ONONDAGA COUNTY WATER AUTHORITY

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
ONONDAGA COUNTY WATER AUTHORITY

Report on the Financial Statements

We have audited the accompanying financial statements of **ONONDAGA COUNTY WATER AUTHORITY** (the Authority), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and change 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, 2017 and 2016, 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 required supplementary information, on pages 3 to 24 and 56 to 58, 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 28, 2018, 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 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2017

Introduction

Onondaga County Water Authority's (OCWA) Management's Discussion and Analysis for the fiscal year ended December 31, 2017, 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 2017 financial report, which follows this report.

Financial Highlights

2017 was an extraordinary year, and the following financial highlights will touch on most of the revenue and expense categories that OCWA scrutinizes. While the stark contrast in the weather experienced in 2017 as compared to 2016 played an important role in the changes, the most significant changes came about due to the January 1, 2017 consolidation of Onondaga County's Metropolitan Water Board / Onondaga County Water District (MWB) into the OCWA system. As a result of the union, the Authority assumed full operation, maintenance and capital planning for all MWB's Lake Ontario facilities. Consequently, the impact of the unification will be addressed, by category, in the following highlights.

Starting with revenues, OCWA's 2017 total revenues decreased by $278,223 (0.62%) compared to the 2016 total, and water revenue decreased by $1,368,182 from the previous year's total. A Base System Fee increase of $4.00 per year for each equivalent dwelling unit (EDU) generated approximately $480,000 additional revenue to offset the overall decline in water sales. The commodity rate per 1,000 gallons was not increased for 2017.

The decrease in water sales is largely weather related and the overall change, year over year, was even more dramatic given the extreme contrasts in the weather. While 2016 was overall a warm, dry year, 2017 saw near record rainfall throughout the spring and early summer, which dramatically cut residential demand.

As a result, total water sales were 682.8 million gallons (MG) lower than 2016 sales, resulting in the aforementioned decrease in water revenues. Residential and commercial sales dropped off 361.8 MG. Municipal wholesale use dropped 123.6 MG with both the Towns of Dewitt and Clay seeing similar decreases in demand from its customers due to the weather. The decline in sales to the Towns of DeWitt and Clay were offset somewhat by the OCWA / MWB consolidation due to the addition of the City of Syracuse and the Town of Hannibal water systems as wholesale customers. Also, in July of 2017, the Village of Phoenix water system was added as a municipal wholesale customer, further offsetting the Clay and DeWitt decline.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Financial Highlights – Continued

Industrial sales were off by 197.4 MG with four industrial customers accounting for 93.3% of the drop-off. Anheuser Busch use declined by 49.6 MG, Carr Street Cogeneration declined by 39.9 MG, and Clinton Ditch Cooperative use declined 13.3 MG. The most significant industrial user decrease was attributed to Crucible Steel, where use dropped 81.4 MG from 2016. Decreased use by Crucible Steel is due in part to change in production processes, coupled with improvements to the plant's internal water supply system.

OCWA's 2017 total customer account base increased by 671 (0.69%) over the 2016 year-end total. By year end OCWA's total customer base totaled 102,784 accounts with 101,373 metered residential, commercial, industrial and wholesale accounts. Customer account growth was below average and added 33 fewer accounts than the number of accounts added in 2016.

Three key items that offset the drop in water sales revenue are related to the January 1, 2017 consolidation of the Metropolitan Water Board (MWB) with OCWA. Per the consolidation agreement, OCWA billed Onondaga County in the amount of $156,114 for administrative costs related to the union. Additionally, $516,226 worth of MWB assets, vital to the ongoing operation of the Lake Ontario facilities, were transferred to OCWA at the start of the year. Moreover, again as part of the agreement, OCWA now collects the external customer fees formerly charged by MWB to customers outside the Onondaga County Water District. For 2017, external customer fees totaled $173,938.

Another item, offsetting the decline in water sales revenue, is related to receipt of $72,520 of a $550,000 grant awarded to OCWA to replace the Otisco Lake treatment plant's fluoride system. The balance of the award will be received in 2018.

Moving on to the expense side of Authority operations, operating expenses (less depreciation and amortization) for 2017 were $1,001,123 (3.15%) lower than 2016 expenses, with much of the decrease attributed to the OCWA / MWB consolidation.

While some of the decreased expense can be attributed to costs associated with weather related lower water demand, much of the decrease in expenses can be attributed to the unification of the two, formerly separate water operations.

The most significant change, for comparative purposes, resulting from the OCWA / MWB consolidation was the elimination of the purchase of water from MWB. Year over year purchased water declined $8,621,841. Purchased water declined, on the most part, due to the elimination of purchasing water from MWB. However decreased demand also played a role due to the wet weather experienced in the spring and early summer, resulting in lower demand by OCWA customers, as compared to 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Financial Highlights – Continued

However, it is important to note that although purchased water dropped significantly, the overall cost to operate and maintain MWB remained, with all related costs allocated top to bottom throughout all OCWA's expense categories, and those changes are addressed below.

Labor expense for the year increased $1,966,824 (21.5%) and is partly attributed to wage increases for the Teamsters union personnel (3.0%), CSEA union personnel (3.0%) and Administrative personnel (3.0%). The establishment of a full-time night crew dedicated to hydrant maintenance and valve operations added four new positions to Distribution Maintenance. However, the bulk of the increase in wages is tied to the addition of 33 MWB employees to the OCWA payroll. As a result of combining OCWA and MWB, the Authority's approved personnel count rose from 150 to 183 on January 1, 2017. Fortunately, due to a hiring freeze implemented by the Authority during 2016 in anticipation of the consolidation, seven former MWB staff members applied for and accepted vacant OCWA positions, virtually eliminating the staff related to the Lake Ontario operations center, which in a combined operation would have been redundant. Additionally, two part-time employees voluntarily separated at the end of March 2017. Finally, two other full-time employees voluntarily separated by year-end.

With respect to employee benefits, 2017 benefits increased by $723,106, with $639,350 due to increased healthcare insurance costs. The increased cost of coverage was due in part to rate increases imposed by the Teamsters insurance fund (5%) and the 11.2% to 12.2% increase imposed by NYSHIP for coverage of CSEA and non-union personnel. The main reason for the overall increase ties to the addition of the MWB employees that were transferred to OCWA on January 1st.

With respect to electric expense, it should be noted that the electric costs for the Lake Ontario facilities are significantly higher than the costs associated with the Otisco Lake facilities and the OCWA distribution system overall. The Otisco Lake delivery is a gravity fed system that has no significant energy demand. On the other hand, all Lake Ontario facilities, from the intake to the farthest storage tank, require pumping via extremely large pumps and motors.

Outside Contractor expense in 2017 increased by $640,270 compared to 2016. Major items related to the increase include $204,840 for the planned clearing of OCWA transmission main rights-of-way. MWB related contractor expense include $100,642 for maintenance of air relief and vacuum valves located on MWB transmission mains and $79,479 for the unanticipated repair of one of the Farrell Pump Station's 500 horsepower pump and motor.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Financial Highlights – Continued

Other Post Employment Benefit (OPEB) expense increased $873,746 for 2017 due in part to the addition of the former MWB employees transferred to the OCWA payroll, coupled with the addition of new positions on the OCWA payroll. Also adding to the increased OPEB expense was a rate adjustment from NYSHIP for healthcare premiums that were driven up by an increase in claims experience related to OCWA employees covered by the insurance plan.

Another significant contributor to the increase in operating expenses is tied to the addition of $1,420,504 for MWB legacy costs that OCWA is obligated to pay to Onondaga County for remaining expenses related to the former operation of the Onondaga County Water District. It should be noted that the District now has no revenue stream other than the ad-valorem fee charged within Onondaga County.

