u>
<b>TOTAL LIABILITIES</b>	<u>82,248,611</u>	<u>83,621,835</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	158,369,824	153,830,203
Restricted	23,555,390	23,345,031
Unrestricted	<u>(6,416,235)</u>	<u>(4,845,069)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 175,508,979</u></u>	<u><u>\$ 172,330,165</u></u>

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See notes to financial statements.

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**ONONDAGA COUNTY WATER AUTHORITY****STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Years Ended December 31, 2014 and 2013

	2014	2013
<b>OPERATING REVENUE</b>		
Charges for Services	\$ 39,464,013	\$ 37,687,555
Penalties	582,396	579,800
Other	479,256	550,495
	<hr/>	<hr/>
Total Operating Revenue	40,525,665	38,817,850
<b>OPERATING EXPENSE</b>		
Source of Supply	8,818,605	8,388,573
Transmission and Distribution	14,932,546	14,167,497
Collection	1,313,794	1,295,577
Administration	5,512,178	5,017,660
Depreciation and Amortization	5,785,997	5,937,429
	<hr/>	<hr/>
Total Operating Expense	36,363,120	34,806,736
<b>INCOME FROM OPERATIONS</b>	4,162,545	4,011,114
<b>OTHER INCOME (EXPENSE)</b>		
Interest from Investments Held by Trustee	11,083	15,273
Gain on Disposal of Fixed Assets	8,047	17,628
Debt Issuance Costs	0	(97,476)
Interest Expense	(2,817,842)	(2,740,529)
	<hr/>	<hr/>
Net Other Expense	(2,798,712)	(2,805,104)
Net Income Before Capital Contributions	1,363,833	1,206,010
Capital Contributions	1,814,981	2,140,324
	<hr/>	<hr/>
<b>CHANGE IN NET POSITION</b>	3,178,814	3,346,334
<b>NET POSITION</b>		
Balance, Beginning of Year	172,330,165	168,983,831
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Balance, End of Year	\$ 175,508,979	\$ 172,330,165
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See notes to financial statements.

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**ONONDAGA COUNTY WATER AUTHORITY**

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**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 40,261,571	\$ 38,761,169
Cash Payments for Goods and Services	(20,947,000)	(19,292,658)
Cash Payments to Employees	<u>(8,406,516)</u>	<u>(8,191,076)</u>
Net Cash Provided By Operating Activities	10,908,055	11,277,435
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Customer Deposits Received	635,305	731,120
Refunding of Customer Deposits	<u>(467,750)</u>	<u>(957,864)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	167,555	(226,744)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Capital Assets	113,874	120,288
Cash Received from Contributed Capital	1,814,981	2,140,324
Payments for Capital Acquisitions	(7,756,589)	(9,375,108)
Debt Issuance Costs	0	(97,476)
Premium on 2013 Bond Issuance	0	985,783
Proceeds from Issuance of Long-Term Debt	0	8,390,000
Retirement of Debt (Paid to Escrow Fund)	0	(9,507,688)
Principal Payments	(2,760,385)	(2,814,750)
Interest Paid	<u>(2,732,313)</u>	<u>(2,666,527)</u>
Net Cash Used In Capital and Related Financing Activities	(11,320,432)	(12,825,154)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts of Interest	<u>11,083</u>	<u>15,273</u>
Net Cash Provided By Investing Activities	<u>11,083</u>	<u>15,273</u>
Net Decrease in Cash	(233,739)	(1,759,190)
Cash, Beginning of Year	<u>25,214,938</u>	<u>26,974,128</u>
Cash, End of Year	<u>\$ 24,981,199</u>	<u>\$ 25,214,938</u>

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See notes to financial statements.

