

ERIE COUNTY WATER AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

ERIE COUNTY



NEW YORK

ERIE COUNTY WATER AUTHORITY

Comprehensive Annual Financial Report

For The Years Ended December 31, 2015 and 2014

PREPARED BY:

**THE FINANCE DEPARTMENT
ERIE COUNTY WATER AUTHORITY**

ERIE COUNTY WATER AUTHORITY
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INTRODUCTORY SECTION



Erie County Water Authority

295 Main Street • Room 350 • Buffalo, New York 14203
(716) 849-8484 • Fax (716) 849-8467

May 20, 2016

INTRODUCTION

Management Representation. This report was prepared by the Finance Department of the Erie County Water Authority (the “Authority”) in conformance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board (“GASB”). Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Board of Commissioners and management of the Authority.

Drescher & Malecki, LLP have issued an unmodified (“clean”) opinion on the Erie County Water Authority’s financial statements for the year ended December 31, 2015. The independent auditors’ report is located at the front of the financial section of this report.

We believe the information as presented is accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority. We further acknowledge the Authority’s responsibility for the design and implementation of programs and internal controls to provide reasonable assurance that fraud is prevented and detected. There are no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Authority’s ability to record, process, summarize and report financial data.

The Management Discussion and Analysis beginning on page 12 provides complementary information not included in this introduction.

ORGANIZATION PROFILE

The Erie County Water Authority is a Public Benefit Corporation formed in 1949 to provide a potable water supply to the residents of Erie County. The Authority was created by an Act of the New York State Legislature, codified in Sections 1050 through 1073 of Title 3 (the “Erie County Water Authority Act”) of Article 5 of the Public Authorities Law of the State of New York (as amended), to, among other things, finance, construct, operate and maintain a water supply and distribution system to benefit the residents of the County of Erie, New York. The Authority became operational in 1953.

The Authority is financially self-sustaining, paying all operating expenses from revenues generated from the sale of water to 168,637 customers. The Erie County Water Authority is not an agency of New York State, nor an agency of Erie County government. The Authority is completely independent with respect to budgeting, bonding authority, debt management and credit rating.

The Erie County Water Authority is governed by a Board of Commissioners. The Board consists of three members appointed by the Chairman of the Legislature of Erie County, subject to confirmation by a majority of said Legislature. Each Board member is appointed for a three-year term and continues to hold office until a successor is confirmed. The three-year terms of office are staggered. The enabling



State legislation provides that the officers of the Authority shall consist of a Chairman, a Vice-Chairman and Treasurer who shall be members of the Authority, and a Secretary, who need not be a member of the Authority. The Board establishes policy and is responsible for the overall operations of the Authority.

The Erie County Water Authority is organized into the following departments: Production, Water Quality, Distribution, Engineering, Finance, Administration, Legal and Office of the Secretary. The Legal Department and the Office of the Secretary report directly to the Board of Commissioners. The remaining departments are under the supervision and administrative control of the Executive Director.

The Erie County Water Authority operates its business activities on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority is responsible for the operation and maintenance of the assets while the municipality is responsible for the improvement and replacement of assets; and on a bulk sale basis where the Authority contracts with the customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvements and replacement, as well as billings and customer collections. No financial consideration is afforded municipalities in lease managed agreements with the Authority.

The Erie County Water Authority's water supply comes from Lake Erie and the Niagara River. Annually, the Authority treats and distributes approximately 25 billion gallons of high-quality water for residential, commercial, and industrial use in thirty-five municipalities, as well as the Seneca Nation of Indians. The municipalities are located in Erie County and parts of Chautauqua, Cattaraugus, Wyoming and western Genesee Counties. Before water is delivered, the Authority rigorously treats it to remove harmful contaminants. Two treatment plants handle that process: the Sturgeon Point Water Treatment Plant in the Town of Evans, New York and the Van de Water Treatment Plant on the upper Niagara River in the Town of Tonawanda, New York. These two water treatment plants, along with 38 pump stations, 37 water tanks, 4 process tanks, 3,617 miles of pipe, and 18,869 fire hydrants, all operated in direct service areas or under lease management agreements, serve approximately 550,000 people in Western New York, 24 hours a day, 365 days a year. The water produced and delivered by the Erie County Water Authority has always met or exceeded the most stringent water quality standards mandated by federal, state, and local government regulations.

FINANCIAL INFORMATION

Budgetary Controls. Although not obligated to legally adopt a budget, the Authority believes that budget preparation and implementation are important in maintaining fiscal responsibility and accountability, and it is a good business practice to conduct the budgetary process annually. Operating and capital budgets are prepared by management and approved by the Board of Commissioners. The purpose of the budget process is to authorize and control expenditures, evaluate projected revenue to determine the Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

Each department head evaluates and specifically identifies their operating and maintenance needs for the coming year. A capital budget is also prepared for the coming year and the next succeeding four years. A series of budget hearings are held with each department head, the Executive Director, the Deputy Director and the Budget Director. A final budget is prepared for review by the Board of Commissioners, and subsequently approved by the Board of Commissioners.

Financial Reporting. Financial statements and an investment report are prepared monthly, usually within two weeks of the last day of the month. A monthly presentation is made to the Board of

Commissioners, comparing actual results of operations with the budget. If unforeseen circumstances arise which alter the projections used in the budget process, a revision may be prepared by management for consideration and approval by the Board of Commissioners.

The Authority retains an independent audit firm to review the Authority's financial statements at the end of the fiscal year. A copy of the independent audit firm's opinion on the Authority's financial statements is contained in this report on page 10.

OTHER RELEVANT INFORMATION

Meetings of the Board of Commissioners. The Board of Commissioners takes an active role in establishing policy and in carrying out its responsibility of oversight of the Authority. The Board of Commissioners holds public meetings on a regular schedule which is posted on the Authority's website. The Board of Commissioners schedules work sessions with management as needed.

External Oversight. In addition to annual review by an independent audit firm, the Authority is subject to periodic audits by the Office of the New York State Comptroller and the Erie County Comptroller. The Authority also reports annually to the New York State Public Authorities Budget Office as required by the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009. In 2014, the Erie County Comptroller completed a review of the Authority's compliance with the reporting requirements of the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009. The resulting audit report found no significant matters effecting compliance with applicable laws, rules or procedures.

Operations. The Authority's enabling state legislation, Section 1054(10) grants the power to make rules for the sale of water and the collection of rents and charges, subject to agreements with bondholders. In compliance with this section, the Authority has established a Board-approved Tariff which establishes policies relating to water service. It includes charges and fees for water and provisions relating to system hookups, extensions of mains, public and private fire protection services and such other matters of importance in servicing its customers and accounts. The complete Tariff is available on the Authority's website.

In addition to departmental policy and procedures manuals, an Authority-wide internal policy and procedures manual is maintained. It contains sections relating to employment policies, compensation, fringe benefits, code of ethics, and rules of the work environment. These policies have been approved by the Board of Commissioners by formal resolution and are implemented by all operating units of the Authority, subject to provisions in current collective bargaining agreements.

The Authority's enabling State legislation requires that all construction projects exceeding \$5,000 must be competitively bid. The Board of Commissioners has adopted a procurement policy to openly promote fair competition and to acquire the best quality of goods and services at the most reasonable price from responsible providers. The Authority's procedures fully comply with the provisions of the New York State Finance Law relative to the procurement of goods, services and construction work and activity relating to real property. A copy of the Authority's Purchasing and Procurement Disclosure policy can be found on the website.

Performance measurements, as required under the Public Authorities Accountability Act, have been developed and are included in our annual filing as well as posted on our website.

The Authority's debt is rated by all three credit rating agencies. Moody's Investors Services rated the Authority's bonds Aa3. Standard & Poor's rating services reaffirmed the Authority's AA+ rating in 2015, and Fitch reaffirmed their AA+ rating in 2016.

ECONOMIC CONDITION AND OUTLOOK

The local economic outlook for Western New York has begun to improve as a result of several economic development projects in the region and general stabilization in the State and National economies. The Authority service area within Erie County encompasses some of the most affluent, growing communities in Western New York.

After decreases in billed consumption of 2.0%, 7.8% and 2.5% in 2014, 2013 and 2012, respectively, billed consumption remained relatively flat in 2015. Due to individual conservation efforts and changes in Federal and State laws and regulations, which require appliances to use less water, significant increases in water sales other than those caused by extreme weather conditions are not expected. At present, over 30% of the bills sent to Authority customers are for the monthly or quarterly minimum consumption.

Given the reality of lower consumption and rising repair and infrastructure costs, the Authority adopted an infrastructure investment charge with the 2011 budget. The infrastructure investment charge was implemented to maintain the Authority's infrastructure and to allow for a more equitable distribution among customer classifications of fixed costs. Revenues generated from the charge are being used for infrastructure repairs, replacements and improvements. In 2015 15.0% of total water sales revenue was derived from the infrastructure investment charge as compared to 12.2% in 2014

In order to help stabilize water rates, the Authority, over the past decade, has been able to use its unrestricted cash to reduce the total amount of outstanding debt, either by executing bond call provisions or refundings. To further reduce long-term interest costs, current unrestricted and internally restricted cash balances are being used to fund a five year capital plan which prioritizes new investment and needed improvements.

The prudent practices of the Erie County Water Authority are reflected in the operating results, reported over a ten year period in the Statistical Section of this report.

LONG TERM FINANCIAL PLANNING

The Authority has been exposed to significant cost increases primarily for employee health care costs and pension costs. To mitigate the negative cost pressures, the Authority has reduced its workforce from 261.8 budgeted full-time equivalents in 2006 to 245.9 budgeted full-time equivalents in 2015. Through its membership in the Labor Management Healthcare Coalition, which negotiates with and selects healthcare providers for Coalition members, the trend in health care costs has stabilized. The Authority maintains a seat on the Labor Management Healthcare Coalition, giving the Authority more control over its future healthcare costs. Personnel and fringe benefit costs account for approximately fifty-five percent of the Authority's operating and maintenance expenses.

The Authority is part of a consortium of municipal power users formed to secure lower prices for electricity purchases through aggregation of purchases in the open market. Erie County, which acts as the lead agency in the consortium, purchases electricity by competitive bid and bills the Authority monthly. The Authority is making preliminary inquiries into the feasibility of installing solar panels at its facilities to further reduce power costs.

Due to the changing dynamics of customer demand cited elsewhere, the Authority began in October of 2015 a comprehensive rate study with a national consulting firm. The goal is to update the rate structure to more accurately represent the current business environment and to ensure that costs are being fairly allocated and recovered from the appropriate customers.

The Authority has also begun a program to revamp how it plans for capital expenditures in one to five year time frames and also longer horizons up to fifty years.

Security risks, disasters, and power outages have highlighted a need for infrastructure enhancements and redundancy throughout the system. The biggest fiscal challenge on the horizon is to generate sufficient resources to help meet the infrastructure needs of the system.

MAJOR INITIATIVES

Over the past fifteen years the Authority has been engaged in a series of water system consolidations whereby independent municipal water system operators have transferred ownership of their systems to the Authority. The pace of these consolidations has increased in the past three years and is in keeping with the original intention for the creation of the Authority. The continuation of this trend will have the effect of shifting costs from smaller systems and rate bases to the Authority. However, due to economies of scale enjoyed by the Authority, the overall community-wide costs should be lower in a coordinated, unified system compared to those of a patchwork network of small systems.

In the second quarter of 2014, the Village of Williamsville completed its conversion to direct service, and in January of 2016, the Town of Marilla converted their system from lease managed to direct service. Discussions continue with the Towns of Aurora and Eden, and with the Village of Hamburg on converting their systems from lease managed to direct service.

In September of 2011, the Authority began accepting credit card and ACH payments. During 2015, 95,956 payments were received through telephone or website access as compared to 72,377 payments in 2014. Customers absorb the total cost of processing credit card payments through a service fee paid directly to our payment agents. Payments processed via ACH are free to our customers. In addition to providing more convenience to our customers, new payment options have reduced the number of paper payments that require processing through a lockbox operation.

Beginning in 2013, the Authority embarked on a revision to its vehicle and equipment replacement strategy. Each vehicle is now specified for purchase based upon the tasks to be performed. Data is collected regarding fuel economy, maintenance, repairs, optimal resale values and replacement costs. This data is regularly reviewed and replacement timing is based upon finding the lowest cost of ownership point in the vehicles life. When the cost of ownership begins to increase, the vehicle is replaced. The Authority has begun to see reductions in fuel costs (in excess of pricing fluctuations) and repair costs and less out of service time for vehicles along with overall cost of ownership savings.

In late 2014 the Authority embarked on its most comprehensive technology and work methods update in over twenty years. "ECWA Advance" is the project name and is a multifaceted effort to modernize the Authority's work and asset management systems, increase automation of the supervisory control and data acquisition processes in both the plants and the transmission/distribution system, the building of a high speed wide area network to connect all of the authority's facilities and the introduction of an information technology master plan and governance structure to manage these systems. The Authority expects this project to produce recurring long term savings through greater efficiency.

AWARDS AND ACKNOWLEDGEMENTS

In order to provide meaningful financial and operational data for its operations, the Authority, starting with fiscal year 2004, has prepared and issued a Comprehensive Annual Financial Report. The Authority has received recognition for its financial reporting efforts. The Certificate of Achievement for Excellence in Financial Reporting has been presented to the Authority by the Government Finance Officers Association of the United States and Canada each year since 2004.

The preparation of this report would not have been possible without the dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to the Finance Department staff and all other members of the Authority who assisted and contributed to the preparation of this report. We would also like to extend our congratulations on the receipt of a Certificate of Achievement for Excellence in Financial Reporting for the 2014 report, which is presented on page 7.

As it looks toward the future, the Erie County Water Authority is well positioned to continue to efficiently meet the demand for safe, clean drinking water in the communities that it serves.

Respectfully Submitted,



Robert F. Gaylord, Executive Director



Robert J. Lichtenthal, Jr., Deputy Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Erie County Water Authority
New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

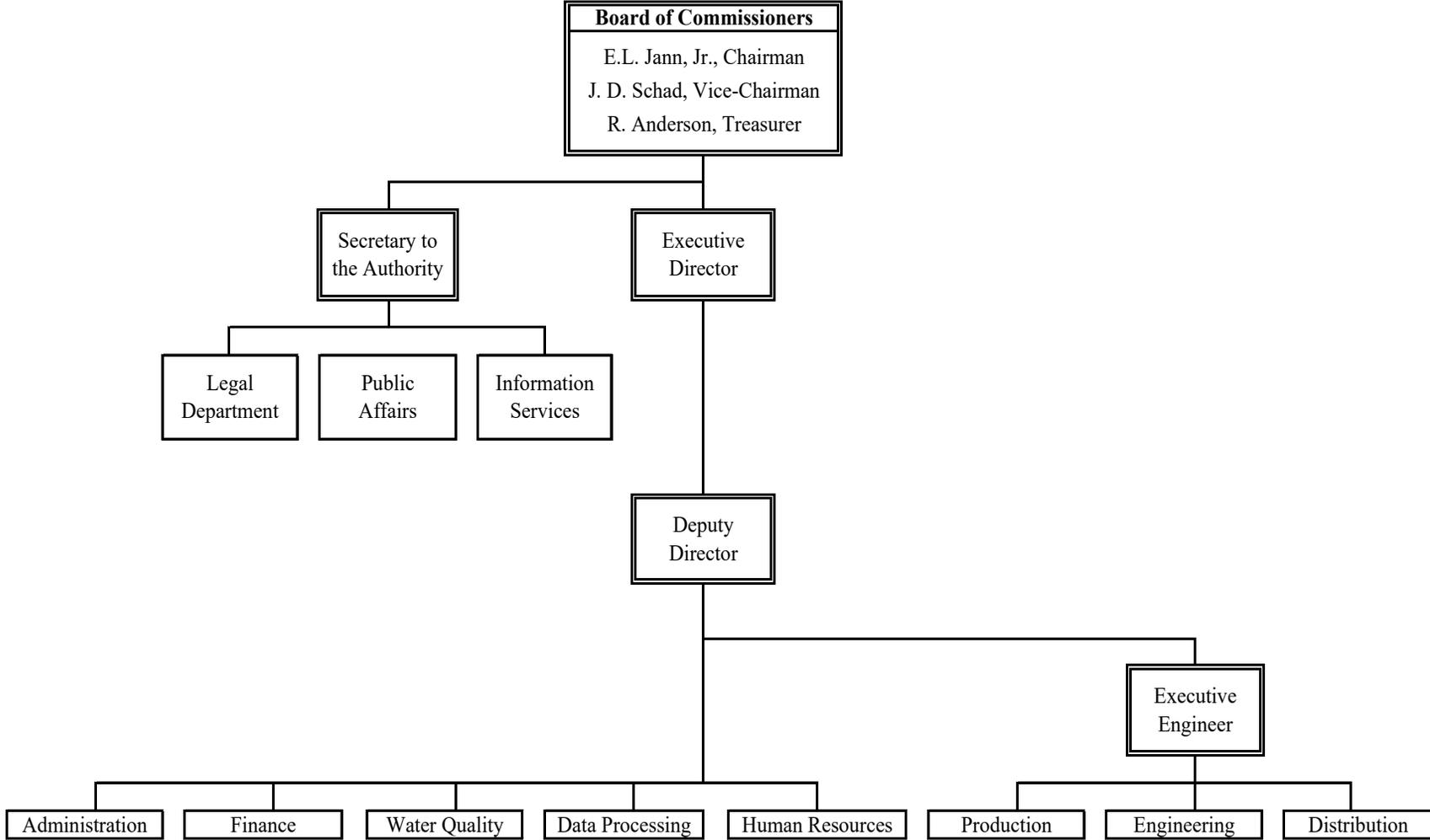
Executive Director/CEO

ERIE COUNTY WATER AUTHORITY
Members of the Board of Commissioners

Members of the Board of the Erie County Water Authority are appointed by the Chairman of the Erie County Legislature upon receiving nominations from the majority of the Majority Caucus or the Minority Caucus, subject to confirmation by a majority of the Legislature. Each Member is appointed to a three year term; and, not more than two members of the Authority's Board of Commissioners, at any time, shall belong to the same political party.