Using This Annual Statement

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Summary of Statements of Net Position

TABLE 1

	2016	2017
ASSETS		
Cash and Cash Equivalents	$ 18,017,170	$ 17,925,591
Accounts Receivable	10,782,326	10,848,340
Materials, Supplies and Prepaid Expenses	3,471,095	3,911,353
Restricted Assets	9,691,027	10,051,502
Plant and Water Rights, Net	227,911,623	234,367,218
TOTAL ASSETS	$ 269,873,241	$ 277,104,004
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding	$ 851,786	$ 761,631
Pension Related - ERS	6,688,841	3,696,540
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 7,540,627	$ 4,458,171
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 3,342,648	$ 4,349,702
Liabilities Payable from Restricted Assets	875,390	1,066,842
Bonds Payable	62,759,665	59,384,789
Postemployment Benefits Other than Pension	16,994,384	19,274,551
Due to NYS Retirement System	5,729,286	3,378,779
Capital Lease Obligations	87,325	36,400
TOTAL LIABILITIES	$ 89,788,698	$ 87,491,063
DEFERRED INFLOWS OF RESOURCES		
Pension Related - ERS	$ 679,111	$ 513,087
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 679,111	$ 513,087
NET POSITION		
Net Investment in Capital Assets	$ 166,945,910	$ 176,463,707
Restricted	14,187,296	11,697,152
Unrestricted	5,812,853	5,397,166
TOTAL NET POSITION	$ 186,946,059	$ 193,558,025

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Summary of Statements of Net Position – Continued

Total Assets increased by $7,230,763 in 2017 as a result of the following items:

- The decrease in cash of $91,579 is mostly due to a $42,716 reduction in the balance in the Authority's Operations and Maintenance account and a $45,425 reduction in the General Authority Fund.

- Accounts receivable have increased by $66,014 or 0.6%. There are several components that make up this increase. The first is accounts receivable for water that has been billed to customers which decreased by $342,885 (7.4%). The second component is for estimated revenue that has been accrued on accounts. The Authority's method of determining that accrued amount is a system generated process using previous meter reading date. Because the last read for customers was on average much earlier in 2017 than in 2016, the amount of accrued utility revenue through the end of 2017 was significantly higher. In fact, accrued utility revenue at the end of 2017 increased by $324,495 (5.3%) over the 2016 amount. The Accounts Receivable – Miscellaneous and Accounts Receivable – Special accounts increased by a total of $84,405.

- Materials, supplies and prepaid expenses increased by $440,258 (12.7%) over 2016 levels. Inventory increased by $286,680. Of that amount $182,275 was due to the purchase of emergency repair materials for the newly acquired Lake Ontario transmission mains. Prepaid expenses went up by $153,580 due primarily to increases in prepaid insurance ($100,031) and prepaid service contracts ($49,419). Prepaid insurance went up as a result of increases in both worker's compensation and general liability premiums, the latter due to coverage of Lake Ontario water treatment and transmission facilities.

- Restricted assets increased by $360,475 (3.7%) in 2017. This increase is mainly due to the net effect of several items. First, is an $805,369 increase in the Renewal and Replacement Fund. Second is a $168,916 increase in Customer Deposits. These two increases were partially offset by decreases in the Bond Fund - $264,405 and the Construction Fund - $361,311.

- Plant and water rights increased due to additional capital projects either completed or in progress at the end of 2017. A detailed outline of the additions is located just after Table 4 "Capital Assets at Year End" later in this analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Summary of Statements of Net Position – Continued

Deferred Outflows of Resources decreased by $3,082,456 in 2017 as a result of the following:

- Deferred Amount on Refunding decreased by $90,155. Deferred Amount on Refunding is the difference between the reacquisition price and the net carrying amount of the old debt for two bond issues that were advance refunded. It is being recognized as a component of interest expense over the remaining life of the old debt. The amount recognized as a component of interest expense in 2017 was $90,155.

- Deferred Contributions to Pension Plan decreased by $2,992,301 based on information provided by the NYS & Local Retirement System to enable the calculation of required GASB 68 entries.

Total liabilities decreased by $2,297,635 in 2017 as a result of the following items:

- Accounts Payable and Accrued Liabilities increased by $1,007,054 (30.1%) in 2017 due primarily to increases in Accounts Payable - $311,698, Accrued Vacation/Sick Leave - $224,726, Accrued Payroll - $47,226 and the $419,966 due to Onondaga County for legacy costs related to the MWB consolidation.

- Liabilities Payable from Restricted Assets increased by $191,452 (21.9%) as compared to 2016 due to the combination of several factors. Customer deposits increased by $228,606, accrued interest on bonds increased by $77,317 and retainage held at year end increased by $57,935. Partially offsetting the increases, is a decrease in accounts payable for capital work in the amount of $172,417.

- The Bonds Payable balance decreased by $3.37 million for a couple of reasons. First, principal payments totaling $3,125,000 were made during the year. It was also affected by the amortization of bond premium in the amount of $249,874 during 2017.

- GASB Statement No. 45 establishes guidance for the financial reporting of OPEB cost over a period that approximates employees' years of service. It does not require that the unfunded liability actually be funded, only that the Authority account for the unfunded liability. The financial statements at December 31, 2017 include a liability in the amount of $19.27 million that represents the Authority's unfunded liability. This is an increase of $2.28 million over the 2016 amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Summary of Statements of Net Position – Continued

- Due to NYS Retirement System decreased by $2,350,507. This represents the Authority's share of the total net pension liability based on information provided by the New York State Local Retirement System. This information is provided by the System on an annual basis.

- Capital Lease Obligations decreased by $50,925 due to principal payments made on various leases.

Deferred Inflows of Resources decreased by $166,024 over the end of 2016 at which time the balance was $679,111.

- Deferred Inflows from Pension Plan decreased to $513,087 at the end of 2017 from $679,111 at the end of 2016. This again is based on information provided by NYS & Local Retirement System and enables the calculation of required GASB 68 entries. It is described on retirement system documentation as the "Differences Between Expected and Actual Experience".

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

Review of Revenues

TABLE 2

	2016	2017
Residential/Commercial Sales	$ 33,621,924	$ 32,531,788
Industrial Sales	4,901,793	4,631,813
Municipal (Water Utility) Sales	3,888,628	3,807,391
Fire Protection	1,338,030	1,411,201
Miscellaneous Revenue	1,092,863	1,949,538
Grant Income	0	72,520
Interest from Investments Held in Trust	97,354	218,401
Loss on Disposal of Fixed Assets	(28,367)	11,350
TOTAL REVENUES	$ 44,912,225	$ 44,634,002

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Review of Revenues – Continued

- Total Revenue decreased by $278,223 (0.6%) in 2017 as compared to 2016. That amount is comprised of the following variances.

- On January 1, 2017, OCWA implemented a Base System Fee increase of $4.00 per year for each equivalent dwelling unit (EDU) for all customer classes except fire protection. The increase, which was determined in late 2016, was based on the projected requirements for 2017 and took into account changes that were expected at the time to have an effect on 2017 operations, but were determined prior to the completion of the agreement for the MWB consolidation. After the agreement was completed, the Authority still felt that the projected revenue would be sufficient to cover its costs.

- Total water revenues for 2017 decreased by $1,368,182 (3.1%) over the previous year. Residential and Commercial sales decreased by $1,090,136 (3.2%), Industrial sales decreased by $269,980 (5.5%), Municipal sales decreased by $81,237 (2.1%). On the other hand, Fire Protection increased by $73,171 (5.5%).