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income from Operations	\$ 4,162,545	\$ 4,011,114
Adjustments to Reconcile Income from Operations to Net Cash Provided By Operating Activities:		
Depreciation	5,457,138	5,588,684
Amortization	328,859	348,745
(Increase) Decrease in Operating Assets:		
Accounts Receivable - Customer	(256,475)	(158,541)
Accounts Receivable - Other	(7,621)	101,861
Materials, Supplies, and Prepaid Expenses	(175,254)	135,560
Increase (Decrease) in Operating Liabilities:		
OPEB Liability	1,754,303	1,702,665
Accounts Payable and Accrued Liabilities	<u>(355,440)</u>	<u>(452,653)</u>
Net Cash Provided By Operating Activities	<u>\$ 10,908,055</u>	<u>\$ 11,277,435</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 1 – NATURE OF OPERATIONS**

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Accounting**

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

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

**Basis of Presentation**

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

- *Net Investment in Capital Assets* are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation and related debt.
- *Restricted Net Position* – This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This component consists of the remaining net assets, which can be further categorized as designated or undesignated. Designated assets are not governed by statute or contract but are committed for specific purposes pursuant to Authority policy and/or Board directives. Designated assets include funds and assets committed to working capital.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Cash, Cash Equivalents and Investments**

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

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

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

**Accounts Receivable**

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

**Materials and Supplies**

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

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**ONONDAGA COUNTY WATER AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Bond Premium**

Amortization of bond premium is on the straight-line basis over the life of the bonds and amounted to \$179,256 and \$166,200 for the years ended December 31, 2014 and 2013, respectively.

**Other Postemployment Benefits**

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

**Plant and Water Rights**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Revenue Recognition**

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

**Income Tax Status**

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

**Contributed Capital**

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

**Use of Estimates**

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

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**ONONDAGA COUNTY WATER AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 3 – ASSETS HELD BY TRUSTEE**

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Assets held in trust in accordance with the General Water System Revenue Bonds Trust Indentures dated November 1, 2005, August 19, 2010, April 5, 2011 and March 5, 2013, and the Environmental Facilities Corporation's Drinking Water Installment Bond Indenture dated June 18, 2008 and March 12, 2009 are stated at cost plus accrued income, which approximates fair market value at December 31, 2014 and 2013. Assets held by Trustee consist principally of cash and cash equivalents and are included in Restricted Assets on the statement of net position.

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

Cash, cash equivalents and investments of the Authority at December 31, 2014 consist of the following:

<b>December 31, 2014</b>	<b>Carrying Value</b>	<b>Bank Balance</b>
Cash and Cash Equivalents:		
Cash on Hand	\$ 1,000	\$ 1,000
Bank Accounts	983,236	1,130,439
	<hr/>	<hr/>
Total Cash and Cash Equivalents	\$ 984,236	\$ 1,131,439
	<hr/> <hr/>	<hr/> <hr/>
Investments:		
Money Market Funds	\$ 3,675,582	\$ 3,640,803
U.S. Treasury Bills	20,321,381	20,320,544
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Total Investments	\$ 23,996,963	\$ 23,961,347
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**ONONDAGA COUNTY WATER AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued**

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Cash, cash equivalents and investments of the Authority at December 31, 2013, consist of the following:

<b>December 31, 2013</b>	<b>Carrying Value</b>	<b>Bank Balance</b>
Cash and Cash Equivalents:		
Cash on Hand	\$ 1,025	\$ 1,025
Bank Accounts	<u>1,121,306</u>	<u>1,217,373</u>
Total Cash and Cash Equivalents	<u>\$ 1,122,331</u>	<u>\$ 1,218,398</u>
Investments:		
Money Market Funds	\$ 3,983,234	\$ 4,002,799
U.S. Treasury Bills	19,865,339	19,868,644
Federated Treasury Obligation	222,971	222,982
Held by a Fiscal Agent	<u>21,063</u>	<u>21,063</u>
Total Investments	<u>\$ 24,092,607</u>	<u>\$ 24,115,488</u>

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposits are secured by \$508,821 from the Federal Depository Insurance Corporation plus \$638,934 of pledged collateral at December 31, 2014. For the Authority, all pledged collateral and all investments are classified in the highest category by being held in bank trust departments in the Authority's name.