<u>Board Members on 12/31/2015</u>	<u>Most Recent Appointment Date</u>
Earl L. Jann, Chairman	2014
Jerome D. Schad, Vice Chairman	2013
Robert Anderson, Treasurer	2015

ERIE COUNTY WATER AUTHORITY
Organizational Chart



FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Erie County Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Erie County Water Authority (the "Authority"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015 the Authority implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The Introductory Section and the Statistical Section, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



March 24, 2016

ERIE COUNTY WATER AUTHORITY
Management's Discussion and Analysis
For the Years Ended December 31, 2015 and 2014

Management provides the following discussion and analysis (“MD&A”) of the Erie County Water Authority’s (the “Authority”) financial activities and statements for the years ended December 31, 2015 and 2014. Certain data from the prior year has been reclassified to conform with the current year presentation. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements, all of which follow this narrative on the subsequent pages. The Authority is not required to legally adopt a budget; therefore, comparative budgetary information is not included in this report.

Financial Highlights

- The Authority’s net position increased \$14,245,692 as a result of activity for the year ended December 31, 2015. For 2015, \$10,111,672 results from net income. The remaining increase of \$4,134,020 represents capital contributions (contributions in aid of construction). In 2014, the Authority’s net position increased \$7,007,079. For 2014, \$5,542,391 results from net income. The remaining increase of \$1,464,688 represents capital contributions.
- The assets and deferred outflows of the Authority exceeded its liabilities by \$323,215,094 and \$308,969,402, representing net position at December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, unrestricted net positions were \$18,770,920 and \$19,018,756 respectively, and may be used to meet the Authority’s ongoing obligations.
- The Authority’s bonded indebtedness, including related bond premiums, decreased \$8,827,236 in 2015 compared to a decrease of \$8,487,236 in 2014. The net decrease in 2015 resulted primarily from scheduled principal payments of \$8,525,000. The net decrease in 2014 resulted from scheduled principal payments of \$8,185,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority’s basic financial statements. The financial statements are organized as follows:

- The ***Statement of Net Position*** presents information on all of the Authority’s assets, deferred outflows of resources and liabilities, with the difference reported as “net position”. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The ***Statement of Revenue, Expenses and Changes in Net Position*** presents information showing how the Authority’s net position changed during the most recent reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., earned but unbilled revenue and earned but unused vacation leave).
- The ***Statement of Cash Flows*** presents information depicting the Authority’s cash flow activities for the most recent reporting period and the effect that these activities had on the Authority’s cash and cash equivalent balances.
- The ***Notes to Financial Statements*** present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements section of this report.

Financial Analysis

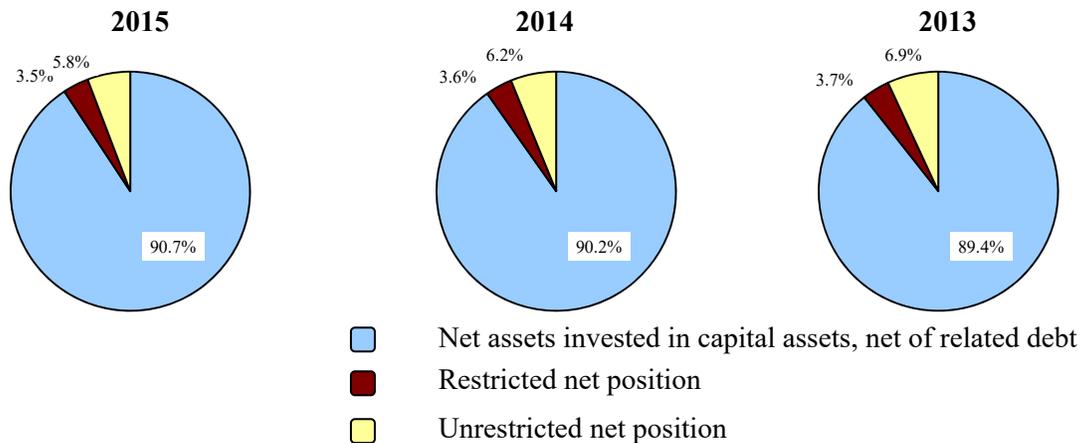
As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$323,215,094 at December 31, 2015 as compared to \$308,969,402 at December 31, 2014, as presented below in Table 1:

Table 1—Condensed Statement of Net Position

	December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Current assets	\$ 48,260,946	\$ 44,186,699	\$ 4,074,247	9.2
Noncurrent assets:				
Other noncurrent assets	21,655,499	24,661,647	(3,006,148)	(12.2)
Capital assets	<u>360,641,152</u>	<u>354,995,016</u>	<u>5,646,136</u>	1.6
Total assets	<u>430,557,597</u>	<u>423,843,362</u>	<u>6,714,235</u>	1.6
Deferred outflows of resources	<u>2,500,423</u>	<u>2,246,850</u>	<u>253,573</u>	11.3
Current liabilities	17,674,779	18,367,368	(692,589)	(3.8)
Noncurrent liabilities	<u>92,168,147</u>	<u>98,753,442</u>	<u>(6,585,295)</u>	(6.7)
Total liabilities	<u>109,842,926</u>	<u>117,120,810</u>	<u>(7,277,884)</u>	(6.2)
Invested in capital assets, net of related debt	293,189,072	278,715,700	14,473,372	5.2
Restricted	11,255,102	11,234,946	20,156	0.2
Unrestricted	<u>18,770,920</u>	<u>19,018,756</u>	<u>(247,836)</u>	(1.3)
Total net position	<u>\$ 323,215,094</u>	<u>\$ 308,969,402</u>	<u>\$ 14,245,692</u>	4.6

	December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Current assets	\$ 44,186,699	\$ 41,428,587	\$ 2,758,112	6.7
Noncurrent assets:				
Other noncurrent assets	24,661,647	26,217,379	(1,555,732)	(5.9)
Capital assets	<u>354,995,016</u>	<u>354,952,617</u>	<u>(330,290,970)</u>	(93.1)
Total assets	<u>423,843,362</u>	<u>422,598,583</u>	<u>(67,603,567)</u>	(16.0)
Deferred outflows of resources	<u>2,246,850</u>	-	<u>2,246,850</u>	100.0
Current liabilities	18,367,368	17,979,626	387,742	2.2
Noncurrent liabilities	<u>98,753,442</u>	<u>102,317,118</u>	<u>(3,563,676)</u>	(3.5)
Total liabilities	<u>117,120,810</u>	<u>120,296,744</u>	<u>(3,175,934)</u>	(2.6)
Invested in capital assets, net of related debt	278,715,700	270,186,065	8,529,635	3.2
Restricted	11,234,946	11,225,943	9,003	0.1
Unrestricted	<u>19,018,756</u>	<u>20,889,831</u>	<u>(1,871,075)</u>	(9.0)
Total net position	<u>\$ 308,969,402</u>	<u>\$ 302,301,839</u>	<u>\$ 6,667,563</u>	2.2

At December 31, 2015, the largest portion of the Authority's net position, 90.7%, consists of the Authority's investment in capital assets, as compared to 90.2% and 89.4% at December 31, 2014 and 2013, respectively. This amount is presented net of any outstanding debt which was used to acquire such capital assets. The second portion of net position, 5.8%, at December 31, 2015, as compared to 6.2% and 6.9%, at December 31, 2014, and 2013, respectively, consists of unrestricted net position. These assets are not limited in any way with regards to how and what they may be used for. The remainder of net position, 3.5%, 3.6% and 3.7% at December 31, 2015, 2014 and 2013, respectively, is restricted for various purposes.



The Authority's liabilities totaled \$109,842,926, \$117,120,810, and \$120,296,744, at December 31, 2015, 2014 and 2013 respectively. The largest component of liabilities is outstanding water revenue bonds.

The Authority had current ratios of 2.73, 2.41, and 2.30, at December 31, 2015, 2014 and 2013, respectively. Such a ratio implies that the Authority has sufficient assets on hand to cover its liabilities that will come due in the ensuing year.

A comparison of current assets as compared to current liabilities of the Authority at December 31, 2015, 2014, and 2013 follows:

Table 2—Comparison of current assets and current liabilities

	December 31,		
	2015	2014	2013
Current assets	\$ 48,260,946	\$ 44,186,699	\$ 41,428,587
Current liabilities	17,674,779	18,367,368	17,979,626
Ratio of current assets to current liabilities	2.73	2.41	2.30

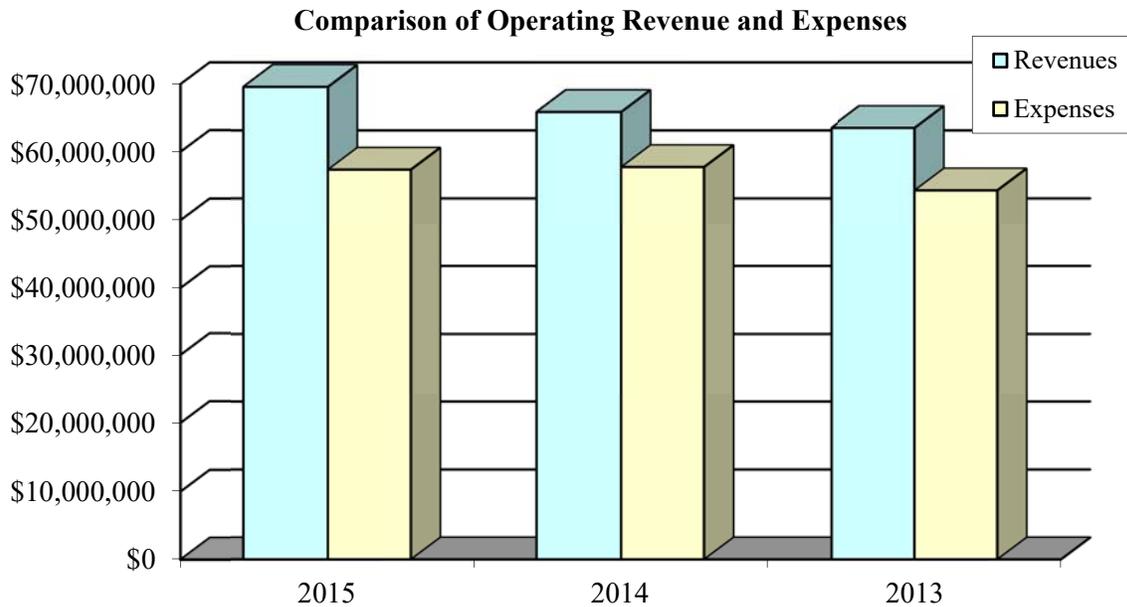
Table 3 shows the changes in net position for the years ended December 31, 2015, 2014, and 2013:

Table 3—Changes in Net Position

	Year Ended December 31,	
	2015	2014
Operating revenue	\$ 69,595,215	\$ 65,908,808
Operating expenses:		
Operation and administration	27,858,447	28,355,340
Maintenance	13,880,273	14,343,462
Depreciation	12,494,706	12,355,427
Other post-employment benefits	3,202,218	2,757,755
Total operating expenses	57,435,644	57,811,984
Operating income	12,159,571	8,096,824
Nonoperating revenues (expenses):		
Interest income	355,130	356,668
Interest capitalization during construction	239,440	55,722
Interest expense	(2,642,469)	(2,966,823)
Total nonoperating revenues (expenses)	(2,047,899)	(2,554,433)
Net income before contributions in aid of construction	10,111,672	5,542,391
Contributions in aid of construction	4,134,020	1,464,688
Change in net position	14,245,692	7,007,079
Total net position - beginning of year	308,969,402	302,301,839
GASB Statement Nos. 68 & 71 implementation	-	(339,516)
Total net position - end of year	\$ 323,215,094	\$ 308,969,402

	Year Ended December 31,	
	2014	2013
Operating revenue	\$ 65,908,808	\$ 63,555,781
Operating expenses:		
Operation and administration	28,355,340	26,960,359
Maintenance	14,343,462	12,496,844
Depreciation	12,355,427	12,153,619
Other post-employment benefits	2,757,755	2,772,005
Total operating expenses	57,811,984	54,382,827
Operating income	8,096,824	9,172,954
Nonoperating revenues (expenses):		
Interest income	356,668	402,767
Interest capitalization during construction	55,722	215,181
Interest expense	(2,966,823)	(3,345,294)
Total nonoperating revenues (expenses)	(2,554,433)	(2,727,346)
Net income before contributions in aid of construction	5,542,391	6,445,608
Contributions in aid of construction	1,464,688	1,392,541
Change in net position	7,007,079	7,838,149
Total net position - beginning of year	302,301,839	294,463,690
GASB Statement Nos. 68 & 71 implementation	(339,516)	-
Total net position - end of year	\$ 308,969,402	\$ 302,301,839

The following chart depicts a 5.6% increase in operating revenue from \$65,908,808 in 2014 to \$69,595,215 in 2015, compared to a 3.7% increase in operating revenue from \$63,555,781 in 2013 to \$65,908,808 in 2014. Operating expenses decreased 0.6% from \$57,811,984 in 2014 to \$57,435,644 in 2015, compared to a 6.3% increase from \$54,382,827 in 2013 to \$57,811,984 in 2014.



A summary of operating revenue for the years ended December 31, 2015, 2014 and 2013 is presented below in Table 4:

Table 4—Summary of Operating Revenue

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Water sales:				
Residential	\$ 36,335,268	\$ 35,954,051	\$ 381,217	1.1
Commercial	7,899,110	7,450,855	448,255	6.0
Industrial	1,721,516	1,689,835	31,681	1.9
Public authorities	2,394,994	2,275,352	119,642	5.3
Fire protection	4,275,127	4,266,755	8,372	0.2
Sales to other utilities	3,625,852	3,686,340	(60,488)	(1.6)
Infrastructure investment charge	10,355,324	7,992,100	2,363,224	29.6
Other water sales	<u>2,281,933</u>	<u>2,011,698</u>	<u>270,235</u>	13.4
Total water sales	68,889,124	65,326,986	3,562,138	5.5
Other operating revenue:				
Rents from water towers	546,065	531,608	14,457	2.7
Miscellaneous	<u>160,026</u>	<u>50,214</u>	<u>109,812</u>	218.7
Operating revenue	<u>\$ 69,595,215</u>	<u>\$ 65,908,808</u>	<u>\$ 3,686,407</u>	5.6

Table 4—Summary of Operating Revenue (cont'd)

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Water sales:				
Residential	\$ 35,954,051	\$ 35,784,899	\$ 169,152	0.5
Commercial	7,450,855	7,245,844	205,011	2.8
Industrial	1,689,835	1,585,025	104,810	6.6
Public authorities	2,275,352	2,147,079	128,273	6.0
Fire protection	4,266,755	4,145,727	121,028	2.9
Sales to other utilities	3,686,340	4,275,543	(589,203)	(13.8)
Infrastructure investment charge	7,992,100	5,885,407	2,106,693	35.8
Other water sales	<u>2,011,698</u>	<u>1,883,493</u>	<u>128,205</u>	6.8
Total water sales	65,326,986	62,953,017	2,373,969	3.8
Other operating revenue:				
Rents from water towers	531,608	524,616	6,992	1.3
Miscellaneous	<u>50,214</u>	<u>78,148</u>	<u>(27,934)</u>	(35.7)
Operating revenue	<u>\$ 65,908,808</u>	<u>\$ 63,555,781</u>	<u>\$ 2,353,027</u>	3.7

Water sales represent the vast majority of revenue for the Authority, 99.0% for the year ended December 31, 2015, 99.1% for the years ended December 31, 2014 and December 31, 2013.