- Residential and Commercial sales decreased by $1,090,136 (3.2%) in 2017 as compared to 2016. Two factors comprise this decrease. First, and most significantly, Residential and Commercial consumption declined from 6,710 MG in 2016 to 6,348 MG in 2017. The decrease of 362 MG equates to a 5.4% reduction in the number of gallons billed. Much of the consumption variance is weather related as 2016 was warm and dry in general, whereas 2017 was rainy, especially in the spring and early summer. Partially offsetting the consumption decrease was the previously mentioned increase to the Base System Fee which added approximately $465,000 to Residential and Commercial Sales.

- Industrial sales decreased by $269,980 (5.5%) as compared to the 2016 amounts. Industrial consumption decreased from 2,640 MG in 2016 to 2,443 MG in 2017. The decrease of 197 MG equates to a 7.5% reduction in the number of gallons billed. That decrease was offset by a minor amount by the increase in the Base System Fee which increased Industrial Revenue by approximately $10,000.

- Municipal sales decreased by $81,237 (2.1%) as compared to the 2016 amounts. Municipal consumption decreased from 2,174 MG in 2016 to 2,051 MG in 2017. The decrease of 123 MG equates to a 5.7% reduction in the number of gallons billed. One again, this was offset by a small amount by the Base System Fee increase.

- Interest from Investments Held in Trust increased by $121,047 (124.3%) over the 2016 amount. Significant increases in both money market and Treasury bill yields over the course of the year account for the rise in interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Review of Revenues – Continued

- Miscellaneous Revenue increased by $856,675 (78.4%) over the 2016 amount. Several items comprise the majority of this increase. First, the Authority received over $500,000 in assets from Onondaga County as a result of the consolidation with MWB. The assets are vehicles, equipment and materials. Next, and also as a result of the consolidation, the Authority now bills for External Customer Charges. This led to over $173,000 in added revenue. Finally, the Authority billed the County for certain of its expenses related to the consolidation which added more than $156,000 in revenue.

- The Authority was awarded a $550,000 grant to replace the fluoride system at the Otisco Lake treatment plant. The $72,520 in Grant Income is the amount earned in connection with the grant during 2017.

Review of Expenses

TABLE 3

	2016	2017
Operations	$ 9,861,995	$ 13,830,444
Purchased Water	9,733,506	1,111,665
General and Administrative	6,810,745	9,567,330
Less: Burden Applied	(1,092,765)	(1,067,490)
Depreciation	5,785,297	6,111,680
Bond Premium Amortization	(190,796)	(249,874)
Water District Lease Amortization	481,854	481,443
Maintenance	6,418,551	7,288,960
Other Expense	2,737,094	2,487,371
TOTAL EXPENSES	$ 40,545,481	$ 39,561,529

Total expenses for 2017 decreased by $983,952 (2.4%) compared to fiscal year 2016. At the time of the consolidation with MWB, the Authority felt that the expense of operating and maintaining the Lake Ontario treatment and transmission facilities would be less than the previous cost of purchasing water from MWB. The results for 2017 have shown this to be correct. As just noted, the most significant change is that of Purchased Water which decreased by more than $8.6 million. Partially replacing that decrease was the nearly $7.6 million total increase in Operations, General and Administrative, and Maintenance expenses resulting primarily from the running of the newly consolidated facilities. Year to year fluctuations of various types of expense are discussed in more detail below.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Review of Expenses – Continued

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

Labor expenses in operations, maintenance and general and administrative accounts increased by $1,966,824 (21.5%) during 2017 as compared to 2016 amounts. While the Teamsters and CSEA contracts both included a 3% wage increases for 2017, the main reason for the increase are the 33 new employees added on January 1, 2017 as a result of the consolidation with MWB. Most of these employees continued performing the duties they had while part of MWB, but were assigned to two newly created OCWA departments for tracking purposes. The first is the Lake Ontario - Water Treatment Plant which produced 6,630MG of water. The treatment plant has 12 employees and labor expense of $790,249 in 2017. The other department is Operations – MWB which maintains the transmission facilities. It has 11 employees and labor expense for the year of $514,926. The rest of the new employees were incorporated into other departments such as Administration, Engineering and Stores as deemed appropriate.

Notable Expense Changes (Other Than Labor)

Purchased water cost decreased by $8,621,841 (88.6%) for 2017. As noted previously, on January 1, 2017 the Authority consolidated the Metropolitan Water Board (MWB) into its operations. As of that date the Authority no longer purchased water wholesale from MWB and instead operated and maintained the Lake Ontario water treatment and transmission facilities. In 2016 though, the Authority purchased 7,064 MG at a cost of $8,736,127. While the Authority purchased no water from MWB in 2017 it did continue to buy water from both the City of Syracuse and Town of Clay. Purchases from those sources totaled $958,605 and $153,060, respectively.

Chemical expense increased from $466,945 in 2016 to $739,015 in 2017. This $272,070 (58.3%) increase is primarily due to the cost of chemicals for the newly consolidated Lake Ontario water treatment plant and related facilities. Chemical expense for these facilities was $292,726 in 2017. Chemical expense for the "original" OCWA facilities was $446,289 in 2017 which was a $20,656 decrease from the previous year.

Per the consolidation agreement, the Authority pays to Onondaga County the annual amount needed to balance the budgeted appropriations made by the County on behalf of the District. This amount, which is the net of costs still incurred by the County for such items as debt service, employee benefits and interdepartmental charges over and above amounts collected for ad valorem taxes and appropriated fund balance, was $1,420,504 in 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Review of Expenses – Continued

Notable Expense Changes (Other Than Labor) – Continued

Group health insurance had an overall increase of $639,350 (21.9%) as compared to 2016 for the Authority's employees and retirees. The chief reason for the increase is the number of added employees from the Authority's consolidation with MWB. In addition, the Authority experienced premium increases for CSEA and non-union employees of 12.2% for family coverage and 11.2% for single coverage plus 5% for Teamsters employees. Slightly offsetting those increases was a 6.9% decrease to the Medicare supplement plan rate.

OPEB expense for 2017 increased by $873,746 (62.1%) as compared to the 2016 figure. There are two primary reasons for the increase. First are the demographic changes. There are 30 more active employees and 3 more retirees than on the previous report, mostly due to the consolidation with MWB. Second are updated claims costs from NYSHIP's 2016 assumption report. Compared to the 2014 assumption report, pre-65 claims costs are about 31% greater and post-65 claims costs are about 15% greater.

Worker's Compensation premium increased by $249,734 and the expense related to various other insurances, including general liability, increased by $35,668. The total increase of $285,402 represents a 24.0% rise over 2016 and is mostly because of the increased number of employees and facilities from the MWB consolidation.

OCWA experienced a $918,184 (152.9%) increase in its electric and natural gas charges in 2017 as compared to 2016 amounts. Charges for "original" OCWA facilities increased by $27,624 (4.1%) over 2016 amounts. Charges for the newly consolidated MWB Lake Ontario water treatment and transmission facilities were $890,560 in 2017.

The Authority's expense for Outside Contractors increased by $640,270 (47.0%) in 2017 as compared to 2016. There were several items related to the consolidation with MWB that caused a sizeable part of the increase. First, there was a failure of pump 10 at the Farrell Pump Station. The contractor cost associated with the repair was $79,479. Second, the Authority decided to have maintenance performed on air/vacuum valves on the transmission main from the Lake Ontario treatment plant to terminal reservoir. The valves which allow for surge control on the transmission main hadn't been maintained for some time and cost $100,642. Finally, a contractor was hired to clear sections of the transmission main right-of-way from the Lake Ontario treatment plant to terminal reservoir. This year's clearing which cost $204,840 will allow easier access to the transmission main in case maintenance is necessary.