**ONONDAGA COUNTY WATER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 5 – PLANT AND WATER RIGHTS**

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2014 is as follows:

	<b>December 31, 2013</b>	<b>Additions</b>	<b>Retirements / Reclassifications</b>	<b>December 31, 2014</b>
Land	\$ 963,543	\$ 0	\$ 0	\$ 963,543
Dams, Buildings and Other Structures	75,388,023	4,138,344	0	79,526,367
Pumping and Purification Equipment	3,111,025	24,858	0	3,135,883
Mains, Meter, Services and Other Distribution Facilities	156,423,314	4,269,984	427,052	160,266,246
Filtration Plant	24,602,735	13,246	0	24,615,981
Automobiles, Trucks and Other Equipment	16,304,388	1,110,723	320,534	17,094,577
Leased Water Districts	23,169,890	0	0	23,169,890
	<u>299,962,918</u>	<u>9,557,155</u>	<u>747,586</u>	<u>308,772,487</u>
Construction-in-Progress	5,623,790	3,305,548	5,106,113	3,823,225
Water Rights	5,250,000	0	0	5,250,000
	<u>310,836,708</u>	<u>12,862,703</u>	<u>5,853,699</u>	<u>317,845,712</u>
Less: Accumulated Depreciation and Amortization	<u>90,597,943</u>	<u>5,965,253</u>	<u>641,759</u>	<u>95,921,437</u>
Net Plant and Water Rights	<u><u>\$ 220,238,765</u></u>	<u><u>\$ 6,897,450</u></u>	<u><u>\$ 5,211,940</u></u>	<u><u>\$ 221,924,275</u></u>

**ONONDAGA COUNTY WATER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 5 – PLANT AND WATER RIGHTS – Continued**

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2013 is as follows:

	<b>December 31, 2012</b>	<b>Additions</b>	<b>Retirements / Reclassifications</b>	<b>December 31, 2013</b>
Land	\$ 963,543	\$ 0	\$ 0	\$ 963,543
Dams, Buildings and Other Structures	73,823,401	1,564,622	0	75,388,023
Pumping and Purification Equipment	3,111,025	0	0	3,111,025
Mains, Meter, Services and Other Distribution Facilities	152,373,537	4,493,291	443,514	156,423,314
Filtration Plant	24,602,735	0	0	24,602,735
Automobiles, Trucks and Other Equipment	15,227,173	1,503,550	426,335	16,304,388
Leased Water Districts	<u>23,169,890</u>	<u>0</u>	<u>0</u>	<u>23,169,890</u>
	293,271,304	7,561,463	869,849	299,962,918
Construction-in-Progress	3,810,145	4,409,088	2,595,443	5,623,790
Water Rights	<u>5,250,000</u>	<u>0</u>	<u>0</u>	<u>5,250,000</u>
	302,331,449	11,970,551	3,465,292	310,836,708
Less: Accumulated Depreciation and Amortization	<u>85,261,503</u>	<u>6,098,041</u>	<u>761,601</u>	<u>90,597,943</u>
Net Plant and Water Rights	<u><u>\$ 217,069,946</u></u>	<u><u>\$ 5,872,510</u></u>	<u><u>\$ 2,703,691</u></u>	<u><u>\$ 220,238,765</u></u>

Depreciation and amortization charged to expense at December 31, 2014 and 2013 was \$5,785,997 and \$5,937,429, respectively, which includes amortization of leased water districts (see Note 6).

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 6 – LONG-TERM DEBT**

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**Water Revenue Bonds Payable**

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

Bonds outstanding at December 31, 2014 and 2013 amounted to \$27,625,000 and \$29,325,000, respectively. The bonds mature serially in varying annual amounts through 2028, with interest ranging from 3.50% and 5.00%, payable semi-annually. The 2005 bonds, maturing on September 15, 2015, the 2010 bonds maturing on or after September 15, 2021, the 2011 bonds maturing on or after September 15, 2028 and the 2013 bonds maturing on or after September 15, 2025, are redeemable, at the option of the Authority, prior to maturity in the inverse order of their maturity at par, plus accrued interest thereon to the redemption date.

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

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

At December 31, 2014, approximately \$12,000 of the deferred amount on refunding was included in deferred outflows on the statement of net position.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 6 – LONG-TERM DEBT – Continued**

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**Water Revenue Bonds Payable – Continued**

On March 5, 2013, the Authority issued \$8,390,000 in General Water System Revenue Bonds, Series 2013A to partially advance refund outstanding General Water System Revenue Bonds, 2005A. The Series 2013A bonds bear interest rates ranging from 2.0% to 4.5% and have a final maturity date of September 15, 2025. The net proceeds (after payment of \$97,987 in underwriting fees and other issuance costs) and \$399,492 of existing reserve funds for the 2005A Series bonds were used to purchase State and Local Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$8,390,000 of the 2005A Series bonds are considered to be defeased and the liability has been removed from the accounts. The outstanding principal for the unrefunded portion of the 2005A Series bonds is \$1,245,000 with a final maturity of September 15, 2015. The outstanding principal of the defeased bonds is \$8,185,000 at December 31, 2014.