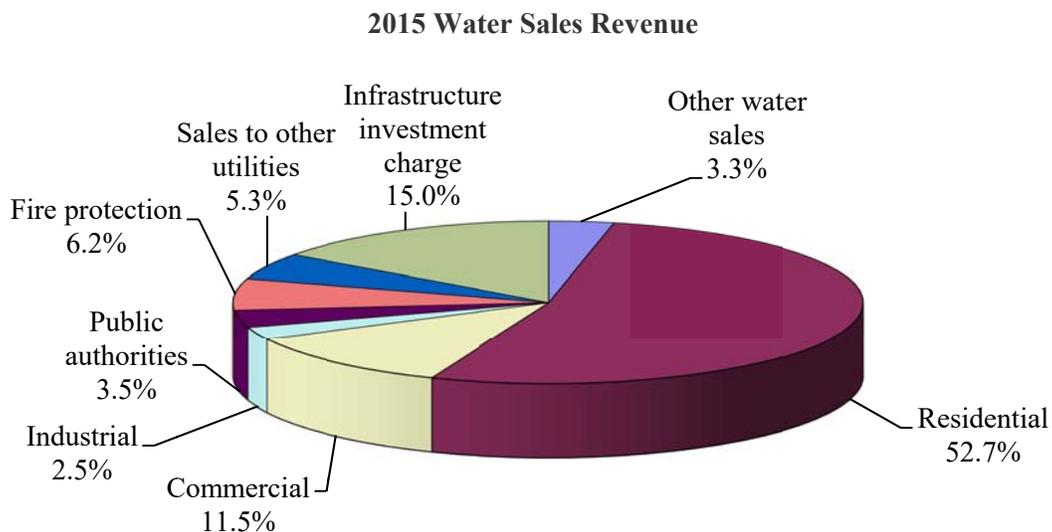
Following are some of the issues and events affecting revenue in 2015:

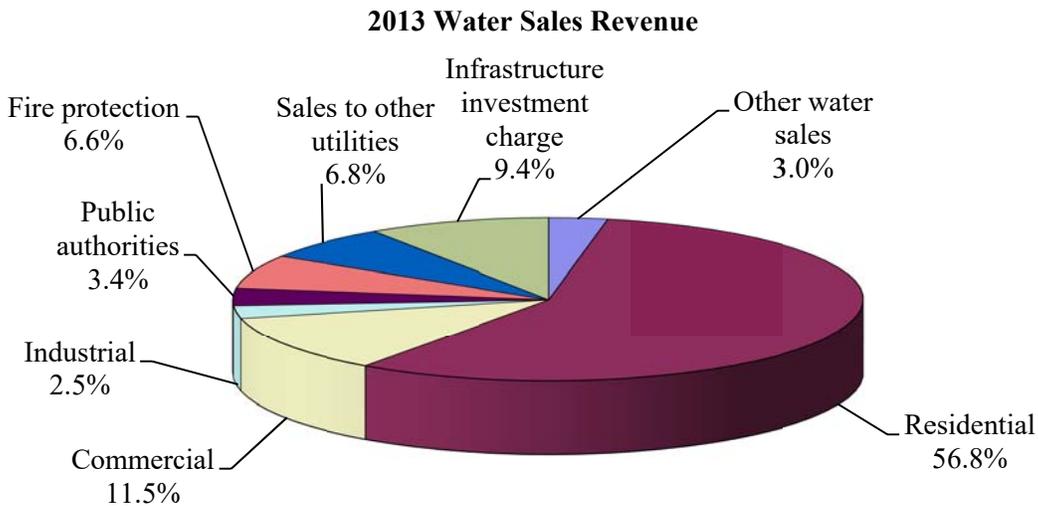
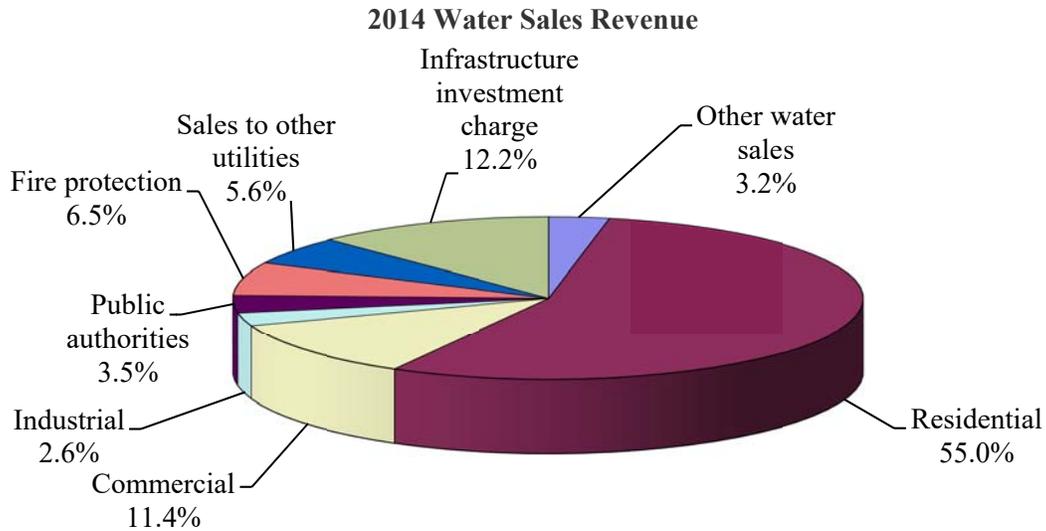
- The infrastructure investment charge increased \$2,363,224 in 2015. On January 1, 2015, the 2014 rate of \$12.00 per billing quarterly or \$4.00 per billing monthly was increased to \$15.45 and \$5.15 per billing, respectively. The conversion of the Village of Williamsville from bulk service to direct service in June of 2014 also contributed to the increase. Approximately 1,800 additional monthly and quarterly customers paid a full year of the infrastructure investment charge compared to seven months of charges in 2014.
- Metered rates rose 1.67% (or \$.05) per thousand gallons on January 1, 2015 giving rise to small increases in revenue in all metered water categories except bulk sale revenue. Bulk sale revenue decreased 1.6% due to the conversion of the Village of Williamsville from bulk sales to direct service in June of 2014.
- An increase in late charges of \$119,012, 11.9%, from \$1,002,029 in 2014 to \$1,121,041 contributed to the rise in revenue as well. Although the late charge rate remained the same, the Authority collected 7,786 more late charges in 2015 than in 2014. As a result of the increased water and infrastructure investment charges, they were, also, 5.4% higher on average.
- Miscellaneous non-operating revenue increased \$109,812 in 2015 due to the unanticipated receipt of \$108,350 in net payments in excess of the 2014 receivable from the Federal and State Emergency Management Agencies for the Authority's damage claim from a November 2014 snow storm.

Comparatively, these issues and events impacted revenue in 2014:

- The infrastructure investment charge increased \$2,106,693 in 2014. On January 1, 2014, the 2013 rate of \$9.00 per billing quarterly or \$3.00 per billing monthly was increased to \$12.00 and \$4.00 per billing respectively. The conversion of the Village of Williamsville from bulk service to direct service also contributed to the increase.
- Metered rates rose 1.35% (or \$.04) per thousand gallons on January 1, 2014 giving rise to small increases in revenue in all metered water categories except bulk sale revenue. Bulk sale revenue decreased 13.8% due to the conversion of the Village of Williamsville from bulk sales to direct service in June of 2014. Billed consumption decreased 2.0% offsetting most of the increase in metered revenue.
- A sharp increase in late charges of \$236,393, 30.9%, from \$765,636 in 2013 to \$1,002,029 in 2014 contributed to the rise in revenue as well. Although the late charge rate remained the same, the Authority collected 18,521 more late charges in 2014 than in 2013. As a result of the increased water and infrastructure investment charges, they were, also, 11.6% higher on average.
- Miscellaneous non-operating revenue decreased \$28,463 from 2013 due to fewer scrap sales in 2014. The enactment of a new Federal Public Law 111-380: Reduction of Lead in Drinking Water Act resulted in scrapping non-compliant parts and materials during 2013.

As presented in the illustration below, residential water sales represent the largest portion of water sales for the Authority, which was 52.7%, 55.0%, and 56.8% of total water sales for the years ended December 31, 2015, 2014 and 2013, respectively. The next largest water sales revenue component for the Authority in the years ended December 31, 2015 and 2014 is the infrastructure investment charge, which was 15.0%, 12.2%, respectively. Commercial sales were the second largest water sales revenue component for the year ended December 31, 2013 which was 11.5% of water sales revenue.





As illustrated below, operation and administration expenses are the largest expense and account for 46.4%, 46.7%, and 46.7%, of the Authority's expenses for the years ended December 31, 2015, 2014 and 2013, respectively. The second largest expense for the Authority for the years ended December 31, 2015, 2014 and 2013 was maintenance, which was 23.1%, 21.6% and 21.6%, respectively.

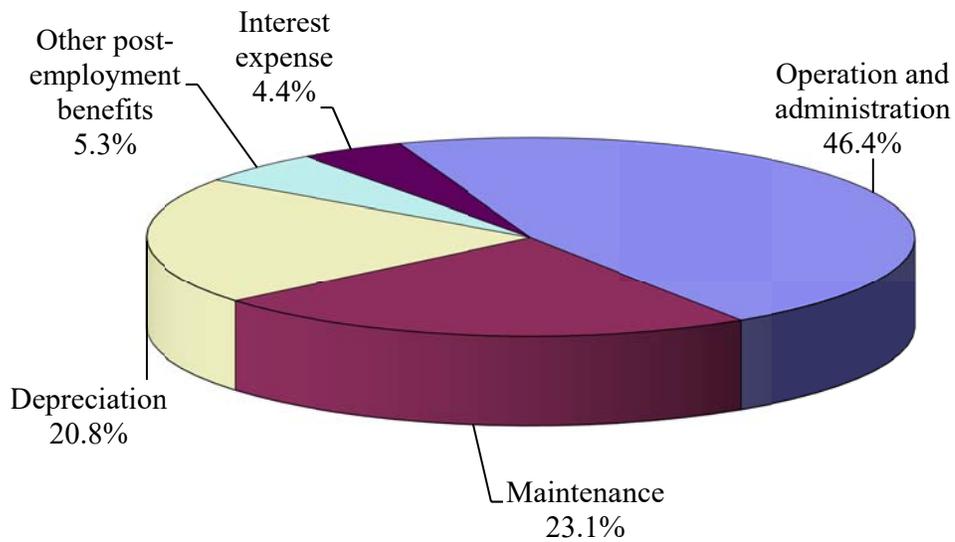
Table 5—Summary of Expenses

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Operation and administration	\$ 27,858,447	\$ 28,355,340	\$ (496,893)	(1.8)
Maintenance	13,880,273	14,343,462	(463,189)	(3.2)
Depreciation	12,494,706	12,355,427	139,279	1.1
Interest expense	2,642,469	2,966,823	(324,354)	(10.9)
Other postemployment benefits	3,202,218	2,757,755	444,463	16.1
Total	\$ 60,078,113	\$ 60,778,807	\$ (700,694)	(1.2)

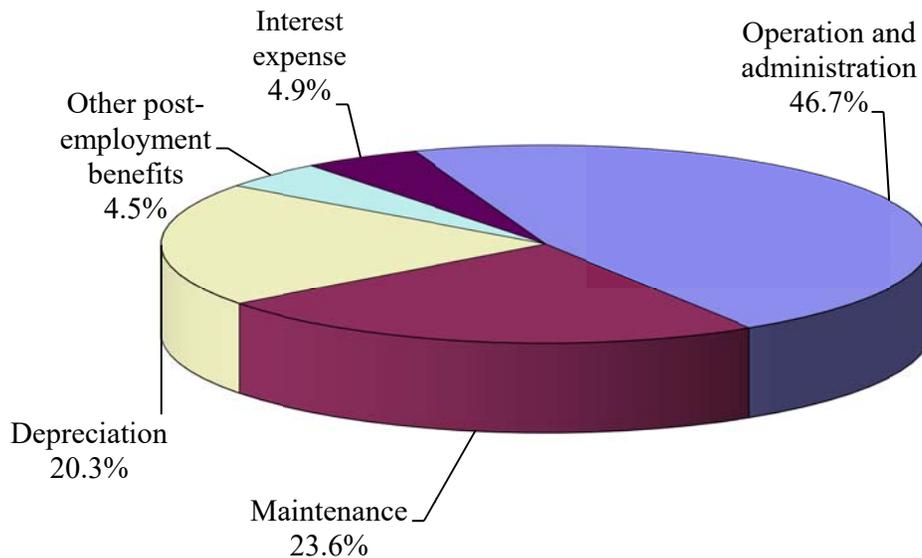
Table 5—Summary of Expenses (cont'd)

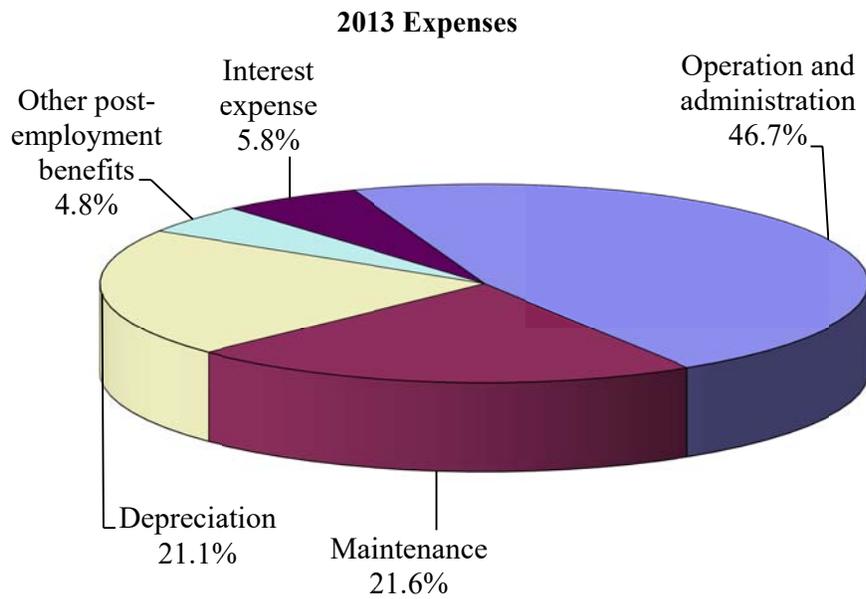
	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Operation and administration	\$ 28,355,340	\$ 26,960,359	\$ 1,394,981	5.2
Maintenance	14,343,462	12,496,844	1,846,618	14.8
Depreciation	12,355,427	12,153,619	201,808	1.7
Interest expense	2,966,823	3,345,294	(378,471)	(11.3)
Other postemployment benefits	2,757,755	2,772,005	(14,250)	(0.5)
Total	<u>\$ 60,778,807</u>	<u>\$ 57,728,121</u>	<u>\$ 3,050,686</u>	5.3

2015 Expenses



2014 Expenses





Following are some of the issues and events affecting expenses in 2015:

- Operation and administration expenses decreased 1.8%, or \$496,893.
 - ✓ Power costs decreased \$1,141,899, 24.5%, from \$4,667,540 in 2014 to \$3,525,641 in 2015. While usage remained consistent with 2014, the average cost per kilowatt hour was 32% lower in 2015.
 - ✓ Workers' Compensation insurance expense increased 34%, or \$412,200, from \$1,213,207 in 2014 to \$1,625,407 in 2015 due largely to the assessment of a New York State Insurance Fund charge equal to 30% of the premium, or \$374,844, for the plan year July 1, 2015—June 30, 2016. This is the first year this assessment was levied.
- Maintenance expenses decreased 3.2%, or \$463,189.
 - ✓ Restoration costs decreased \$249,839 due to fewer sites restored at a lower overall average cost per site.
 - ✓ Payments to other contractors decreased \$88,340 largely due to a new contract for landscaping services. In April of 2015, the Authority contracted with New York State Industries for the Disabled, a New York State Preferred Contractor, to provide landscaping services for all of our properties.
- Interest expense decreased \$324,354, 10.9% due entirely to bond maturities.
- The value of other postemployment benefits increased \$444,463, 16.1%, due to changes in actuarial assumptions with respect to health care trend rates and updated mortality tables.

Comparatively, these issues and events impacted expenses in 2014:

- Operation and administration expenses increased 5.2%, or \$1,394,981.
 - ✓ Retiree Health Insurance expense increased \$509,156, or 38.3% as a result of increases in both medical and prescription drug claims.
 - ✓ Power purchased increased \$637,146, or 15.8%., due to a 6% increase in usage during 2014 and a 12.8% increase in the average cost per kilowatt hour.
- Maintenance expenses increased 14.8%, or \$1,846,618.
 - ✓ Payments to contractors for emergency main repairs increased \$595,007 or 57.9%. Watermain leaks in January and February of 2014 increased 19.4% over the same two months in the previous year, creating a need for additional service from outside contractors.
 - ✓ Payments to restoration contractors increased \$648,303 or 34.3%, due to an increase in the number of sites restored and unit cost increases under new restoration contracts effective March 31, 2014.
 - ✓ The cost of renting traffic control equipment rose 104.7% in 2014. In the last quarter of 2013 the Authority's provider for traffic control discontinued their emergency response service. A new vendor was identified and a contract was negotiated. The number of sites billed increased 13.8% and the average cost per site increased 79.7% in 2014.
- Interest expense decreased \$378,471 mainly due to bond maturities and a decrease in interest rates on the 2003F Bonds as a result of the August 2013 Refunding.