Depreciation increased by $326,383 (5.6%) in 2017 as compared to 2016 figures. This is a reflection of the fact that OCWA added over $10.1 million to Water Plant in Service in 2016 as well as over $10.1 million in 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Review of Expenses – Continued

Notable Expense Changes (Other Than Labor) – Continued

Other Expense decreased by $249,723 (9.1%) in 2017. Part of the reason for the reduction is that the Authority did not issue bonds in 2017 while it issued refunding bonds in 2016 which had $154,710 in issuance costs. The other part of the reduction was a decrease in interest expense of $95,013 (3.7%) in 2017.

Summary of Overall 2017 Operations

In 2017, OCWA experienced a net income before capital contributions of $5,072,473, an increase of $705,729 from the net income of $4,366,744 for the fiscal year ended December 31, 2016. This is comprised of the following factors:

Total Revenues decreased by $278,223 (0.6%). This is comprised of Water Revenues which decreased by a substantial $1,368,182 (3.1%), much of it due to the weather as noted earlier, but partially offset by increases in Miscellaneous Revenue and Investment Income.

The Expenses decreased by $983,952 (2.4%) most substantially because the Authority's cost to operate and maintain the Lake Ontario treatment and transmission facilities was less than its former cost of purchasing water from the Metropolitan Water Board.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

OCWA Budget Process – Continued

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.

System Growth

Areas of growth included the following:

- 2017 system growth included the installation of 17 developer main extensions that added 22,023 feet of main to the system. New customer connections will follow.
- The Town of Volney continues to develop and add small districts throughout the town.
- The Madison County's Agricultural and Renewable Energy (ARE) Park construction was completed placing two pump stations, two tanks and related water main and hydrants in to service. Projected future use is in the 100,000 to 200,000 gallon per day range as industrial accounts are added.
- The Village of Phoenix tied into the 54-inch Lake Ontario transmission main and became an OCWA wholesale customer in July.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Areas of Growth, 2018 and Beyond

- The Town of Constantia's Bernard's Bay Water District (which will extend water lines to the east close to the western border of the Village of Cleveland) is scheduled to start construction in March of 2018. Once built the district has the potential to add over 600 new customers.

- Related to the Bernard's Bay Water District, the Village of Cleveland intends to connect to the OCWA system, using the Authority as a back-up source for the Village well supply.

- With the Madison County (ARE) Park water system completed, the Clockville area is looking into forming a water district.

- The Town of Sullivan and Madison County are continuing to work jointly on the development of a water system that would serve two small developments off Salt Springs Road in Manlius and Sullivan as well as the Clear Path for Veterans facility located on the border of the two towns.

- The Town of Granby is moving forward with the development of Water Supply Area 7, designed to serve the northern portions of the town, should it be approved.

- The Town of Parish continues to explore the prospect of developing a system to serve town and village residents plus a school to the north of the Town of Hastings via a connection to the OCWA system.

- For the start of 2018 two developer contracts have been paid and are awaiting installation once the weather breaks, seven contracts have been sent to developers for signature and payment and another seven developer extensions are in the design phase.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Capital Assets at Year End (Net of Depreciation)

TABLE 4

	Governmental Activities		Total Percent Change
	2016	**2017**	**2016-2017**
Water Plant in Service	$ 302,741,331	$ 312,037,248	3.07%
Water Rights - Source	5,250,000	5,250,000	0.00%
Construction Work-in-Progress (I&E)	3,617,356	6,192,290	71.18%
Water District Lease	23,169,890	23,169,890	0.00%
Pre-Survey and Investigation	242,554	417,806	72.25%
Jobbing in Progress	58,601	204,700	249.31%
Allowance for Depreciation	(88,213,919)	(93,471,711)	5.96%
Accumulated Amortization/Water Districts	(13,697,832)	(14,179,275)	3.51%
Residual Amortization/Water Rights	(5,250,000)	(5,250,000)	0.00%
Deferred Charge - Capital Interest on FP	(6,358)	(3,730)	-41.33%
Total	$ 227,911,623	$ 234,367,218	2.83%

Increase to Water Plant in Service Highlights

- Eagleview Tank Replacement - $1,303,473
- Dunning Dr. Pump Station - $1,023,659
- Sherwood Dr. Pump Station - $721,663
- Water meters in the amount of $899,096 as part of an ongoing meter replacement project
- The completion of various water main projects – $1,995,417
- The installation of new and replacement water services – $833,646
- The installation of new and replacement hydrants – $484,607
- The replacement of vehicles in its fleet as part of OCWA's asset management program

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

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

Construction Work-In-Progress Highlights

Construction Work-In-Progress increased by $2,574,934 during 2017, from $3,617,356 at the beginning of the year, to $6,192,290 at year end. Of that amount, $4,484,126 is related to the following seven projects:

- Meter Testing Facility Upgrade - $845,152
- Hydropillar Tank Rehabilitations - $805,595
- Eastview Tank Rehabilitation - $537,470
- Yager Rd. Tank Rehabilitation - $523,335
- 12" Ext Milton Ave. to Gertrude Ave. - $686,936
- Otisco Lake WTP Fluoride System - $454,046
- 12" Ext Bridge St. - $631,592

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. The Authority has created a project to track its costs related to Onondaga County's CARE project. The total in the project at year-end is $246,520. When the CARE project is completed the Authority will create an intangible asset for the total amount of its costs.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Long-Term Debt Administration

The Authority has five General Water System Revenue Bond issues and two E.F.C. Drinking Water Bond issues outstanding with a remaining principal totaling $56,990,000 as of December 31, 2017. OCWA's most recent bonds were issued in December 2016.

On December 1, 2016, the Authority issued $12,320,000 in General Water System Revenue Refunding Bonds Series 2016A. The bonds bear interest at rates ranging from 2.0% to 5.0% and have a final maturity date of September 15, 2028. The bonds were issued to advance refund the Authority's Series 2011 bonds maturing after September 15, 2018. The 2011 bonds were originally issued for capital improvements to the water system including construction of a third covered water storage tank, two large pump stations, one small pump station and various other capital projects. As of December 31, 2017, the 2016 bonds have a remaining balance of $12,290,000. This amount reflects a principal payment of $30,000 made in September 2017.

On April 22, 2015, the Authority issued $5,200,000 in General Water System Revenue Bonds Series 2015A. The bonds bear interest at rates ranging from 1.0% to 3.375% and have a final maturity date of September 15, 2035. The bonds were issued for capital improvements to the water system including a water tank replacement, two pump stations, water tank improvements, Otisco Lake Dam improvements and water main improvements. As of December 31, 2017, these bonds have a remaining principal of $4,550,000. This amount reflects a principal payment of $195,000 made in September 2017.

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, 2017, the 2013 bonds have a remaining principal of $6,730,000. This amount reflects a principal payment of $720,000 made in September 2017.

The General Water System Revenue Bonds Series 2011 have a remaining principal balance of $1,000,000 as of December 31, 2017. This amount reflects a principal payment of $950,000 made in September 2017. In December 2016, the 2011 Series bonds maturing after September 15, 2018 ($13,495,000) were advance refunded. 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 final principal payment of $1,000,000 will be made in September 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Long-Term Debt Administration – Continued

The General Water System Revenue Bonds, Series 2010A have a remaining principal balance of $1,230,000 as of December 31, 2017. This amount reflects a principal payment of $125,000 made in September 2017. The required principal payment on the bond in 2018 is $130,000. 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 $21,235,000 as of December 31, 2017. The remaining balance reflects a principal payment of $515,000 made in June 2017. The required principal payment on the bond in 2018 is $540,000. 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 and have a remaining principal balance of $9,955,000 as of December 31, 2017. This amount reflects a principal payment of $590,000 made in October 2017. The required principal payment on the bond in 2018 is $610,000. 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).