The advance partial refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$870,452. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged as a component of interest expense through the year 2025. The Authority completed the refunding to reduce its total debt service payments over the next thirteen years by \$962,963 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$621,709. At December 31, 2014, approximately \$744,000 of the deferred amount on refunding was included in deferred outflows on the statement of net position.

**Environmental Facilities Corporation Revenue Bonds (“E.F.C. Drinking Water Installment Bonds”)**

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

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

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**ONONDAGA COUNTY WATER AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 6 – LONG-TERM DEBT – Continued**

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

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

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

	<b>Principal on Bonds</b>	<b>Interest Payable</b>	<b>Total Debt Service</b>
2015	\$ 2,670,000	\$ 2,636,042	\$ 5,306,042
2016	2,780,000	2,534,447	5,314,447
2017	2,900,000	2,431,890	5,331,890
2018	3,020,000	2,320,044	5,340,044
2019	3,135,000	2,208,361	5,343,361
2020 - 2024	17,835,000	9,028,001	26,863,001
2025 - 2029	16,975,000	5,093,286	22,068,286
2030 - 2034	5,315,000	2,467,110	7,782,110
2035 - 2038	7,365,000	85,140	7,450,140
	<hr/>	<hr/>	<hr/>
	61,995,000	\$ 28,804,321	\$ 90,799,321
Less: Current Portion	2,670,000		
Add: Premium on Long-Term Debt	2,130,492		
	<hr/>		
Bonds Payable - Long-Term	<u>\$ 61,455,492</u>		

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**ONONDAGA COUNTY WATER AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 6 – LONG-TERM DEBT – Continued**

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

Changes in long-term liabilities are as follows:

	<b>December 31, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2014</b>
Bonds Payable:				
Water Revenue Bonds	\$ 29,325,000	\$ 0	\$ 1,700,000	\$ 27,625,000
E.F.C. Drinking Water Installment Bonds	35,347,835	0	977,835	34,370,000
	<u>64,672,835</u>	<u>0</u>	<u>2,677,835</u>	<u>61,995,000</u>
Total Bonds Payable	<u>\$ 64,672,835</u>	<u>\$ 0</u>	<u>\$ 2,677,835</u>	<u>\$ 61,995,000</u>

	<b>December 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2013</b>
Bonds Payable:				
Water Revenue Bonds	\$ 31,105,000	\$ 8,390,000	\$ 10,170,000	\$ 29,325,000
E.F.C. Drinking Water Installment Bonds	36,292,835	0	945,000	35,347,835
	<u>67,397,835</u>	<u>8,390,000</u>	<u>11,115,000</u>	<u>64,672,835</u>
Total Bonds Payable	<u>\$ 67,397,835</u>	<u>\$ 8,390,000</u>	<u>\$ 11,115,000</u>	<u>\$ 64,672,835</u>

**ONONDAGA COUNTY WATER AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 6 – LONG-TERM DEBT – Continued**

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**Capital Leases**

The Authority leases certain water facilities under capital lease obligations. Water facilities included in capital assets amounted to \$23,169,890 for both years ending December 31, 2014 and 2013. Accumulated amortization related to these water facilities was \$12,722,494 and \$12,214,378 for the years ending December 31, 2014 and 2013, respectively.

Amortization expense related to water facilities under capital leases was \$508,115 and \$514,945 for the years ended December 31, 2014 and 2013, respectively.