Table 6—Summary of Cash Flow Activities

	Year Ended December 31,		Increase/(Decrease)
	2015	2014	Dollars
Cash flows provided (used) by:			
Operating activities	\$ 23,730,946	\$ 21,547,274	\$ 2,183,672
Capital and related financing activities	(24,980,603)	(22,108,338)	(2,872,265)
Investing activities	594,802	(30,912)	625,714
Net decrease in cash and cash equivalents	(654,855)	(591,976)	(62,879)
Cash and cash equivalents, beginning of year	38,072,477	38,664,453	(591,976)
Cash and cash equivalents, end of year	<u>\$ 37,417,622</u>	<u>\$ 38,072,477</u>	<u>\$ (654,855)</u>

Table 6—Summary of Cash Flow Activities (cont'd)

	Year Ended December 31,		Increase/(Decrease)
	2014	2013	Dollars
Cash flows provided (used) by:			
Operating activities	\$ 21,547,274	\$ 23,318,586	\$ (1,771,312)
Capital and related financing activities	(22,108,338)	(29,087,842)	6,979,504
Investing activities	<u>(30,912)</u>	<u>(2,658,644)</u>	<u>2,627,732</u>
Net decrease in cash and cash equivalents	(591,976)	(8,427,900)	7,835,924
Cash and cash equivalents, beginning of year	<u>38,664,453</u>	<u>47,092,353</u>	<u>(8,427,900)</u>
Cash and cash equivalents, end of year	<u>\$ 38,072,477</u>	<u>\$ 38,664,453</u>	<u>\$ (591,976)</u>

At December 31, 2015, 2014, and 2013, cash and cash equivalents were restricted for various purposes as presented below:

Table 7—Summary of Cash and Cash Equivalents

	Year Ended December 31,		
	2015	2014	2013
Unrestricted	\$ 28,722,627	\$ 24,227,980	\$ 23,099,589
Restricted	<u>8,694,995</u>	<u>13,844,497</u>	<u>15,564,864</u>
Total	<u>\$ 37,417,622</u>	<u>\$ 38,072,477</u>	<u>\$ 38,664,453</u>

Total cash and cash equivalents decreased \$654,855 from \$38,072,477 in 2014 to \$37,417,622 in 2015.

Total cash and cash equivalents decreased \$591,976 from \$38,664,453 in 2013 to \$38,072,477 in 2014.

Capital Assets

The Authority's investment in capital assets as of December 31, 2015 amounted to \$360,641,152 (net of accumulated depreciation) as compared to \$354,995,016 as of December 31, 2014 and \$354,952,617 as of December 31, 2013. This investment includes land, buildings and structures, mains and hydrants, equipment, construction in progress and other (service installations, leasehold improvements, etc.). The Authority's greatest investment in capital assets is in buildings and structures and mains and hydrants.

Presented in Table 8 is a comparative summary of capital assets. Additional information on the Authority's capital assets can be found in Note 4 of the financial statements.

Table 8—Summary of Capital Assets (Net of Accumulated Depreciation)

	December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Capital assets not being depreciated:				
Land	\$ 2,231,137	\$ 2,231,137	\$ -	-
Construction work in progress	3,244,739	5,795,468	(2,550,729)	(44.0)
Total capital assets, not being depreciated	5,475,876	8,026,605	(2,550,729)	(31.8)
Capital assets being depreciated:				
Buildings and structures	270,685,457	260,667,136	10,018,321	3.8
Mains and hydrants	220,347,031	214,871,473	5,475,558	2.5
Equipment	56,395,641	54,333,355	2,062,286	3.8
Other	56,192,707	54,807,942	1,384,765	2.5
Total capital assets, being depreciated	603,620,836	584,679,906	18,940,930	3.2
Less accumulated depreciation	248,455,560	237,711,495	10,744,065	4.5
Total capital assets, being depreciated, net	355,165,276	346,968,411	8,196,865	2.4
	December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Capital assets not being depreciated:				
Land	\$ 2,231,137	\$ 2,231,137	\$ -	-
Construction work in progress	5,795,468	3,327,930	2,467,538	74.1
Total capital assets, not being depreciated	8,026,605	5,559,067	2,467,538	44.4
Capital assets being depreciated:				
Buildings and structures	260,667,136	258,052,423	2,614,713	1.0
Mains and hydrants	214,871,473	212,089,378	2,782,095	1.3
Equipment	54,333,355	53,831,889	501,466	0.9
Other	54,807,942	53,738,138	1,069,804	2.0
Total capital assets, being depreciated	584,679,906	577,711,828	6,968,078	1.2
Less accumulated depreciation	237,711,495	228,318,278	9,393,217	4.1
Total capital assets, being depreciated, net	346,968,411	349,393,550	(2,425,139)	(0.7)

Debt Administration

At December 31, 2015, the Authority had \$67,452,080 in water revenue bond principal outstanding, net of deferred amounts for bond premiums, as compared to \$76,279,316 and \$84,766,552 at December 31, 2014 and 2013. Water revenue bonds outstanding, net of deferred amounts from bond premiums, decreased \$8,827,236 during the year ended December 31, 2015, as a result of principal payments shown in Table 9.

Table 9—Summary of Bond Payments and Premiums

	Year Ended December 31,	
	2015	2014
Series 1998D	\$ 1,000,000	\$ 960,000
Series 2003F	705,000	690,000
Series 2007	800,000	770,000
Series 2008	4,845,000	4,615,000
Series 2012	<u>1,175,000</u>	<u>1,150,000</u>
Total water revenue bond payments	8,525,000	8,185,000
Amortization of bond premiums	<u>302,236</u>	<u>302,236</u>
Total water revenue bond payments and bond premiums	<u>\$ 8,827,236</u>	<u>\$ 8,487,236</u>

The Authority's issuance of Series 1998D and Series 2003F bonds were through the New York State Environmental Facilities Corporation (EFC) and are rated based on the EFC's rating.

The Authority's bond ratings have remained stable since receiving an upgrade in 2008 from all three rating agencies. Moody's assigned the 2008 bonds and parity debt a long-term underlying rating of Aa3. Standard & Poor's assigned the 2008 bonds and parity debt a long-term underlying rating of AA+. Fitch Ratings assigned the 2008 bonds and parity debt a long-term underlying rating of AA.

For additional information on long-term debt activity, see Note 5 to the basic financial statements.

Economic Factors

The local economic outlook for Western New York has begun to improve as a result of several economic development projects in the region. After decreases in billed water consumption of 2.0%, 7.8% and 2.5% in 2014, 2013 and 2012, billed water consumption remained relatively flat in 2015. Due to individual conservation efforts and changes in Federal and State laws and regulations which require appliances to use less water, significant increases in water sales other than those caused by extreme weather conditions are not expected.

As noted earlier, the Authority's largest sources of operating revenues are water sales to customers. These revenues result from rates charged based on water usage by the individual customer. Rates can be adjusted accordingly in order to help meet the expenses of the Authority. Tariff rates are shown in Table 10.

Table 10—Tariff Rates

Meters read and billed quarterly (To Nearest 1,000 Gallons)					
	2016	2015	2014	2013	
First 300,000 gallons per quarter	\$ 3.17	\$ 3.05	\$ 3.00	\$ 2.96	per 1,000 gallons
Next 1,950,000	2.83	2.72	2.67	2.63	per 1,000 gallons
Next 5,250,000	2.60	2.50	2.45	2.41	per 1,000 gallons
Over 7,500,000	2.29	2.20	2.16	2.12	per 1,000 gallons

Meters read and billed monthly (To Nearest 1,000 Gallons)					
	2016	2015	2014	2013	
First 100,000 gallons per month	\$ 3.17	\$ 3.05	\$ 3.00	\$ 2.96	per 1,000 gallons
Next 650,000	2.83	2.72	2.67	2.63	per 1,000 gallons
Next 1,750,000	2.60	2.50	2.45	2.41	per 1,000 gallons
Over 2,500,000	2.29	2.20	2.16	2.12	per 1,000 gallons

Annual hydrant charges					
	2016	2015	2014	2013	
Lease managed districts	\$ 160.80	\$ 160.80	\$ 160.80	\$ 160.80	per hydrant
Direct service areas	229.08	229.08	229.08	229.08	per hydrant

Size of Meter (inches)	Quarterly Minimum Charge (\$)			Allowance per Quarter (gallons)	Monthly Minimum Charge (\$)		
	2016	2015	2014		2016	2015	2014
5/8	\$ 28.53	\$ 27.45	\$ 27.00	9,000	\$ 9.51	\$ 9.15	\$ 9.00
3/4	38.04	36.60	36.00	12,000	12.68	12.20	12.00
1	66.57	64.05	63.00	21,000	22.19	21.35	21.00
1 1/4	85.59	82.35	81.00	27,000	28.53	27.45	27.00
1 1/2	123.63	118.95	117.00	39,000	41.21	39.65	39.00
2	199.71	192.15	189.00	63,000	66.57	64.05	63.00
3	380.40	366.00	360.00	120,000	126.80	122.00	120.00
4	627.66	603.90	594.00	198,000	209.22	201.30	198.00
6	1,205.70	1,159.80	1,140.30	390,000	401.90	386.60	380.10
8	1,884.90	1,812.60	1,781.10	630,000	628.30	604.20	593.70
10	2,649.00	2,547.00	2,502.00	900,000	883.00	849.00	834.00
12	3,582.90	3,444.60	3,383.10	1,230,000	1,194.30	1,148.20	1,127.70
20	7,951.50	7,644.00	7,503.00	2,820,000	2,650.50	2,548.00	2,501.00
24	10,603.50	10,194.00	10,002.00	3,840,000	3,534.50	3,398.00	3,334.00

A nearly four decade effort to promote conservation and water appliance efficiency is showing results with decreased water consumption per customer. At present, over 30% of the bills sent to Authority customers are for the monthly or quarterly minimum. Given the reality of rising repair and replacement costs of an aging infrastructure, and decreasing consumption, the Authority established an infrastructure investment charge in 2011. The infrastructure investment charge was implemented to maintain the Authority's aggressive investment program in very costly system-wide infrastructure, and to allow for a more equitable distribution among customer classifications of fixed costs to provide a dependable, high quality water supply and fire protection services to all customers. In 2015, the infrastructure investment charge was 15.0% of water sales as compared to 12.2% and 9.4% in 2014 and 2013, respectively.

In addition to the implementation and maintenance of the infrastructure investment charge, the Authority increased metered water rates 3.9% in 2016 after increases of 1.67% and 1.35% in 2015 and 2014, respectively. In an effort to keep pace with increasing operating and maintenance expenses and to generate adequate resources to meet future infrastructure needs, the Authority has begun a review of our rate structure and capital financing plan.

Over the past fifteen years the Authority has also been engaged in a series of water system consolidations whereby independent municipal water system operators have transferred ownership of their systems to the Authority. The pace of these consolidations has increased in the past three years and is in keeping with the original intention for the creation of the Authority. The continuation of this trend will have the effect of shifting costs from smaller systems and rate bases to the Authority. However, due to economies of scale enjoyed by the Authority, the overall community-wide costs should be lower in a coordinated, unified system compared to those of a patchwork network of small systems.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robert J. Lichtenthal, Jr., Deputy Director, Erie County Water Authority, 295 Main Street, Rm. 350, Buffalo, New York 14203-2494.

BASIC FINANCIAL STATEMENTS

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ERIE COUNTY WATER AUTHORITY
Statements of Net Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,722,627	\$ 24,227,980
Restricted cash and cash equivalents	1,784,338	1,762,991
Restricted investments	1,380,791	1,390,783
Customer accounts receivable, (net of allowance for doubtful accounts)	4,195,746	5,374,841
Materials and supplies	2,116,557	2,119,398
Accrued revenue	7,354,044	6,882,749
Prepaid expenses and other assets	2,706,843	2,427,957
Total current assets	48,260,946	44,186,699
Noncurrent assets:		
Investments	549,983	549,983
Restricted cash and cash equivalents	6,910,657	12,081,506
Restricted investments	11,797,158	12,030,158
Loans receivable	2,397,701	-
Capital assets, not being depreciated	5,475,876	8,026,605
Capital assets, net of accumulated depreciation	355,165,276	346,968,411
Total noncurrent assets	382,296,651	379,656,663
Total assets	430,557,597	423,843,362
DEFERRED OUTFLOWS OF RESOURCES		
Post-measurement date retirement contributions	1,946,395	2,246,850
Changes in retirement system assumptions	554,028	-
Total deferred outflows of resources	2,500,423	2,246,850
LIABILITIES		
Current liabilities:		
Accounts payable	3,398,738	5,088,956
Advances for construction	405,202	398,161
Construction retention	1,046,400	755,812
Accrued interest on water revenue bonds	354,053	395,192
Accrued liabilities	1,563,525	1,352,770
Compensated absences	1,709,625	1,549,241
Water revenue bonds - current portion	9,197,236	8,827,236
Total current liabilities	17,674,779	18,367,368
Noncurrent liabilities:		
Compensated absences	2,756,225	2,693,672
Net pension liability	1,933,536	2,586,366
Other postemployment benefits	29,223,542	26,021,324
Water revenue bonds - long term	58,254,844	67,452,080
Total noncurrent liabilities	92,168,147	98,753,442
Total liabilities	109,842,926	117,120,810
NET POSITION		
Net investment in capital assets	293,189,072	278,715,700
Restricted:		
Debt service reserve account	8,903,197	8,903,180
Debt service account	2,351,905	2,331,766
Unrestricted	18,770,920	19,018,756
Total net position	\$ 323,215,094	\$ 308,969,402

The notes to the financial statements are an integral part of these statements.

ERIE COUNTY WATER AUTHORITY
Statements of Revenue, Expenses, and Changes in Net Position
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 69,595,215	\$ 65,908,808
Operating expenses:		
Operation and administration	27,858,447	28,355,340
Maintenance	13,880,273	14,343,462
Depreciation	12,494,706	12,355,427
Other postemployment benefits	3,202,218	2,757,755
Total operating expenses	<u>57,435,644</u>	<u>57,811,984</u>
Operating income	<u>12,159,571</u>	<u>8,096,824</u>
Nonoperating revenues (expenses):		
Interest income	355,130	356,668
Interest capitalization during construction	239,440	55,722
Interest expense	<u>(2,642,469)</u>	<u>(2,966,823)</u>
Total nonoperating revenues (expenses)	<u>(2,047,899)</u>	<u>(2,554,433)</u>
Net income before contributions in aid of construction	10,111,672	5,542,391
Contribution in aid of construction	<u>4,134,020</u>	<u>1,464,688</u>
Change in net position	14,245,692	7,007,079
Net position—beginning	308,969,402	302,301,839
GASB Statement Nos. 68 & 71 implementation	<u>-</u>	<u>(339,516)</u>
Net position—ending	<u>\$ 323,215,094</u>	<u>\$ 308,969,402</u>

The notes to the financial statements are an integral part of these statements.

ERIE COUNTY WATER AUTHORITY
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 68,000,946	\$ 64,684,338
Payments to contractors	(20,383,143)	(18,603,834)
Payments to employees including fringe benefits	<u>(23,886,857)</u>	<u>(24,533,230)</u>
Net cash provided by operating activities	<u>23,730,946</u>	<u>21,547,274</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(17,850,253)	(12,221,773)
Bond repayments	(8,525,000)	(8,185,000)
Interest paid on revenue bonds	(2,746,404)	(3,252,579)
Advances for construction	7,034	86,326
Contribution in aid of construction	<u>4,134,020</u>	<u>1,464,688</u>
Net cash used for capital and related financing activities	<u>(24,980,603)</u>	<u>(22,108,338)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(11,398,160)	(13,174,030)
Proceeds from sale or maturity of investments	11,641,161	12,792,025
Interest received	<u>351,801</u>	<u>351,093</u>
Net cash used for investing activities	<u>594,802</u>	<u>(30,912)</u>
Net decrease in cash	(654,855)	(591,976)
Cash and cash equivalents—beginning (including amounts restricted for future construction, debt service reserve, and debt service, reserve for compensated absences, and customer deposits)	<u>38,072,477</u>	<u>38,664,453</u>
Cash and cash equivalents—ending (including amounts restricted for future construction, debt service reserve, debt service, and customer deposits)	<u>\$ 37,417,622</u>	<u>\$ 38,072,477</u>

(continued)

ERIE COUNTY WATER AUTHORITY
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

(concluded)

	2015	2014
Reconciliation of operating income to net cash provided by operating activities:		
Operating income:	\$ 12,159,571	\$ 8,096,824
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	12,494,706	12,355,427
Other postemployment benefits expense	3,202,218	2,757,755
GASB Statement Nos. 68 & 71 implementation	-	(339,516)
(Increase) decrease in accounts receivable	1,179,095	(971,081)
(Increase) decrease in material and supplies	2,841	(110,375)
(Increase) in accrued revenue	(471,295)	(357,338)
(Increase) decrease in other assets	(275,560)	32,016
(Increase) in other loans receivable	(2,397,701)	-
(Increase) in other deferred outflows	(253,573)	(2,246,850)
Increase (decrease) in accounts payable	(1,690,218)	809,345
Increase (decrease) in other accrued liabilities	210,755	(1,110,653)
Increase in compensated absences	222,937	45,354
Increase (decrease) in net pension liability	<u>(652,830)</u>	<u>2,586,366</u>
Total adjustments	<u>11,571,375</u>	<u>13,450,450</u>
Net cash provided by operating activities	<u>\$ 23,730,946</u>	<u>\$ 21,547,274</u>

The notes to the financial statements are an integral part of these statements.