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

Series Bonds	**Bonds Outstanding as of December 31, 2017**
2016 Series A Bonds	$ 12,290,000
2015 Series Bonds	4,550,000
2013 Series Bonds	6,730,000
2011 Series Bonds	1,000,000
2010 Series A Bonds	1,230,000
2009 E.F.C. Bonds	21,235,000
2008 E.F.C. Bonds	9,955,000
Total	$ 56,990,000

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Long-Term Debt Administration – Continued

OCWA Bond Rating

In October 2016, Moody's Investors Service assigned an Aa3 rating and a positive outlook to OCWA's 2016 Bonds. Concurrently, Moody's affirmed the Aa3 rating and assigned a positive outlook to OCWA's previously issued parity revenue bonds outstanding.

Looking Ahead

For the first time since 2001, OCWA did not impose a rate increase going into the new year. The decision to hold off on the increase was based on the above normal sales achieved in 2016, coupled with decreased operating expenses achieved through the OCWA / MWB consolidation that took place on January 1, 2017. While continued efficiencies are being investigated and implemented to enhance overall savings, annual baseline savings in the range of $1 million per year have already been achieved by overall reduction (through attrition) in total staffing of the combined operations. Starting in 2018, OCWA's long-range capital planning will be incorporating the needs of the Lake Ontario Facilities in the overall plan. The first project being undertaken involves review and design related to much needed upgrades and improvements to the 50-year-old 60 MGD Lake Ontario water treatment plant located in the Town of Oswego. The plant improvements, once determined, coupled with other major capital needs identified in OCWA's 20- year capital budget will serve as the main driver for future rates increases as those projects are undertaken.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Looking Ahead – Continued

Rate increases since 2001 and up to and including 2018 are listed below:

Year	Residential / Commercial	Wholesale	Industrial	Fire Protection
2018	0%	0%	0%	0%
2017	$4.00 / EDU	$4.00 / EDU	$4.00 / EDU	0.00%
2016	$4.00 / EDU + $0.08/1,000 gal	$4.00 / EDU + $0.08/1,000 gal	$4.00 / EDU + $0.08/1,000 gal	5.00%
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	0.00%
2014	$8.00 / EDU	$8.00 / EDU	$8.00 / EDU	0.00%
2013	2.00%	2.00%	2.00%	0.00%
2012	2.47%	2.31%	2.38%	0.00%
2011	9.00%	9.00%	9.00%	0.00%
2010	12.00%	10.00%	10.00%	3.25%
2009	15.00%	15.00%	9.90%	3.25%
2008	7.70%	7.70%	6.70%	3.25%
2007	9.80%	9.80%	6.75%	4.00%
2006	6.00%	6.00%	4.00%	4.00%
2005	8.00%	8.00%	5.00%	5.00%
2004	15.00%	15.00%	3.00%	3.00%
2003	2.00%	2.00%	2.00%	2.00%
2002	2.00%	2.00%	2.00%	2.00%

- The Syracuse Water Department, which is on a July 1 – June 30 budget cycle, raised its rates for the 2017-2018 cycle and OCWA's 2018 O&M Budget accounts for the reported increase. However, after the fact, it appears the increase for large users was substantially higher than what was publicly announced during the City's budget process.

- With the consolidation of OCWA and MWB completed, the Authority no longer needs to purchase more than half its water and it now has more control over the cost of providing Lake Ontario water to OCWA customers throughout its five-county service territory.

- Chemical costs for 2018 are projected to remain stable and OCWA will continue a program started in 2017 that will see the carbon in one filter in each of the water plants replaced each year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017

Looking Ahead – Continued

- OCWA's cost of electric and natural gas costs in 2018 are projected to increase roughly 4%. The increased cost could be mitigated somewhat by the solar panels that were placed in service in 2017 at the Terminal Reservoir and Lake Ontario treatment plant sites and the completion of installation of energy efficient pumps and motors in various facilities.

- OCWA's capital budget for 2018 includes several major projects. In addition to reoccurring capital expenditures that the Authority Board authorizes each year, the capital budget includes items such as the replacement of the Oakridge Tank in Camillus ($2,500,000); replacement of the Lake Ontario water treatment plant fluoride feed system ($800,000) and the Lake Ontario water treatment plant pilot study and basis of design ($750,000) which will serve as the precursor to the impending overhaul of the 50-year-old, 60 MGD facility.

- OCWA's 2018 capital improvement program is funded in part by net income from 2017, coupled with use of capital construction funds established by the Authority. In addition to funds provided by OCWA operations, additional funding sources for 2018 capital projects include grant awards from the New York State Department of Health for fluoride system replacement projects at both the Otisco Lake and Lake Ontario water treatment plants. OCWA also anticipates additional funding to be received as part of a consolidation grant from the New York State Department of State (tied to the OCWA / MWB consolidation) that was awarded in 2017, with the subsequent agreement being signed in February 2018.

- In addition to the major capital budget items addressed above, the 2018 capital budget also continues to fund the ongoing demand for meter replacements and upgrades, replacement of water mains, hydrants and valves. The budget also covers unending replacement of vehicles and heavy equipment. Additionally, the capital budget addresses building and facilities improvements ranging from control pit repairs and storage tank rehabilitation projects. All approved projects are in keeping with OCWA's ongoing asset management efforts, whereby operating and engineering staff continually review and prioritize the overall needs related to replacement and or enhancement of all assets throughout the system.

Request for Information

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

STATEMENTS OF NET POSITION
December 31, 2017 and 2016

ASSETS

CURRENT ASSETS	2017	2016
Cash and Cash Equivalents	$ 17,925,591	$ 18,017,170
Accounts Receivable - Customers (Less Allowance for Doubtful Accounts of $60,000 for Both 2017 and 2016)	10,709,267	10,727,658
Accounts Receivable - Other	139,073	54,668
Materials, Supplies and Prepaid Expenses	3,911,353	3,471,095
Total Current Assets	32,685,284	32,270,591
RESTRICTED ASSETS		
Customer Deposits	767,733	598,817
Bond Fund	1,810,457	2,074,862
Renewal and Replacement Fund	1,753,440	948,071
Bond Reserve Fund	4,963,825	4,951,919
Construction Fund	756,047	1,117,358
Total Restricted Assets	10,051,502	9,691,027
PLANT AND WATER RIGHTS, NET	234,367,218	227,911,623
TOTAL ASSETS	277,104,004	269,873,241
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding	761,631	851,786
Pension Related - ERS	3,696,540	6,688,841
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,458,171	7,540,627

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	2017	2016
Accounts Payable and Accrued Liabilities	4,349,702	3,342,648
Capital Lease Obligations - Current Portion	18,200	50,925
Total Current Liabilities	4,367,902	3,393,573
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts Payable	123,031	237,503
Customer Deposits	539,732	311,126
Bonds Payable, Portion Due Within One Year	3,225,000	3,125,000
Accrued Interest on Bonds Payable	404,079	326,761
Total Liabilities Payable from Restricted Assets	4,291,842	4,000,390
LONG-TERM DEBT		
Bonds Payable	56,159,789	59,634,665
Post-Employment Benefits Other Than Pension	19,274,551	16,994,384
Net Pension Liability - ERS	3,378,779	5,729,286
Capital Lease Obligations, Net of Current Portion	18,200	36,400
Total Long-Term Debt	78,831,319	82,394,735
TOTAL LIABILITIES	87,491,063	89,788,698
DEFERRED INFLOWS OF RESOURCES		
Pension Related - ERS	513,087	679,111
TOTAL DEFERRED INFLOWS OF RESOURCES	513,087	679,111
NET POSITION		
Net Investment in Capital Assets	176,463,707	166,945,910
Restricted	11,697,152	14,187,296
Unrestricted	5,397,166	5,812,853
TOTAL NET POSITION	$ 193,558,025	$ 186,946,059