At December 31, 2014, amounts remaining to be paid under long-term lease obligations are as follows:

2015	\$ 55,975
2016	58,520
2017	55,815
2018	20,384
2019	<u>19,292</u>
	209,986
Less: Current Portion	45,925
Less: Imputed Interest	<u>25,811</u>
Lease Obligations – Long-Term	<u>\$ 138,250</u>

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM**

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**Plan Description**

The Authority participates in the New York State and Local Employees' Retirement System (ERS) "Plan". This is a cost sharing multiple employer defined benefit retirement plan overseen by the Comptroller of the State of New York. The Plan offers a wide range of benefits that are related to years of service and final average salary, vesting of retirement benefits, death, and disability. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Alfred E. Smith State Office Building, Albany, New York 12244.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 7 – EMPLOYEE RETIREMENT SYSTEM – Continued**

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**Funding Policies**

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in the System contribute 3% of their salary throughout their active membership. The Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Employees who join on or after April 1, 2012 (Tier 6) will contribute 3% of their reportable salary. Beginning April 1, 2013, the contribution rate for Tier 6 members will vary based on each member's annual compensation varying between 3-6%.

The Authority is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years are as follows:

	<b>Annual Contributions</b>
2012	<u>\$ 1,552,196</u>
2013	<u>\$ 1,788,417</u>
2014	<u>\$ 1,858,246</u>

The Authority's contributions made to the System were equal to 100% of the contributions required for each year. Effective May 14, 2003, the System requires a minimum employer contribution of 4.5% annually of the System's fund value at April 1 of the previous fiscal year.

**Deferred Compensation Plan**

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

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

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

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**Plan Description**

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

**Funding Policy**

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

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

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

**ONONDAGA COUNTY WATER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

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

**Annual Other Postemployment Benefit Cost**

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

The following table shows the components of the Authority’s annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority’s net OPEB obligation for the years ended December 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Annual Required Contribution	\$ 2,528,087	\$ 2,361,092
Interest on Net OPEB Obligation	480,733	412,627
Adjustment to Annual Required Contributions	<u>(757,927)</u>	<u>(634,929)</u>
Annual OPEB Cost (Expense)	2,250,893	2,138,790
Contributions Made	<u>(496,590)</u>	<u>(436,125)</u>
Increase in Net OPEB Obligation	1,754,303	1,702,665
Net OPEB Obligation - Beginning of Year	<u>12,018,336</u>	<u>10,315,671</u>
Net OPEB Obligation - End of Year	<u>\$ 13,772,639</u>	<u>\$ 12,018,336</u>

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

<b>Fiscal Year Ended:</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
December 31, 2014	<u>\$ 2,250,893</u>	<u>22.1%</u>	<u>\$ 13,772,639</u>
December 31, 2013	<u>\$ 2,138,790</u>	<u>20.4%</u>	<u>\$ 12,018,336</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

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

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**Funded Status and Funding Progress**

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

**Actuarial Methods and Assumptions**

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

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

**NOTE 9 – NEW ACCOUNTING PRONOUNCEMENTS**

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In June 2012, GASB issued Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. GASB No. 68 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. Statement No. 68 will take effect for periods beginning after June 15, 2014. The Authority is currently assessing impact of this statement on its financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. This Statement amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The guidance amends GASB Statement No. 68 and is required to be applied simultaneously with the provisions of GASB Statement No. 68, which is effective for financial statements of the Authority for the year ending December 31, 2015.

**NOTE 10 – SUBSEQUENT EVENTS**

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The Authority has evaluated subsequent events through March 11, 2015, the date the financial statements were available to be issued, and identified the following additional disclosures.

**ONONDAGA COUNTY WATER AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Year Ended December 31, 2014

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

See notes to financial statements.



Dermody, Burke & Brown, CPAs, LLC

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

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**BOARD OF DIRECTORS  
ONONDAGA COUNTY WATER AUTHORITY**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Onondaga County Water Authority (the Authority), which comprise the statement of net position as of December 31, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2015.

**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.

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Dermody, Burke & Brown*

**DERMODY, BURKE & BROWN, CPAs, LLC**

Syracuse, NY

March 11, 2015



Dermody, Burke & Brown, CPAs, LLC

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

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**BOARD OF DIRECTORS  
ONONDAGA COUNTY WATER AUTHORITY**

We have examined Onondaga County Water Authority's (the Authority) compliance with its own investment policies, applicable laws and regulations related to investments, and the New York State Office of the State Comptroller Investment Guidelines for Public Authorities (Section 2925(3)(f) for the year ended December 31, 2014. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2014.

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

*Dermody, Burke & Brown*

**DERMODY, BURKE & BROWN, CPAs, LLC**

Syracuse, NY

March 11, 2015

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