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ERIE COUNTY WATER AUTHORITY
Notes to the Financial Statements
Years Ended December 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity—The Erie County Water Authority (the “Authority”) is a public benefit corporation created in 1949 by the State of New York. The accounts of the Authority are maintained generally in accordance with the Uniform System of Accounts prescribed by the New York State Public Service Commission (“PSC”), although the Authority is not subject to PSC rules and regulations. The rates established by the Authority do not require PSC approval.

The Authority operates its business activities on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority is responsible for the operation and maintenance of the assets while the lessor is responsible for the improvement and replacement of assets; and on a bulk sales basis where the Authority contracts with the customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvement and replacement as well as billings and customer collections.

Basis of accounting—The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The activities of the Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from providing water services are reported as operating revenues. Operating revenues are recorded as water service is supplied. Water supplied, but not billed, as of the calendar year end is estimated based upon historical usage and has been accounted for as accrued revenue.

Transactions which are capital, financing or investing related are reported as nonoperating revenues. All expenses related to operating the system are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

Budgets—The Authority is not required to have a legally adopted budget.

Compensated absences—Authority employees earn vacation, sick leave and compensatory time in varying amounts. In the event of termination or upon retirement, represented employees are entitled to payment for accrued vacation, sick and compensatory time limited to amounts defined under their respective collectively bargained agreements. All non-represented employees receive benefits as defined by Authority policy.

Retirement plan—The Authority provides retirement benefits for all of its employees through contributions to the New York State and Local Employees' Retirement System. The system provides various plans and options, some of which require employee contributions.

Cash and cash equivalents—The Authority considers cash and cash equivalents to be all unrestricted and restricted cash accounts and short-term investments purchased with an original maturity of three months or less.

Investments—The Authority considers cash invested for more than three months investments. Investments are carried at fair value based on quoted market prices. The cost of investments sold is determined using the specific identification method and then adjusted to fair value changes to reflect the combined net change in these elements in the statements of revenue, expenses and changes in net position.

Customer 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 recognizes water revenues in the period in which the service is provided. Billings to customers generally consist of revenues earned from the prior three months for quarterly billed customers and revenues earned from the prior month for monthly-billed customers.

Materials and supplies—Materials and supplies are stated at the lower of cost or market, cost being determined on the basis of moving-average cost.

Accrued revenue—This account represents earned water revenues as of the end of the year that have not yet been billed to customers.

Prepaid expenses and other assets—These consist primarily of certain payments reflecting costs applicable to future accounting periods and interest earned from securities and investments but not yet received.

Capital assets—Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Infrastructure assets with individual costs less than \$10,000 are treated as a class of assets and are capitalized. The cost of additions to capital assets, including purchased property or property contributed in aid of construction, and replacement of property, is capitalized. Cost includes direct material, labor, overhead and an allowance for funds used during construction equivalent to the average cost of borrowed funds advanced for construction purposes. Overhead is added proportionately to the cost of a project on a monthly basis. The cost of retirements of capital assets is charged against accumulated depreciation. Maintenance and repairs are charged to expenses as incurred, and major betterments are capitalized.

Depreciation of capital assets is computed using the composite and straight-line methods based upon annual rates established in accordance with PSC guidelines: buildings and structures, 15 to 76 years; hydrants and mains, 64 to 100 years; equipment, 5 to 43 years; and other, 4 to 50 years. Depreciation expense approximated 2.10% and 2.13% of the original cost of average depreciable property for the years ended December 31, 2015 and 2014 respectively.

Long-term obligations—Long term debt is reported as a liability in the statements of net position. Bond premiums and bond discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Advances for construction—Advances for construction primarily represent amounts received from contractors for water system expansions. Upon completion of the expansion, the cost of the construction is transferred to contributions in aid of construction, with any remaining advance being refunded.

Accrued liabilities—Included are provisions for estimated losses and surcharges collected from customers on behalf of various municipalities and unpaid at year end.

Contributions in aid of construction—Contributions in aid of construction represent amounts received from individuals, governmental agencies, and others to reimburse the Authority for construction costs incurred on capital projects or the original cost of certain water plant systems conveyed to the Authority by municipalities and others. Only those water plant systems resulting in increased revenue generation are assigned any value and, therefore, recorded as a contribution in aid of construction.

Risk management—The Authority limits its risk exposure to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters through various insurance policies. Insurance coverage has remained relatively stable from the previous year. Insurance expense for the years ended December 31, 2015 and 2014 totaled \$2,425,398 and \$1,987,700, respectively. There were no settlements that significantly exceeded insurance coverage or reserved amounts for each of the last three years. Any unpaid claims outstanding as of December 31, 2015 and 2014 have been adequately reserved for.

Use of estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

Reclassification—Certain amounts relating to the financial statements as of and for the year ended December 31, 2014 have been reclassified in order to be consistent with the current year's presentation.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2015, the Authority implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which resulted in the recognition of deferred outflows and net pension liability. The Statement of Net Position and Statement of Changes in Net Position have been restated for December 31, 2014 to reflect implementation as follows:

Net position—December 31, 2014, as previously stated	\$ 309,308,918
GASB Statement Nos. 68 & 71 implementation:	
Beginning system liability	(2,586,366)
Deferred outflows of resources for post-measurement date retirement contributions	<u>2,246,850</u>
Net position—December 31, 2014, as restated	<u>\$ 308,969,402</u>

Future impacts of accounting pronouncements—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No 72, *Fair Value Measurement and Application*; No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions*

of GASB Statements 67 and 68; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and 79, *Certain External Investment Pools and Pool Participants* effective for the year ending December 31, 2016. Similarly, the Authority has not completed the process of evaluating the impact of adopting GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No.14*, effective for year ending December 31, 2017 or GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for year ending December 31, 2018. The Authority is therefore unable to disclose the impact that adopting these Statements will have on its financial position and results of operations when such statements are adopted, if any.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits—All uninsured bank deposits are fully collateralized.

Investments—The Authority's bond resolutions and investment guidelines allow for monies to be invested in the following instruments:

- Obligations of the United States Government;
- Obligations of Federal Agencies which represent full faith and credit of the United States Government;
- Bonds issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- Time deposits and money market accounts;
- Commercial paper which matures not more than 270 days after the date of purchase; and
- Municipal obligations of any state, instrumentality, or local governmental unit of such state.

Restricted cash, cash equivalents, and investments—Cash has been deposited into various trust accounts with a fiscal agent to satisfy certain legal covenants, or restricted internally through Board resolution. Further, the amounts are invested in compliance with the Authority's investment guidelines. The following is a brief synopsis of restricted cash:

Restricted for debt service—Cash restricted for debt service was established to fulfill the debt service requirements on the outstanding water revenue bonds as they become due and payable.

Restricted for customer deposits—Cash restricted for customer deposits was established to keep customer deposits for future work to be performed and deposits taken from customers to secure payment of their water bills segregated from the Authority's operating cash.

Restricted for employee pension contributions—During 2014, the Authority began participation in the New York State Voluntary Defined Contribution Program sponsored by the State University of New York (SUNY) Optional Retirement Plan. Eligible employees have a 366 day vesting period during which the employer retains the employee and employer contributions.

Restricted employee payroll withholdings—Employee elective payroll withholding under Title 26 U.S. Code §125 - Cafeteria plans and §105(h) - Amounts received under accident and health plans.

Restricted for future construction—Cash restricted for future construction was established to maintain a construction account, which has been committed for future capital expenditures.

Restricted for debt service reserve—The Authority restricts investments in the debt service reserve account as required by various bond resolutions.

As of December 31, 2015 and 2014, the Authority had the following restricted cash, cash equivalents, and investments:

	December 31, 2015		December 31, 2014	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Restricted for debt service:				
Cash	\$ 886,098	\$ 886,098	\$ 788,969	\$ 788,969
Cash equivalents - U.S. Treasury bills	84,994	85,016	151,999	152,014
Investments - U.S. Treasury bills	<u>1,380,930</u>	<u>1,380,791</u>	<u>1,390,835</u>	<u>1,390,783</u>
	<u>2,352,022</u>	<u>2,351,905</u>	<u>2,331,803</u>	<u>2,331,766</u>
Restricted for customer deposits:				
Cash	797,705	797,705	807,230	807,230
Restricted for employee payroll withholdings:				
Cash	<u>15,519</u>	<u>15,519</u>	<u>14,778</u>	<u>14,778</u>
Current restricted cash, cash equivalents, and investments	<u>\$ 3,165,246</u>	<u>\$ 3,165,129</u>	<u>\$ 3,153,811</u>	<u>\$ 3,153,774</u>
Restricted for future construction:				
Cash	\$ 6,910,618	\$ 6,910,618	\$ 12,081,484	\$ 12,081,484
Investment - Certificate of Deposit	<u>2,894,000</u>	<u>2,894,000</u>	<u>3,127,000</u>	<u>3,127,000</u>
	<u>9,804,618</u>	<u>9,804,618</u>	<u>15,208,484</u>	<u>15,208,484</u>
Restricted for debt service reserve:				
Cash	39	39	22	22
Investment - State and Local Government Series Treasury bonds	<u>8,903,158</u>	<u>8,903,158</u>	<u>8,903,158</u>	<u>8,903,158</u>
	<u>8,903,197</u>	<u>8,903,197</u>	<u>8,903,180</u>	<u>8,903,180</u>
Noncurrent restricted cash, cash equivalents, and investments	<u>\$ 18,707,815</u>	<u>\$ 18,707,815</u>	<u>\$ 24,111,664</u>	<u>\$ 24,111,664</u>
Total restricted cash, cash equivalents and investments	<u>\$ 21,873,061</u>	<u>\$ 21,872,944</u>	<u>\$ 27,265,475</u>	<u>\$ 27,265,438</u>

Custodial credit risk—For deposits, this is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. For cash equivalents and investments, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2015 and 2014, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institutions’ trust departments or agents in the Authority’s name and all of the Authority’s cash equivalents and investments were registered in the Authority’s name.

Interest rate risk—For investments, this is the risk that potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. There is the prospect of a loss should those securities be sold prior to maturity. The Authority uses the specific identification method to identify the maturity for each investment and evaluate risk accordingly.

3. CUSTOMER ACCOUNTS RECEIVABLE

Customer accounts receivable primarily represent amounts due from customers for current and past due water services provided, including penalties, unpaid bill charges, collection fees and shut-off charges.

Customers are billed either on a monthly or quarterly basis depending on the type of customer and the level of water usage. Municipalities are billed for hydrant maintenance annually. Customers are provided a fifteen day (15) payment period from the billing date to pay their current water charges. A late penalty of 10% is assessed on any unpaid balance 10 days after the due date. An account will receive a collection letter if the account is active, has a receivable balance greater than \$100, has a receivable that is 90 days or greater in arrears and has no current collections activity. The collection letter indicates that the customer could be subject to the discontinuance of their water service and additional delinquent charges.

Following fifteen (15) days from the collection letter date, an unpaid account is sent to a collector who schedules a visit to the customer with an unpaid bill notice. At the visit, the account is “posted,” and the customer has three (3) working days to either pay the bill in full, or submit a partial payment (25%-33%) with a signed promissory agreement for the remaining balance. The agreement is normally kept to a term of 90 days, with some exceptions to 180 days. In agreements with lease managed water districts and in some direct service districts, unpaid water bills are referred to municipalities for payment per the terms of the service agreement. Allowances for doubtful accounts at December 31, 2015 and 2014 total \$412,256 and \$335,728, respectively.

4. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and December 31, 2014 are presented on the following page.

	Balance 1/1/2015	Additions	Retirements & Reclassifications	Balance 12/31/2015
Capital assets not being depreciated:				
Land	\$ 2,231,137	\$ -	\$ -	\$ 2,231,137
Construction work in progress	5,795,468	17,219,708	(19,770,437)	3,244,739
Total non-depreciable capital assets	<u>8,026,605</u>	<u>17,219,708</u>	<u>(19,770,437)</u>	<u>5,475,876</u>
Capital assets being depreciated:				
Buildings and structures	260,667,136	10,018,321	-	270,685,457
Mains and hydrants	214,871,473	5,505,498	(29,939)	220,347,032
Equipment	54,333,355	3,343,464	(1,281,179)	56,395,640
Other	54,807,942	2,352,488	(967,723)	56,192,707
Total depreciable capital assets	<u>584,679,906</u>	<u>21,219,771</u>	<u>(2,278,841)</u>	<u>603,620,836</u>
Less accumulated depreciation:				
Buildings and structures	126,529,670	6,585,773	-	133,115,443
Mains and hydrants	48,478,911	2,159,962	(29,939)	50,608,934
Equipment	31,464,358	2,826,811	(752,977)	33,538,192
Other	31,238,556	922,160	(967,725)	31,192,991
Total accumulated depreciation	<u>237,711,495</u>	<u>12,494,706</u>	<u>(1,750,641)</u>	<u>248,455,560</u>
Capital assets being depreciated, net	<u>346,968,411</u>	<u>8,725,065</u>	<u>(528,200)</u>	<u>355,165,276</u>
Total capital assets, net	<u>\$ 354,995,016</u>	<u>\$ 25,944,773</u>	<u>\$ (20,298,637)</u>	<u>\$ 360,641,152</u>

	Balance 1/1/2014	Additions	Retirements & Reclassifications	Balance 12/31/2014
Capital assets not being depreciated:				
Land	\$ 2,231,137	\$ -	\$ -	\$ 2,231,137
Construction work in progress	3,327,930	12,038,938	(9,571,400)	5,795,468
Total non-depreciable capital assets	<u>5,559,067</u>	<u>12,038,938</u>	<u>(9,571,400)</u>	<u>8,026,605</u>
Capital assets being depreciated:				
Buildings and structures	258,052,423	3,880,013	(1,265,300)	260,667,136
Mains and hydrants	212,089,378	2,793,350	(11,255)	214,871,473
Equipment	53,831,889	2,386,880	(1,885,414)	54,333,355
Other	53,738,138	1,359,846	(290,042)	54,807,942
Total depreciable capital assets	<u>577,711,828</u>	<u>10,420,089</u>	<u>(3,452,011)</u>	<u>584,679,906</u>
Less accumulated depreciation:				
Buildings and structures	121,289,868	6,505,102	(1,265,300)	126,529,670
Mains and hydrants	46,358,222	2,130,594	(9,905)	48,478,911
Equipment	30,121,681	2,739,640	(1,396,963)	31,464,358
Other	30,548,507	980,091	(290,042)	31,238,556
Total accumulated depreciation	<u>228,318,278</u>	<u>12,355,427</u>	<u>(2,962,210)</u>	<u>237,711,495</u>
Capital assets being depreciated, net	<u>349,393,550</u>	<u>(1,935,338)</u>	<u>(489,801)</u>	<u>346,968,411</u>
Total capital assets, net	<u>\$ 354,952,617</u>	<u>\$ 10,103,600</u>	<u>\$ (10,061,201)</u>	<u>\$ 354,995,016</u>

5. LONG-TERM DEBT

Summary of long-term debt—the following is a summary of the Authority’s water revenue bonds at December 31, 2015:

Series	Final Annual Installment Payment Due	Year of Earliest Principal Payment	Interest Rate	Original Issue	Principal Outstanding 12/31/2015
Series 1998D	10/15/2019	2000	.845-3.35% (*)	\$ 16,859,700	\$ 4,415,000
Series 2003F	7/15/2023	2004	.79-4.50% (*)	15,544,443	7,233,384
Series 2007	12/1/2037	2008	4.50-5.00%	35,000,000	29,705,000
Series 2008	12/1/2018	2009	4.00-5.00%	45,770,000	16,040,000
Series 2012	6/1/2022	2013	2.41%	12,500,000	9,055,000
					66,448,384
Less portion due within one year					(8,895,000)
					<u>\$ 57,553,384</u>

(*) Gross rates subject to subsidy from the New York State Environmental Facilities Corporation (EFC)

All outstanding bonds have been issued under the Authority’s Fourth Resolution and, therefore, all of the current bondholders have equal claims against the Authority’s revenues.

Bonds Prior to 1993

The Authority completed a plan of restructuring a significant portion of its debt through a series of bond issuances. The net proceeds from these issuances and certain existing funds were deposited with an escrow agent pursuant to refunding agreements, and invested in U.S. Government securities. The maturities of these invested funds and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased bonds as they mature. These advance refunding transactions effectively released the Authority from its obligation to repay these bonds and constituted in-substance defeasances. The final maturity of the defeased bonds was on December 1, 2014.

1998D Series Bonds

The Current Interest Series 1998D Bonds were issued to the EFC under their aggregate pool financing identified as New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Series 1998D in 1998.

The 1998D Bonds in the amount of \$16,859,700, representing the Authority's portion of the financing, were issued to cover the cost of the construction of two new clearwell water tanks and a new pumping station at the Authority's Sturgeon Point plant.

Interest on the 1998D Bonds ranges from .845% to 3.355% and is payable semi-annually on April 15 and October 15. The terms of the EFC borrowings provide for an interest subsidy of approximately one-third of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which the EFC invests and credits the borrower with the earnings on the invested funds as an offset to the interest payable on the bonds.

Principal is payable on October 15. The final maturity of the bonds is October 15, 2019.

2003F Series Bonds

On July 24, 2003, the 2003F Series Bonds were issued to the EFC under their aggregate pool financing identified as New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Bonds Series 2003F.