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUE		
Charges for Services	$ 42,382,193	$ 43,750,375
Penalties	572,768	594,669
Other	1,376,770	498,194
Total Operating Revenue	44,331,731	44,843,238
OPERATING EXPENSE		
Source of Supply	1,111,665	9,733,506
Transmission and Distribution	19,696,385	14,916,272
Collection	1,423,019	1,364,274
Administration	8,499,840	5,717,980
Depreciation and Amortization	6,343,249	6,076,355
Total Operating Expense	37,074,158	37,808,387
INCOME FROM OPERATIONS	7,257,573	7,034,851
OTHER INCOME (EXPENSE)		
Interest from Investments Held by Trustee	218,401	97,354
Loss on Disposal of Fixed Assets	11,350	(28,367)
Grant Income	72,520	0
Debt Issuance Costs	0	(154,710)
Interest Expense	(2,487,371)	(2,582,384)
Net Other Expense	(2,185,100)	(2,668,107)
Net Income Before Capital Contributions	5,072,473	4,366,744
Capital Contributions	1,539,493	1,981,574
CHANGE IN NET POSITION	6,611,966	6,348,318
NET POSITION		
Balance, Beginning of Year	186,946,059	180,597,741
Balance, End of Year	$ 193,558,025	$ 186,946,059

See notes to financial statements.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 43,749,495	$ 43,555,845
Cash Payments for Goods and Services	(16,514,854)	(21,674,290)
Cash Payments to Employees	(10,930,480)	(9,010,886)
Net Cash Provided By Operating Activities	16,304,161	12,870,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Customer Deposits Received	784,268	916,463
Refunding of Customer Deposits	(555,662)	(1,030,980)
Net Cash Provided By (Used In) Noncapital Financing Activities	228,606	(114,517)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	117,818	105,238
Cash Received from Contributed Capital	1,539,493	1,981,574
Grant Income	72,520	0
Payments for Capital Acquisitions	(12,638,956)	(9,773,799)
Debt Issuance Costs	0	(154,710)
Premium on Bond Issuance	0	1,575,849
Retirement of Debt (Paid to Escrow Fund)	0	(14,556,444)
Proceeds from Issuance of Long-Term Debt	0	12,320,000
Principal Payments	(3,175,925)	(3,020,925)
Interest Paid	(2,397,222)	(2,511,459)
Net Cash Used In Capital and Related Financing Activities	(16,482,272)	(14,034,676)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of Interest	218,401	97,354
Net Cash Provided By Investing Activities	218,401	97,354
Net Increase (Decrease) in Cash	268,896	(1,181,170)
Cash, Beginning of Year	27,708,197	28,889,367
Cash, End of Year	$ 27,977,093	$ 27,708,197

See notes to financial statements.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from Operations	$ 7,257,573	$ 7,034,851
Adjustments to Reconcile Income from Operations to Net Cash Provided By Operating Activities:		
Depreciation	6,111,680	5,785,297
Amortization	231,569	291,058
Donated Capital Assets	(516,226)	0
(Increase) Decrease in Operating Assets:		
Accounts Receivable - Customers	18,391	(1,241,101)
Accounts Receivable - Other	(84,405)	(46,292)
Materials, Supplies, and Prepaid Expenses	(440,258)	(880,327)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	969,900	(131,609)
Postemployment Benefits Other than Pension	2,280,167	1,406,421
Pension Related Deferrals and Liabilities	475,770	652,371
Net Cash Provided By Operating Activities	$ 16,304,161	$ 12,870,669

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – NATURE OF OPERATIONS

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Basis of Presentation

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represents an acquisition of net position that is applicable to a future reporting period and will therefore not be recognized as an inflow of resources (revenue) until then. The Authority reports deferred amounts on refunding of water revenue bonds, as well as amounts relating to the New York State Employees' Retirement System in this category.

Cash and Cash Equivalents

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.

Assets Held by Trustee

Assets held in trust in accordance with the General Water System Revenue Bonds Trust Indentures and the Environmental Facilities Corporation's Drinking Water Installment Bond Indentures are included in Restricted Assets on the statement of net position. (See Note 5)

Assets held by the Trustee consist of fixed income United States Government securities. The Authority reports these items at fair value based on quoted market prices.

Accounts Receivable

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

Accrued unbilled revenues (included in accounts receivable on the statement of financial position) represent revenue earned in the current year but not billed to customers until future dates, usually within three months, and is an estimate made by management. See Note 9 for more information on this estimate.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Materials and Supplies

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

Bond Premium

Amortization of bond premium is on the straight-line basis over the life of the bonds and amounted to $249,874 and $190,796 for the years ended December 31, 2017 and 2016, respectively.

Plant and Water Rights

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

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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 change in net position.

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Employee's Retirement System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported in the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the statutes governing the System. Investments are reported at fair value.

Other Postemployment Benefits

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

Revenue Recognition

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

Reclassifications

Certain reclassifications have been made to prior year's financial statements in order to conform to the current year's presentation.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash held by the Authority at December 31, 2017 consists of the following:

	Carrying Value	Bank Balance
Cash Held:		
Cash on Hand	$ 1,000	$ 1,000
Bank Accounts	1,076,843	1,257,454
Total Cash Held	$ 1,077,843	$ 1,258,454

Cash held by the Authority at December 31, 2016, consists of the following:

	Carrying Value	Bank Balance
Cash Held:		
Cash on Hand	$ 1,000	$ 1,000
Bank Accounts	900,979	1,089,560
Total Cash Held	$ 901,979	$ 1,090,560

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 $509,706 from the Federal Depository Insurance Corporation plus $748,748 of pledged collateral at December 31, 2017. For the Authority, all pledged collateral and all investments are classified in the highest category by being held in bank trust departments in the Authority's name.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued

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.

Total marketable securities by type as of December 31 are as follows:

	2017	2016
Investments:		
Money Market Funds	$ 6,202,322	$ 6,573,269
U.S. Treasury Bills	20,696,929	20,232,949
Total Investments	$ 26,899,251	$ 26,806,218

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. United States Treasury bills are considered level 1 investments.

The Authority's recurring fair value measurements of its U.S. Treasury bills as of December 31, 2017 and 2016, are valued using quoted market prices (Level 1 inputs).

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 – PLANT AND WATER RIGHTS

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2017 is as follows:

	December 31, 2016	Additions	Retirements / Reclassifications	December 31, 2017
Land	$ 988,834	$ 0	$ 0	$ 988,834
Dams, Buildings and Other Structures	81,329,093	3,809,150	0	85,138,243
Pumping and Purification Equipment	3,185,623	107,751	0	3,293,374
Mains, Meter, Services and Other Distribution Facilities	173,598,572	4,266,720	384,099	177,481,193
Filtration Plant	25,200,214	80,780	0	25,280,994
Automobiles, Trucks and Other Equipment	18,438,995	1,994,499	578,884	19,854,610
Leased Water Districts	23,169,890	0	0	23,169,890
	325,911,221	10,258,900	962,983	335,207,138
Construction-in-Progress	3,918,511	3,427,938	531,653	6,814,796
Water Rights	5,250,000	0	0	5,250,000
Total Plant and Water Rights	335,079,732	13,686,838	1,494,636	347,271,934
Less: Accumulated Depreciation and Amortization	107,168,109	6,593,123	856,516	112,904,716
Net Plant and Water Rights	$ 227,911,623	$ 7,093,715	$ 638,120	$ 234,367,218

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 – PLANT AND WATER RIGHTS – Continued

Activity for plant and water rights and changes in accumulated depreciation for the year ended December 31, 2016 is as follows:

	December 31, 2015	Additions	Retirements / Reclassifications	December 31, 2016
Land	$ 988,834	$ 0	$ 0	$ 988,834
Dams, Buildings and Other Structures	79,923,119	1,405,974	0	81,329,093
Pumping and Purification Equipment	3,135,883	49,740	0	3,185,623
Mains, Meter, Services and Other Distribution Facilities	166,473,530	7,570,159	445,117	173,598,572
Filtration Plant	25,099,440	100,774	0	25,200,214
Automobiles, Trucks and Other Equipment	17,772,003	1,023,862	356,870	18,438,995
Leased Water Districts	23,169,890	0	0	23,169,890
	316,562,699	10,150,509	801,987	325,911,221
Construction-in-Progress	4,295,223	672,881	1,049,593	3,918,511
Water Rights	5,250,000	0	0	5,250,000
Total Plant and Water Rights	326,107,922	10,823,390	1,851,580	335,079,732
Less: Accumulated Depreciation and Amortization	101,569,339	6,267,151	668,381	107,168,109
Net Plant and Water Rights	$ 224,538,583	$ 4,556,239	$ 1,183,199	$ 227,911,623

Depreciation and amortization charged to expense at December 31, 2017 and 2016 was $6,343,249 and $6,076,355, respectively, which includes amortization of leased water districts (see Note 5).