The 2003F Bonds in the amount of \$15,544,443 representing the Authority's portion of this financing were issued to cover the cost of new pump stations along with meters, water mains, a pump station and a storage tank in the City of Tonawanda.

Interest on the 2003F Bonds ranges from .79% to 4.50% and is payable semi-annually on January 15 and July 15. The terms of the EFC borrowings provide for an interest subsidy of approximately one-third of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which the EFC invests and credits the borrower with the earnings on the invested funds as an offset to the interest payable on the bonds.

Principal is payable on July 15. The final maturity of the bonds is July 15, 2023.

On August 1, 2013, EFC refunded the Series 2003F Bonds. New bonds were issued in the same principal denomination. The Authority paid off \$691,616 on the outstanding bond principal. The Authority did not issue new bonds to EFC. The interest rates on the outstanding bonds were significantly reduced. The net present value savings as calculated by EFC is \$1,382,895.

2007 Series Bonds

On September 13, 2007, the 2007 Series Bonds were issued for \$35,194,288, which includes a premium of \$194,288 that is amortized over the life of the bonds. The purpose of these bonds includes the replacement of various water mains and valves in the distribution system, construction of new pump stations, upgrades to the coagulation basins, the replacement of electrical equipment and installation of standby emergency generators at the Authority's Sturgeon Point and Van de Water Treatment Plants.

Interest on the 2007 Bonds ranges from 4.50% to 5.00% and is payable semi-annually on June 1 and December 1.

Principal is payable on December 1. The final maturity of the bonds is December 1, 2037.

2008 Series Bonds

On June 25, 2008, the Authority issued \$45,770,000 of Water Revenue Refunding Bonds, Series 2008. The proceeds of the issue, including a \$3,081,304 premium which is amortized over the life of the Series 2008 Bonds, were used to refund the principal of the Series 1993A and Series 1993B Bonds, \$27,500,000 and \$15,000,000, respectively. A portion of the proceeds covered the costs of issuance including a fee in connection with the termination of the swap agreement related to the Series 1993A and Series 1993B Bonds. The remaining proceeds were deposited into the Series 2008 Debt Service Reserve Account. The Series 1993A and Series 1993B Bonds were redeemed on July 25, 2008. The issuance of the Series 2008 refunding bonds reduced the debt service by \$7,481,572 and has a net present value cash flow savings of \$8,393,467.

Interest on the 2008 Bonds ranges from 4.0% to 5.0% and is payable semi-annually on June 1 and December 1.

Principal is payable on December 1. The final maturity of the bonds is December 1, 2018.

2012 Series Bonds

On June 8, 2012, the Authority issued \$12,500,000 of Bonds under a Bond Direct Purchase Agreement. The bonds were issued under the Authority's Fourth Bond Resolution. The purpose of these bonds is to provide funds for the acquisition and construction of Sturgeon Point clarifier/thickener improvements, pump station improvements, raw water pumps, Van De Water coagulation basins and the Texas/Lang interconnection with the City of Buffalo.

Interest on the 2012 bonds is 2.41% and is payable semi-annually on June 1 and December 1.

Principal is payable annually on June 1. The final maturity of the bonds is June 1, 2022.

Long-term debt requirements—Long-term debt requirements are summarized as follows:

Year ending December 31,	Bond Principal	Interest on Bonded Debt
2016	\$ 8,895,000	\$ 2,765,639
2017	9,255,000	2,390,972
2018	9,660,000	1,995,770
2019	4,180,000	1,580,901
2020	3,110,000	1,438,216
2021-2025	11,753,384	5,629,303
2026-2030	6,935,000	4,090,448
2031-2035	8,630,000	2,297,412
2036-2037	4,030,000	304,500
	<u>66,448,384</u>	<u>22,493,161</u>
Less portion due within one year	<u>8,895,000</u>	<u>2,765,639</u>
	<u>\$ 57,553,384</u>	<u>\$ 19,727,522</u>

Summary of changes in long-term debt—the following is a summary of changes in water revenue bonds and other long-term debt for the years ended December 31, 2015 and December 31, 2014:

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Series 1998D	\$ 5,415,000	\$ -	\$ (1,000,000)	\$ 4,415,000	\$ 1,040,000
Series 2003F	7,938,384	-	(705,000)	7,233,384	725,000
Series 2007	30,505,000	-	(800,000)	29,705,000	835,000
Series 2008	20,885,000	-	(4,845,000)	16,040,000	5,090,000
Series 2012	<u>10,230,000</u>	<u>-</u>	<u>(1,175,000)</u>	<u>9,055,000</u>	<u>1,205,000</u>
Bonds payable	74,973,384	-	(8,525,000)	66,448,384	8,895,000
Bond premiums	<u>1,305,932</u>	<u>-</u>	<u>(302,236)</u>	<u>1,003,696</u>	<u>302,236</u>
Total bonds payable	<u>\$ 76,279,316</u>	<u>\$ -</u>	<u>\$ (8,827,236)</u>	<u>\$ 67,452,080</u>	<u>\$ 9,197,236</u>
Compensated absences	<u>\$ 4,242,910</u>	<u>\$ 544,524</u>	<u>\$ (321,584)</u>	<u>\$ 4,465,850</u>	<u>\$ 1,709,625</u>

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Series 1998D	\$ 6,375,000	\$ -	\$ (960,000)	\$ 5,415,000	\$ 1,000,000
Series 2003F	8,628,384	-	(690,000)	7,938,384	705,000
Series 2007	31,275,000	-	(770,000)	30,505,000	800,000
Series 2008	25,500,000	-	(4,615,000)	20,885,000	4,845,000
Series 2012	11,380,000	-	(1,150,000)	10,230,000	1,175,000
Bonds payable	83,158,384	-	(8,185,000)	74,973,384	8,525,000
Bond premiums	1,608,168	-	(302,236)	1,305,932	302,236
Total bonds payable	<u>\$ 84,766,552</u>	<u>\$ -</u>	<u>\$ (8,487,236)</u>	<u>\$ 76,279,316</u>	<u>\$ 8,827,236</u>
Compensated absences	<u>\$ 4,178,510</u>	<u>\$ 317,790</u>	<u>\$ (253,390)</u>	<u>\$ 4,242,910</u>	<u>\$ 1,549,241</u>

6. PENSION PLAN

Plan Description—The Authority participates in the New York State and Local Employees’ Retirement System (“State Plan”), which is a cost-sharing, multiple-employer, public employee retirement system. The State Plan provides retirement, disability, and death benefits to members as authorized by the New York State Retirement and Social Security Law (“NYSRSSL”). The net position of the State Plan is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the State Plan. The Comptroller of the State of New York (“Comptroller”) serves as the trustee of the Fund is the administrative head of the State Plan. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014 he was elected for a new term commencing January 1, 2015. Once a public employer elects to participate in the State Plan, 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 State Plan is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy—Plan members who joined the State Plan before July 27, 1976 are not required to make contributions. Those joining on or after July 27, 1976 are required to contribute 3% of their annual salary for the first ten years of their membership, and members hired after January 1, 2010 generally contribute 3% of their salary for the duration of their membership.

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 State Plans fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, as presented on the following page.

<u>Year Ended December 31,</u>	<u>Amount</u>
2015	\$ 2,595,193
2014	2,995,800
2013	2,904,953

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

At December 31, 2015, the Authority reported a liability of \$1,933,536 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015 the Authority's proportion was .057%. For the year ended December 31, 2015, the Authority recognized pension expense of \$1,769,726. As of December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 61,895
Net difference between projected and actual earnings on pension plan investments	335,831
Changes in proportion and differences between Authority contributions and proportionate share of contributions	156,302
Authority contributions subsequent to the measurement date	<u>1,946,395</u>
Total deferred outflows of resources	<u>\$ 2,500,423</u>

The \$1,946,395 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 138,507
2017	138,507
2018	138,507
2019	138,507

Actuarial assumptions—The total pension liability for the March 31, 2015 and March 31, 2014 measurement dates were determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary scale	4.9%, indexed by service
Investment rate of return, including inflation	7.5% compounded annually, net of investment expense
Cost of living adjustments	1.4% annually
Decrements	Developed from the Plan's 2010 experience study period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized as follows.

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-indexed bonds	2.00%	4.00%
	100.00%	

Discount rate—The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current rates and contributions from employers will be made at the statutorily required rates, actuarially. Based upon the assumptions, the State Plan'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 proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease <u>6.5%</u>	Current Assumption <u>7.5%</u>	1% Increase <u>8.5%</u>
Employer's proportionate share of the net pension liability/(asset)	12,887,851	1,933,536	(7,314,623)

Collective net position liability of participating employers and actuarial information—The components of the net position liability of the employers as of March 31, 2015 and March 31, 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Employers' total pension liability	\$ 164,591,504	\$ 158,792,223
Plan net position	<u>(161,213,259)</u>	<u>(154,273,363)</u>
Employers' net pension liability	<u>\$ 3,378,245</u>	<u>\$ 4,518,860</u>
Fiduciary net position as a percentage of total pension liability	97.90%	97.20%

7. LABOR RELATIONS

Certain Authority employees are represented by two bargaining units, American Federation of State, County and Municipal Employees ("AFSCME") and Civil Service Employees Association, Inc. ("CSEA"). The CSEA and the Authority entered into a new nine-year collective bargaining agreement dated October 16, 2012. A new nine-year collective bargaining agreement was ratified by the AFSCME union and adopted by the Board on November 23, 2011. Both contracts are effective from April 1, 2008 through March 31, 2017.

8. POSTEMPLOYMENT BENEFITS

Plan Description—The Authority provides retiree health plans through Labor Management Healthcare Fund ("LMHF"). Retirees must meet age and years of service requirements to qualify for health benefits under this multiple-employer defined benefit healthcare plan ("the Plan"). Retiree benefits continue for the lifetime of the retiree and spousal benefits continue for their lifetime unless they remarry. There were 161 and 155 retirees receiving health care benefits at December 31, 2015 and December 31, 2014 respectively.

Funding Policy—Authorization for the Authority to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Authority's Board of Commissioners or through union contracts, which are ratified by the Board of Commissioners. Retired employees that met the age and years of service requirements and were enrolled in any healthcare plan prior to June 1, 2004 are not required to make a contribution. Retirees enrolling in the Traditional Blue PPO 812 plan after June 1, 2004 are required to make contributions equal to the difference between the Traditional Blue PPO 812 plan premium and the highest premium of any other plan offered to that retiree.

Represented AFSCME employees hired after November 23, 2011 who meet the eligibility requirements will pay 15% of the total premium of the Core Plan for the duration of their retirement. To be eligible, employees represented by AFSCME must be 58 years of age. Employees hired before January 1, 2006 must have 15 years of service, and employees hired after January 1, 2006, become eligible after 20 years of service.

Employees represented by the CSEA hired after July 26, 2012 who meet the eligibility requirements will pay 15% of the total premium of the Core Plan for the duration of their retirement. Eligibility criteria for CSEA employees hired prior to January 1, 2008 is 55 years of age with a minimum of ten years of service, while employees hired on or after January 1, 2008 must be 58 with a minimum of fifteen years of service with the Authority.

Retirees not represented by a collective bargaining agreement who meet the eligibility requirements contribute 15% of the full premium for a single, double or family point of service (“POS”) contract. Eligibility requirements for non-represented employees is 55 years of age with a minimum of 15 years of service; or a minimum of 10 years of service, and the sum of age and service years is equal to or greater than 70.

The Authority’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the Authority’s annual OPEB cost, the amount actually contributed to the plan, and the changes in the Authority’s net OPEB obligation for 2015 and 2014.

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 5,039,133	\$ 4,575,624
Interest on net OPEB obligation	1,301,066	1,163,178
Adjustment to annual required contribution	<u>(1,692,724)</u>	<u>(1,513,329)</u>
Annual OPEB costs (expense)	4,647,475	4,225,473
Contributions made	<u>(1,445,257)</u>	<u>(1,467,718)</u>
Increase in net OPEB obligation	3,202,218	2,757,755
Net OPEB obligation—beginning	<u>26,021,324</u>	<u>23,263,569</u>
Net OPEB obligation—ending	<u>\$ 29,223,542</u>	<u>\$ 26,021,324</u>

Funding Status and Funding Progress—As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$49,731,515. The ratio of unfunded actuarial accrued liability to covered payroll of \$15,713,753 is 3.16 for 2015.

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

<u>Fiscal Year</u> <u>Ending</u>	<u>Valuation</u> <u>Date</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Contributions</u> <u>Made</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
December 31, 2015	January 1, 2015	\$ 4,647,475	\$ 1,445,257	31.1%	\$ 29,223,542
December 31, 2014	January 1, 2014	4,225,473	1,467,718	34.7%	26,021,324
December 31, 2013	January 1, 2013	4,164,441	1,392,436	33.4%	23,263,569

Actuarial Methods and Assumptions—Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress for the most recent and past two actuarial

valuations immediately follows the notes to the financial statements and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members at the time of the valuation, and on the pattern of cost sharing between the employer and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2015 actuarial valuation the actuarial methods and assumptions listed below were used.

Actuarial cost method – Projected Unit Credit

Investment rate of return and discount rate – 5%

Annual rate of increase in the consumer price index – 2.25%

Healthcare cost trend rate – The assumed rates of increase in health care costs are presented in the table below. The trend rate schedule has been developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trends Model (The Getzen model).

<u>Year</u>	<u>Pre-65 Medical</u>	<u>Post-65 Medical Medicare Advantage</u>	<u>Prescription Drug</u>
2015	8.000%	6.000%	7.500%
2016	7.750%	6.000%	7.250%
2017	7.500%	6.000%	7.000%
2018	7.250%	5.750%	6.750%
2019	7.000%	5.750%	6.500%
2020	6.723%	5.682%	6.307%
2021	6.447%	5.613%	6.113%
2022	6.170%	5.545%	5.920%
2023	5.894%	5.477%	5.727%
2024	5.617%	5.409%	5.534%

Amortization of actuarial accrued liability – Actuarial accrued liability is being amortized over thirty years using the level dollar method, on an open basis.

Mortality – The RP-2014 Mortality Table for annuitants and non-annuitants, fully generational with projected mortality improvements using Scale MP-2014, with no collar adjustment.

Turnover – Rates of turnover are based on experience under the New York State Employees’ Retirement System (State Plan).

Retirement incidence – Rates of retirement are based on the experience under the State Plan.

Election percentage – It was assumed 100% of future retirees eligible for coverage will elect postretirement healthcare coverage.

Spousal coverage – 80% of future retirees are assumed to elect spousal coverage upon retirement.

Per capita costs – All retiree health plans are offered through Independent Health's LMHF Encompass 65 HMO. Effective January 1, 2015, the plans will be provided via an Employee Group Waiver Plan (EGWP). The expected EGWP subsidies were reflected in the development of the average expected prescription drug costs. Actual claims experience from LMHF was used to develop retiree claim costs.

9. NET POSITION AND RESERVES

The Authority financial statements utilize a net position presentation. Net position is categorized into net investment in capital assets, restricted and unrestricted.

Net investment in capital assets—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

	December 31,	
	2015	2014
Capital assets, net of accumulated depreciation	\$ 360,641,152	\$ 354,995,016
Related debt:		
Water revenue bonds issued for capital assets	(66,448,384)	(74,973,384)
Bond premium	(1,003,696)	(1,305,932)
Net investment in capital assets	<u>\$ 293,189,072</u>	<u>\$ 278,715,700</u>

Restricted net position—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

For the years ended December 31, 2015 and 2014, net position was restricted for the following purposes:

- **Debt Service Reserve Account** — During 1998, the Authority established a Debt Service Reserve Account as required by the Series 1998D bond resolution. The bond resolution requires a reserve amount equal to the average of the annual installments of debt service. The required amount was determined by EFC and must remain on deposit until the bonds mature.

During 2003, per the 2003F bond resolution the Authority established a Debt Service Reserve Account from a portion of the 2003F bond proceeds. The required debt service reserve is based on ten percent of the total principal of the loan. The required amount was determined by EFC and must remain on deposit until the bonds mature.

During 2007, the Authority established a Debt Service Reserve Account as required by the Series 2007 bond resolution to maintain a specified amount of funds to meet future debt service requirements. The Authority established the Debt Service Reserve Account based on the maximum amount of principal and interest coming due in any succeeding calendar year on the outstanding Series 2007 bonds.

During 2008, the Authority established a Debt Service Reserve Account as required by the Series 2008 bond resolution to maintain a specified amount of funds to meet future debt service requirements. The Authority established the Debt Service Reserve Account based on ten percent of the total principal of the loan.

- **Debt Service Account** — The 1992 Fourth Resolution, 1998D, 2003F, 2007, 2008 and 2012 Supplemental Fourth Resolution bond resolutions require that a specified amount of funds be maintained in the Debt Service Account. The requirements of the Debt Service Account state that the Authority must deposit funds to provide for monthly interest and principal payments to start not later than six months prior to the payment of interest and twelve months prior to the payment of principal.

Unrestricted net position—This category represents the amount of net position the Authority has not restricted for any project or other purpose. Management intends to utilize a portion of unrestricted net position to support the Authority’s projected five-year capital spending, which will require future funding in excess of \$126,000,000.

When an expense is incurred for purposes for which both restricted and unrestricted amounts are available, the Authority’s policy concerning which to apply first varies with the intended use and associated legal requirements. Management typically makes this decision on a transactional basis.

10. COMMITMENTS AND CONTINGENCIES

The Authority maintains and operates certain facilities employed in the sale and distribution of water which it leases from various local municipal water districts pursuant to lease management agreements. No financial consideration is afforded the municipalities in conjunction with these lease agreements. Such agreements generally are for at least ten-year terms and automatically renew for additional ten-year terms unless terminated by either party one year prior to expiration of the term. The agreements provide that the municipalities obtain water exclusively from the Authority. Future maintenance and operating costs to be incurred by the Authority under such arrangements presently in effect are not determinable.

The Authority is also committed under various operating leases for the use of certain equipment and office space. Rental expense for 2015 and 2014 aggregated \$251,958 and \$274,752. Future minimum annual rentals to be paid under such leases are not significant.

The Authority is subject to various laws and regulations, which primarily establish uniform minimum national water quality standards. The Authority has established procedures for the on-going evaluation of its operations to identify potential exposures and assure continued compliance with these regulatory standards.

The Authority is involved in litigation and other matters arising in its normal operating, financing, and investing activities. While the resolution of such litigation or other matters could have a material effect on earnings and cash flows in the year of resolution, the Authority has obtained various liability, property, and workers’ compensation insurance policies which would reduce exposure to loss on the part of the Authority. Management has made provisions for anticipated losses in the accompanying financial statements as advised by legal counsel. None of this litigation and none of these other matters are expected to have a material effect on the financial condition of the Authority at this time.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2016, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

REQUIRED SUPPLEMENTARY INFORMATION

ERIE COUNTY WATER AUTHORITY
Schedule of Funding Progress-Other Postemployment Benefits Plan
Year Ended December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio ^	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
January 1, 2014	\$ -	\$ 45,566,345	\$ 45,566,345	-	\$ 15,140,745	3.01
January 1, 2012	-	41,810,183	41,810,183	-	14,873,087	2.81
January 1, 2010	-	49,748,261	49,748,261	-	15,102,780	3.29

^As described in note 8 to the financial statements, the Authority's plan is unfunded.

See independent auditors' report.

ERIE COUNTY WATER AUTHORITY
Schedule of the Authority's Proportionate Share of the
Net Pension Liability—New York State Employees' Retirement System
Last Two Fiscal Years

	Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Measurement date	March 31, 2015	March 31, 2014
Authority's proportion of the net pension liability/(asset)	0.0572349%	0.0572349%
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 1,933,536</u>	<u>\$ 2,586,366</u>
Authority's covered-employee payroll	\$ 15,714,000	\$ 15,141,000
Authority's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	12.3%	17.1%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%

ERIE COUNTY WATER AUTHORITY
Schedule of Contributions to the New York State Employees' Retirement System
Last Ten Fiscal Years
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 2,595	\$ 2,996	\$ 2,905	\$ 2,564	\$ 2,208	\$ 1,658	\$ 962	\$ 1,123	\$ 1,332	\$ 1,329
Contributions in relation to required contribution	<u>2,595</u>	<u>2,996</u>	<u>2,905</u>	<u>2,564</u>	<u>2,208</u>	<u>1,658</u>	<u>962</u>	<u>1,123</u>	<u>1,332</u>	<u>1,329</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	\$15,714	\$15,141	\$14,947	\$14,305	\$14,672	\$14,466	\$14,784	\$14,457	\$14,955	\$14,205
Contributions as a percentage of covered payroll	16.514%	19.787%	19.435%	17.924%	15.049%	11.461%	6.507%	7.768%	8.907%	9.356%

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STATISTICAL SECTION

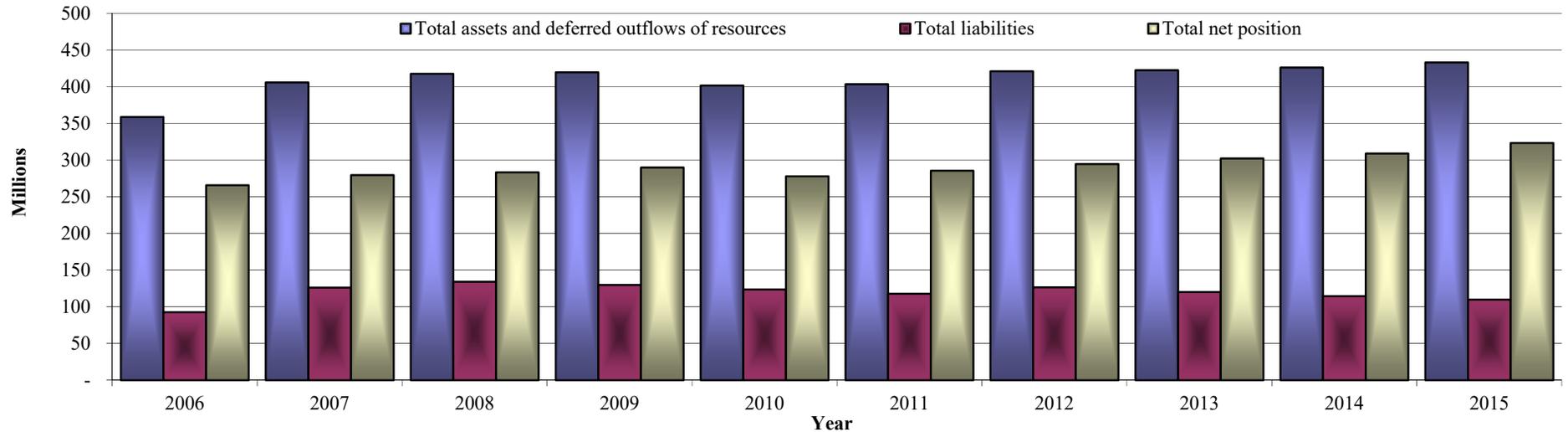
(UNAUDITED)

This section of the Erie County Water Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority’s overall financial health.

Contents	Page
Financial Trends	53
<i>These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	58
<i>These schedules contain information to help the reader assess the Authority’s most significant local revenue source, the charges for services.</i>	
Debt Capacity.....	60
<i>These schedules present information to help the reader assess the affordability of the Authority’s current levels of outstanding debt and the Authority’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	63
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place.</i>	
Operating Information.....	65
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.</i>	

ERIE COUNTY WATER AUTHORITY
Summary Comparison of the Statements of Net Position
Last Ten Fiscal Years
(Unaudited)

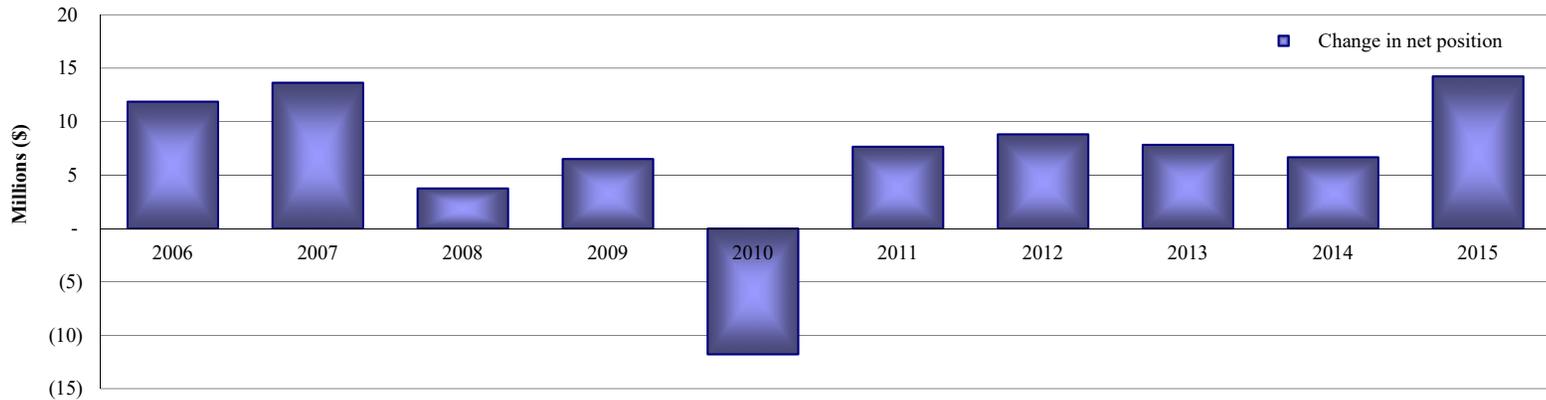
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Current assets	\$ 41,240,984	\$ 30,053,612	\$ 34,532,183	\$ 34,300,828	\$ 32,618,968	\$ 33,731,489	\$ 37,060,817	\$ 41,428,587	\$ 44,186,699	\$ 48,260,946
Noncurrent assets	317,442,713	375,686,541	382,934,469	385,286,142	369,006,078	369,665,417	383,976,400	381,169,996	379,656,663	382,296,651
Total assets	358,683,697	405,740,153	417,466,652	419,586,970	401,625,046	403,396,906	421,037,217	422,598,583	423,843,362	430,557,597
Deferred outflows of resources	-	-	-	-	-	-	-	-	2,246,850	2,500,423
Current liabilities	20,013,673	16,670,672	21,500,615	20,315,641	20,156,959	17,040,662	18,178,378	17,979,626	18,367,368	17,674,779
Noncurrent liabilities	72,803,311	109,550,730	112,692,580	109,483,903	103,470,034	100,702,928	108,395,149	102,317,118	96,167,076	92,168,147
Total liabilities	92,816,984	126,221,402	134,193,195	129,799,544	123,626,993	117,743,590	126,573,527	120,296,744	114,534,444	109,842,926
Net investment in capital assets	224,456,645	226,024,526	224,964,824	247,452,433	245,207,926	259,274,082	255,114,864	270,186,065	278,715,700	293,189,072
Restricted	15,516,546	22,874,616	12,137,312	12,132,185	11,242,676	11,250,168	19,662,029	11,225,943	11,234,946	11,255,102
Unrestricted	25,893,522	30,619,609	46,171,321	30,202,808	21,547,451	15,129,066	19,686,797	20,889,831	19,018,756	18,770,920
Total net position	\$ 265,866,713	\$ 279,518,751	\$ 283,273,457	\$ 289,787,426	\$ 277,998,053	\$ 285,653,316	\$ 294,463,690	\$ 302,301,839	\$ 308,969,402	\$ 323,215,094



Source: Erie County Water Authority Annual Audited Financial Statements

ERIE COUNTY WATER AUTHORITY
Comparison of Statements of Revenue, Expenses and Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenue	\$ 55,744,905	\$ 61,227,617	\$ 56,284,871	\$ 54,688,581	\$ 57,701,068	\$ 59,529,303	\$ 65,763,547	\$ 63,555,781	\$ 65,908,808	\$ 69,595,215
Operating expenses	43,832,327	47,832,292	50,991,963	46,008,550	49,673,825	49,928,877	52,348,289	54,382,827	57,811,984	57,435,644
Operating income	11,912,578	13,395,325	5,292,908	8,680,031	8,027,243	9,600,426	13,415,258	9,172,954	8,096,824	12,159,571
Nonoperating revenue (expenses)	(1,224,085)	(735,374)	(2,293,744)	(2,789,449)	(3,300,655)	(2,930,395)	(2,995,149)	(2,727,346)	(2,554,433)	(2,047,899)
Net income before contributions in aid of construction and special items	10,688,493	12,659,951	2,999,164	5,890,582	4,726,588	6,670,031	10,420,109	6,445,608	5,542,391	10,111,672
Contributions in aid of construction	1,175,186	992,087	755,542	623,387	1,088,835	985,232	1,884,809	1,392,541	1,464,688	4,134,020
Special items & GASB implementation changes										
Change in estimated fair value of acquired assets	-	-	-	-	(17,604,796)	-	-	-	-	-
Change in estimated useful life of assets	-	-	-	-	-	-	(3,494,544)	-	-	-
GASB Statement Nos. 68 & 71 implementation	-	-	-	-	-	-	-	-	(339,516)	-
Change in net position	11,863,679	13,652,038	3,754,706	6,513,969	(11,789,373)	7,655,263	8,810,374	7,838,149	6,667,563	14,245,692
Total net position - beginning of year	254,003,034	265,866,713	279,518,751	283,273,457	289,787,426	277,998,053	285,653,316	294,463,690	302,301,839	308,969,402
Total net position - end of year	\$ 265,866,713	\$ 279,518,751	\$ 283,273,457	\$ 289,787,426	\$ 277,998,053	\$ 285,653,316	\$ 294,463,690	\$ 302,301,839	\$ 308,969,402	\$ 323,215,094



Source: Erie County Water Authority Annual Audited Financial Statements

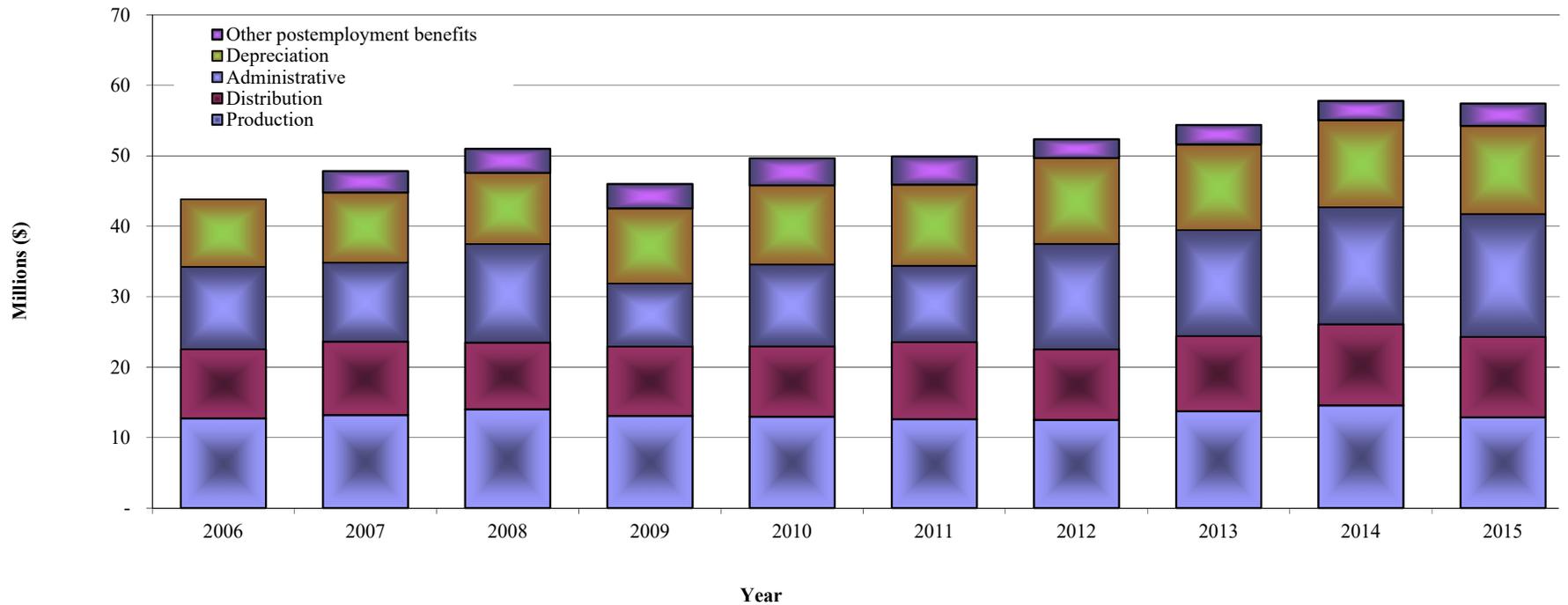
ERIE COUNTY WATER AUTHORITY
Operating Revenues by Source
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water revenue										
Residential	\$ 33,915,574	\$ 38,059,827	\$ 34,520,149	\$ 33,301,075	\$ 35,224,872	\$ 35,663,644	\$ 38,069,148	\$ 35,784,899	\$ 35,954,051	\$ 36,335,268
Commercial	6,845,706	7,402,558	7,003,921	6,859,468	6,973,293	6,866,248	7,482,928	7,245,844	7,450,855	7,899,110
Industrial	1,825,446	1,917,907	1,901,354	1,664,086	1,604,491	1,549,584	1,651,835	1,585,025	1,689,835	1,721,516
Public authorities	2,033,007	2,170,407	2,052,689	1,988,592	2,170,750	2,015,272	2,255,872	2,147,079	2,275,352	2,394,994
Fire protection	3,718,934	3,774,006	3,799,498	3,783,547	3,816,992	3,903,155	4,015,933	4,145,727	4,266,755	4,275,127
Sales to other utilities	4,690,210	4,992,582	4,920,668	4,966,093	5,322,260	5,086,522	5,206,479	4,275,543	3,686,340	3,625,852
Infrastructure investment charge	-	-	-	-	-	1,901,758	3,841,349	5,885,407	7,992,100	10,355,324
Other water revenue	1,801,691	2,353,620	1,584,878	1,598,547	1,861,997	1,969,950	2,482,331	1,883,493	2,011,698	2,281,933
Total water revenue	54,830,568	60,670,907	55,783,157	54,161,408	56,974,655	58,956,133	65,005,875	62,953,017	65,326,986	68,889,124
Rents from water towers	446,806	547,075	492,929	504,254	490,467	487,231	538,936	524,616	531,608	546,065
Other operating revenue	467,531	9,635	8,785	22,919	235,946	85,939	218,736	78,148	50,214	160,026
Total operating revenue	<u>\$ 55,744,905</u>	<u>\$ 61,227,617</u>	<u>\$ 56,284,871</u>	<u>\$ 54,688,581</u>	<u>\$ 57,701,068</u>	<u>\$ 59,529,303</u>	<u>\$ 65,763,547</u>	<u>\$ 63,555,781</u>	<u>\$ 65,908,808</u>	<u>\$ 69,595,215</u>
Water sales as a percent of total operating revenue	98.4%	99.1%	99.1%	99.0%	98.7%	99.0%	98.8%	99.1%	99.1%	99.0%