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT

Water Revenue Bonds Payable

In November 2005, August 2010, April 2011, March 2013, April 2015 and December 2016, the Authority issued $13,840,000, $5,925,000, $16,910,000, $8,390,000, $5,200,000 and $12,320,000, respectively, in General Water System Revenue Bonds, 2005, 2010, 2011, 2013, 2015 and 2016 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, 2017 and 2016 amounted to $25,800,000 and $27,820,000, respectively. The bonds mature serially in varying annual amounts through 2035, with interest ranging from 1.00% and 5.00%, payable semi-annually. The 2010 bonds maturing on or after September 15, 2021, the 2011 bonds maturing on September 15, 2018, the 2013 bonds maturing on or after September 15, 2025, the 2015 bonds maturing on or after September 15, 2035 and the 2016 bonds maturing on or after September 15, 2028, 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 which was reported as a deferred outflow of resources. The Authority completed the refunding to reduce its total debt service payments over the next five years by $389,037 and to obtain an economic gain of $372,573.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT – Continued

Water Revenue Bonds Payable – Continued

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

The 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, 2017 and 2016, $536,106 and $605,281, respectively, of the deferred amount on refunding was included in deferred outflows on the statement of net position.

On December 1, 2016, the Authority issued $12,320,000 in General Water System Revenue Bonds, Series 2016A to partially advance refund outstanding General Water System Revenue Bonds, 2011A. The Series 2016A bonds bear interest rates ranging from 2.0% to 5.0% and have a final maturity date of September 15, 2028. The net proceeds (after payment of $158,403 in underwriting fees and other issuance costs) and $660,595 of existing reserve funds for the 2011A 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, $13,495,000 of the 2011A 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 2011A Series bonds is $1,000,000 with a final maturity of September 15, 2018.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT – Continued

Water Revenue Bonds Payable – Continued

The advance partial refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $248,253. 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 2028. The Authority completed the refunding to reduce its total debt service payments over the next twelve years by $2,604,450 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,459,445. At December 31, 2017 and 2016, $225,525 and $246,505, respectively, 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.

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%.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT – Continued

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

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

	Principal on Bonds	Interest Payable	Total Debt Service
2018	$ 3,225,000	$ 2,302,257	$ 5,527,257
2019	3,270,000	2,184,474	5,454,474
2020	3,385,000	2,075,546	5,460,546
2021	3,525,000	1,945,909	5,470,909
2022	3,680,000	1,810,619	5,490,619
2023 - 2027	18,760,000	6,691,120	25,451,120
2028 - 2032	10,560,000	3,496,014	14,056,014
2033 - 2037	7,090,000	1,694,039	8,784,039
2038	3,495,000	85,140	3,580,140
	56,990,000	$ 22,285,118	$ 79,275,118
Less: Current Portion	3,225,000		
Add: Premium on Long-Term Debt	2,394,789		
Bonds Payable - Long-Term	$ 56,159,789		

Changes in long-term liabilities in 2017 are as follows:

	December 31, 2016	Additions	Reductions	December 31, 2017
Bonds Payable:				
Water Revenue Bonds	$ 27,820,000	$ 0	$ 2,020,000	$ 25,800,000
E.F.C. Drinking Water Installment Bonds	32,295,000	0	1,105,000	31,190,000
Total Bonds Payable	$ 60,115,000	$ 0	$ 3,125,000	$ 56,990,000

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT – Continued

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

Changes in long-term liabilities in 2016 are as follows:

	December 31, 2015	Additions	Reductions	December 31, 2016
Bonds Payable:				
Water Revenue Bonds	$ 30,910,000	$ 12,320,000	$ 15,410,000	$ 27,820,000
E.F.C. Drinking Water Installment Bonds	33,350,000	0	1,055,000	32,295,000
Total Bonds Payable	$ 64,260,000	$ 12,320,000	$ 16,465,000	$ 60,115,000

Capital Leases

The Authority leases certain water facilities under capital lease obligations. Water facilities included in capital assets amounted to $23,169,890 for both years ending December 31, 2017 and 2016. Accumulated amortization related to these water facilities was $14,179,275 and $13,697,832 for the years ending December 31, 2017 and 2016, respectively.

Amortization expense related to water facilities under capital leases was $481,443 and $481,854 for the years ended December 31, 2017 and 2016, respectively.

At December 31, 2017, amounts remaining to be paid under long-term lease obligations are as follows:

2017	$ 55,815
2018	20,384
2019	19,292
	95,491
Less: Current Portion	50,925
Less: Imputed Interest	8,166
Lease Obligations – Long-Term	$ 36,400

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

Contributions

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	Annual Contributions
2017	$ 1,543,843
2016	$ 1,467,536
2015	$ 1,751,828

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

At December 31, 2017 and 2016, the Authority reported a liability of $3,378,779 and $5,729,286, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017 and March 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2017 and 2016, the Authority's proportion was .0360% and .0357%, respectively.

At December 31, 2017 and 2016, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 84,669	$ 513,087
Changes of Assumptions	1,154,315	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	674,879	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	238,834	0
Authority Contributions Subsequent to the Measurement Date	1,543,843	0
Total	$ 3,696,540	$ 513,087

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

	2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 28,952	$ 679,111
Changes of Assumptions	1,527,828	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,398,927	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	265,598	0
Authority Contributions Subsequent to the Measurement Date	1,467,536	0
Total	$ 6,688,841	$ 679,111

Authority contributions subsequent to the measurement date of $1,543,843, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
2018	$ 723,705
2019	723,705
2020	634,277
2021	(442,078)
Total	$ 1,639,609

Deferred outflows of resources of $1,467,536 at December 31, 2016 resulting from the Authority's contributions subsequent to the measurement date, were recognized as a reduction of the net pension liability in the year ended December 31, 2017.

The Authority recorded pension expense for the years ending December 31, 2017 and 2016 in the amounts of $2,019,613 and $2,119,907, respectively.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016 with update procedures used to roll forward the total pension liability to March 31, 2017. The total pension liability for the March 31, 2016 measurement date was determined using an actuarial valuation as of April 1, 2015, with update procedures to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

	2017	**2016**
Inflation Rate	2.5%	2.5%
Salary Increases	3.8%	3.8%
Investment Rate of Return (Net of Investment Expense, Including Inflation)	7.0%	7.0%
Cost of Living Adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 to March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

Expected Rate of Return on Investments

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 and 2016 are summarized below:

Asset Class	**Expected Real Rate of Return**	
	2017	**2016**
Domestic Equities	4.6%	7.3%
International Equities	6.4%	8.5%
Real Estate	5.8%	8.3%
Private Equity/Alternative Investments	7.8%	11.0%
Absolute Return Strategies	4.0%	6.8%
Opportunistic Portfolio	5.9%	8.6%
Real Assets	5.5%	8.7%
Cash	-0.3%	2.3%
Inflation-Indexed Bonds	1.5%	4.0%

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% at both December 31, 2017 and 2016. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's December 31, 2017 proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Authority's Proportionate Share of the Net Pension (Asset) Liability	$ 10,791,151	$ 3,378,779	$ (2,888,367)

The following presents the Authority's December 31, 2016 proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Authority's Proportionate Share of the Net Pension (Asset) Liability	$ 12,919,125	$ 5,729,286	$ (345,820)

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM – Continued

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

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017 and 2016 were as follows:

	(Dollars in Thousands)	
	2017	**2016**
Employer Total Pension Liability	$ 177,400,586	$ 172,303,544
Plan Net Position	(168,004,363)	(156,253,265)
Employer Net Pension Liability	$ 9,396,223	$ 16,050,279
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%	90.7%

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, 2017 and 2016

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – Continued

Annual Other Post-Employment Benefit Cost

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

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, 2017 and 2016:

	2017	2016
Annual Required Contribution	$ 3,116,800	$ 2,160,088
Interest on Net OPEB Obligation	594,803	545,579
Adjustment to Annual Required Contributions	(892,761)	(818,878)
Annual OPEB Cost (Expense)	2,818,842	1,886,789
Contributions Made	(538,675)	(480,368)
Increase in Net OPEB Obligation	2,280,167	1,406,421
Net OPEB Obligation - Beginning of Year	16,994,384	15,587,963
Net OPEB Obligation - End of Year	$ 19,274,551	$ 16,994,384

As of January 1, 2017 and 2016, the actuarial accrued liability for benefits was $30,948,952 and $21,875,602, and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $30,948,952 and $21,875,602, respectively. As of December 31, 2017 and 2016, the covered payroll (annual payroll of active employees covered by the plan) was $11,915,726 and $9,495,344, and the ratio of the UAAL to the covered payroll was 260% and 230%, respectively.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – Continued

Annual Other Post-Employment Benefit Cost – Continued

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

Fiscal Year Ended:	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	$ 2,818,842	19.1%	$ 19,274,551
December 31, 2016	$ 1,886,789	25.5%	$ 16,994,384
December 31, 2015	$ 2,366,735	23.3%	$ 15,587,963

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, 2017 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 3.5% discount rate.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 8 – SERVICE CONCESSION ARRANGMENT FOR WATER TREATMENT PLANT – MWB

Beginning January 1, 2017, the operations of Onondaga County Metropolitan Water Board were consolidated into the OCWA system. The MWB's main function is to treat and wholesale water from Lake Ontario to three customers, one being OCWA.

The terms of the consolidation agreement require OCWA to assume operation of and maintain the MWB system for a 30 year operations period which includes running a water treatment plant, five pump stations, one chlorine booster facility and five water storage tanks. In addition, OCWA is expected to design, build and finance a major upgrade of the 50-year-old Lake Ontario water treatment plant over the next three to four years, which is estimated to be a $40 million project.

OCWA will be entitled to all water revenues during the 30-year operations period. At the end of the arrangement, operation of the Lake Ontario water treatment plant will be transferred to Onondaga County. OCWA entered into this agreement to reduce its costs historically paid for purchased water from MWB.

As of December 31, 2017, OCWA incurred costs of $246,520 in connection with this upgrade which are reported as construction in progress. These costs are related to a component of the upgrade which was in process prior to the consolidation date. OCWA is managing the completion of this project pursuant to the terms of the agreement. At the conclusion of construction and when the asset is placed in service OCWA will recognize an intangible asset for its right to access and operate the water treatment plant for 30 years pursuant to the service concession arrangement.

NOTE 9 – RECENT AND UPCOMING PRONOUNCEMENTS

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 – RECENT AND UPCOMING PRONOUNCEMENTS –
Continued

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2019.

GASB Statement No. 85, *Omnibus 2017*, was issued in March 2017. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). Among the various topics that may pertain to the Authority's financial reporting include: measuring certain money market investments and participating interest-earning investment contracts at amortized cost, timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, and classifying employer paid member contributions for OPEB. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2018.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 – RECENT AND UPCOMING PRONOUNCEMENTS – Continued

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued in May 2017. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole-purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2018.

GASB Statement No. 87, *Leases*, was issued in June 2017. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2020.

The Authority's management is in the process of evaluating the impact of these statements on its future financial statements.

NOTE 10 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 28, 2018, the date the financial statements were available to be issued, and identified the following additional disclosure.

The Authority was awarded a grant in the amount of $1.5 million from New York State to offset costs incurred in connection with the consolidation of the Metropolitan Water Board operations. The grant agreement was signed in February 2018.

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTHCARE PLAN

Year Ended December 31, 2017

Year End Date	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/09	1/1/10	$ 0	$ 20,195,354	$ 20,195,354	0%	N/A	N/A
12/31/10	1/1/10	$ 0	$ 21,483,184	$ 21,483,184	0%	$ 7,993,104	269%
12/31/11	1/1/10	$ 0	$ 30,843,497	$ 30,843,497	0%	$ 8,145,048	379%
12/31/12	1/1/10	$ 0	$ 32,967,461	$ 32,967,461	0%	$ 8,507,242	388%
12/31/13	1/1/13	$ 0	$ 20,973,049	$ 20,973,049	0%	$ 8,768,150	239%
12/31/14	1/1/13	$ 0	$ 22,394,412	$ 22,394,412	0%	$ 9,120,140	246%
12/31/15	1/1/13	$ 0	$ 23,852,908	$ 23,852,908	0%	$ 9,741,297	245%
12/31/16	1/1/16	$ 0	$ 21,875,602	$ 21,875,602	0%	$ 9,495,344	230%
12/31/17	1/1/16	$ 0	$ 30,948,952	$ 30,948,952	0%	$11,915,726	260%

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
Year Ended December 31, 2017

	2017	2016	2015	2014
NYSLRS Pension Plan				
Contractually Required Contributions	$ 1,543,843	$ 1,467,536	$ 1,751,828	$ 1,824,822
Contributions in Relation to Contractually Required Contributions	(1,543,843)	(1,467,536)	(1,751,828)	(1,824,822)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
Employer's Covered - Employee Payroll	$ 11,882,056	$ 9,495,344	$ 9,239,591	$ 8,823,689
Contribution as a Percentage of Covered - Employee Payroll	13.0%	15.5%	19.0%	20.7%

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

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended December 31, 2017

	2017	2016	2015
NYSLRS Pension Plan			
Authority's Proportion of the Net Pension Liability	0.0359589%	0.0356959%	0.0345407%
Authority's Proportionate Share of the Net Pension Liability	$ 3,378,779	$ 5,729,286	$ 1,166,871
Authority's Covered-Employee Payroll During Measurement Period	$ 11,882,056	$ 9,495,344	$ 9,239,591
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	28.4%	60.3%	12.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.7%	90.7%	97.9%

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

Dermody, Burke & Brown, CPAs, LLC

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

BOARD OF DIRECTORS
ONONDAGA COUNTY WATER AUTHORITY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Onondaga County Water Authority (the Authority), which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and change 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 28, 2018.

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 28, 2018

Dermody, Burke & Brown, CPAs, LLC

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

BOARD OF DIRECTORS
ONONDAGA COUNTY WATER AUTHORITY

We have examined Onondaga County Water Authority's (the Authority) compliance with its own investment policies, applicable laws and regulations related to investments, and the New York State Office of the State Comptroller Investment Guidelines for Public Authorities Section 2925(3)(f) for the year ended December 31, 2017. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2017.

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 28, 2018

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