Source: Erie County Water Authority Financial Records

ERIE COUNTY WATER AUTHORITY
Operating Expenses
Last Ten Fiscal Years
(Unaudited)

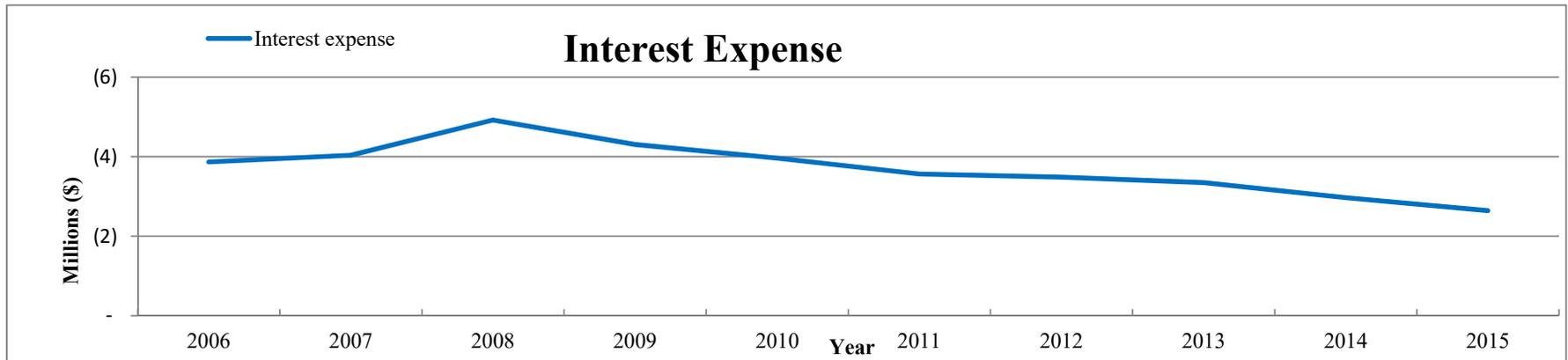
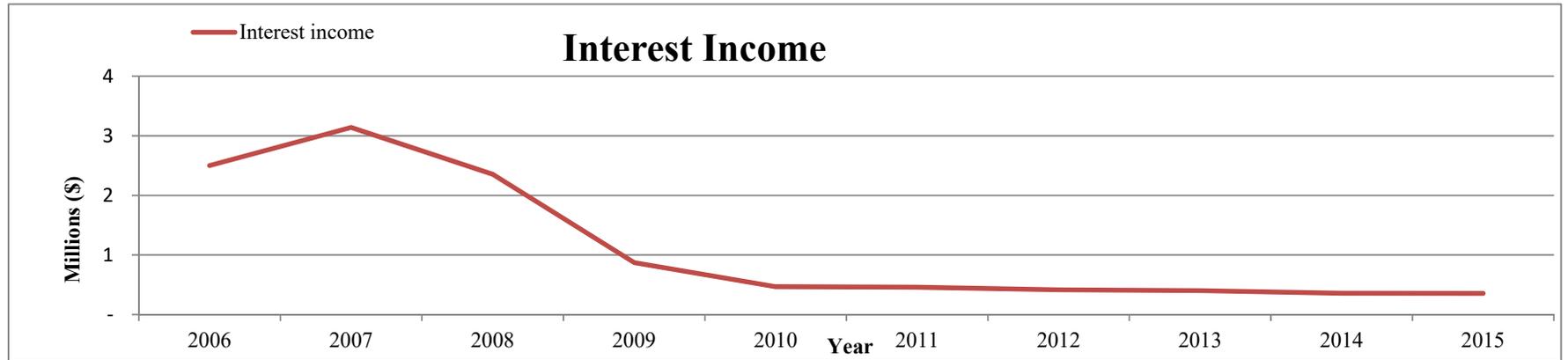
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Production	\$ 12,721,482	\$ 13,215,672	\$ 14,020,769	\$ 13,069,199	\$ 12,953,657	\$ 12,608,144	\$ 12,505,594	\$ 13,741,174	\$ 14,574,682	\$ 12,867,788
Distribution	9,822,375	10,418,967	9,471,675	9,866,044	9,999,395	10,969,000	10,031,342	10,689,735	11,520,474	11,432,437
Administrative	11,709,816	11,201,919	13,996,804	8,937,341	11,618,936	10,821,314	14,975,977	15,026,294	16,603,641	17,438,495
Depreciation	9,578,654	9,941,663	10,097,531	10,666,557	11,220,774	11,509,330	12,174,628	12,153,619	12,355,427	12,494,706
Other postemployment benefits	-	3,054,071	3,405,184	3,469,409	3,881,063	4,021,089	2,660,748	2,772,005	2,757,760	3,202,218
Total operating expenses	\$ 43,832,327	\$ 47,832,292	\$ 50,991,963	\$ 46,008,550	\$ 49,673,825	\$ 49,928,877	\$ 52,348,289	\$ 54,382,827	\$ 57,811,984	\$ 57,435,644



Source: Erie County Water Authority Financial Records

ERIE COUNTY WATER AUTHORITY
Nonoperating Revenues and Expenses
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Nonoperating revenues and (expenses)										
Interest expense	\$ (3,868,064)	\$ (4,033,507)	\$ (4,920,438)	\$ (4,304,720)	\$ (3,963,295)	\$ (3,562,970)	\$ (3,485,877)	\$ (3,345,294)	\$ (2,966,823)	\$ (2,642,469)
Gain on sale of investments	-	-	-	-	150,107	-	-	-	-	-
Interest income	2,498,889	3,138,936	2,353,043	871,878	467,408	458,260	414,187	402,767	356,668	355,130
Interest capitalized during construction	145,090	159,197	273,651	643,393	45,125	174,315	76,541	215,181	55,722	239,440
Net nonoperating (expenses)	<u>\$ (1,224,085)</u>	<u>\$ (735,374)</u>	<u>\$ (2,293,744)</u>	<u>\$ (2,789,449)</u>	<u>\$ (3,300,655)</u>	<u>\$ (2,930,395)</u>	<u>\$ (2,995,149)</u>	<u>\$ (2,727,346)</u>	<u>\$ (2,554,433)</u>	<u>\$ (2,047,899)</u>

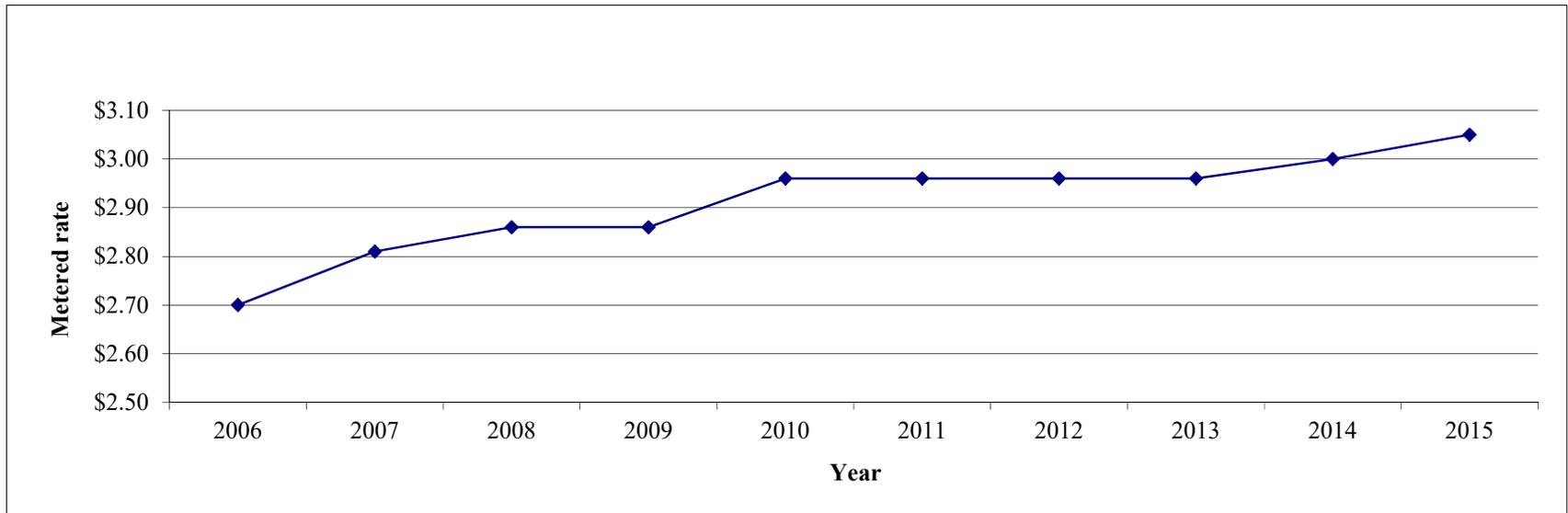


Source: Erie County Water Authority Annual Audited Financial Statements

ERIE COUNTY WATER AUTHORITY
Metered Water Rate History
Last Ten Fiscal Years
(Unaudited)

	2005 (Base Year)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Metered water rates ¹	\$2.56	\$2.70	\$2.81	\$2.86	\$2.86	\$2.96	\$2.96	\$2.96	\$2.96	\$3.00	\$3.05
Percentage increase (%)		5.47%	4.07%	1.78%	0.00%	3.50%	0.00%	0.00%	0.00%	1.35%	1.67%

¹Metered water rates represent the cost per 1,000 gallons for the first 300,000 gallons per quarter



Source: Erie County Water Authority Tariff

ERIE COUNTY WATER AUTHORITY
Largest Customers
Current Year and Nine Years Ago
(Unaudited)

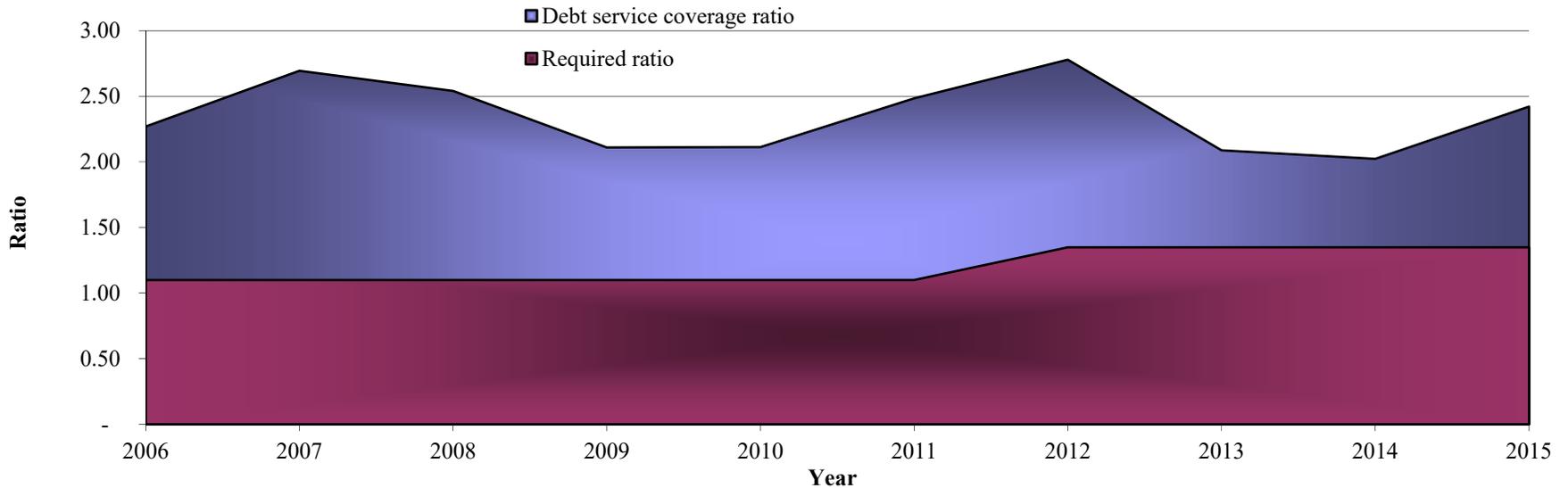
Year End December 31, 2015		Year End December 31, 2006	
Non-Municipal Customers		Non-Municipal Customers	
State University of New York at Buffalo	\$ 780,663	International Steel	\$ 556,469
Benderson Development Co.	364,151	State University of New York at Buffalo	489,193
Upstate Farms Cooperative	315,785	DDR Corporation	267,090
Delta Sonic	204,802	Seneca Nation of Indians	242,653
Rosina Food Products, Inc.	194,652	Benderson Development Co.	192,617
Mayer Brothers Apple Products, Inc.	179,814	Upstate Farms Cooperative	182,027
Niagara Frontier Transportation Authority	146,340	Rosina Food Products, Inc.	143,114
Republic Engineered Products	141,872	Republic Engineered Products	140,051
Uniland Development Co.	140,096	Mayer Brothers Apple Products, Inc.	137,550
Sky Harbor Property, LLC	135,248	Niagara Frontier Transportation Authority	113,791
Total of Largest Non-Municipal Customers	<u>\$ 2,603,423</u>	Total of Largest Non-Municipal Customers	<u>\$ 2,464,555</u>
Percent of total billings	3.8%	Percent of total billings	4.5%
Municipal Customers		Municipal Customers	
Town of Elma	\$ 1,545,455	Town of Elma	\$ 1,118,341
Village of East Aurora	672,032	Town of Evans*	855,394
Village of Angola	282,626	Village of East Aurora	474,905
Village of Orchard Park	281,408	Village of Williamsville *	464,153
Monroe County Water Authority	273,034	Village of Angola	311,054
Village of Silver Creek	175,576	Village of Blasdell*	286,644
Town of Hanover	128,959	Buffalo Water Board	227,777
Town of Amherst	112,992	Monroe County Water Authority	210,996
Erie County Buildings & Grounds	75,934	Village of Orchard Park	206,875
Town of Aurora	44,013	Village of Silver Creek	197,064
Total of Largest Municipal Customers	<u>\$ 3,592,029</u>	Total of Largest Municipal Customers	<u>\$ 4,353,203</u>
Percent of total billings	5.2%	Percent of total billings	7.9%

*These municipalities converted from bulk sale to direct service or lease managed customers

Source: Erie County Water Authority Business Office Records

ERIE COUNTY WATER AUTHORITY
Debt Service Coverage Ratio
Last Ten Fiscal Years
(Unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating revenue	\$ 55,744,905	\$ 61,227,617	\$ 56,284,871	\$ 54,688,581	\$ 57,701,068	\$ 59,529,303	\$ 65,763,547	\$ 63,555,781	\$ 65,908,808	\$ 69,595,215
Interest income	2,498,889	3,138,936	2,353,043	871,878	467,408	458,260	414,187	402,767	356,668	355,130
Operating expense less non-cash expenses	<u>(34,253,673)</u>	<u>(34,836,558)</u>	<u>(37,489,248)</u>	<u>(31,872,584)</u>	<u>(34,571,988)</u>	<u>(34,398,458)</u>	<u>(37,512,913)</u>	<u>(39,457,203)</u>	<u>(42,698,802)</u>	<u>(41,738,720)</u>
Net revenue	\$ 23,990,121	\$ 29,529,995	\$ 21,148,666	\$ 23,687,875	\$ 23,596,488	\$ 25,589,105	\$ 28,664,821	\$ 24,501,345	\$ 23,566,674	\$ 28,211,625
Debt service	<u>\$ 10,563,883</u>	<u>\$ 10,958,058</u>	<u>\$ 8,320,776</u>	<u>\$ 11,223,798</u>	<u>\$ 11,159,540</u>	<u>\$ 10,299,764</u>	<u>\$ 10,310,728</u>	<u>\$ 11,731,272</u>	<u>\$ 11,642,106</u>	<u>\$ 11,645,333</u>
Debt service coverage ratio	2.27	2.69	2.54	2.11	2.11	2.48	2.78	2.09	2.02	2.42
Required ratio	1.10	1.10	1.10	1.10	1.10	1.10	1.35	1.35	1.35	1.35



Source: Erie County Water Authority Financial Records

ERIE COUNTY WATER AUTHORITY
Debt Service Maturity Schedule
(Unaudited)

	Issued Directly by the Authority						EFC Financings				Total Principal & Interest
	2007 Fourth Resolution Bonds		2008 Fourth Resolution Bonds		2012 Fourth Resolution Bonds		Serial Bonds		Total Principal	Total Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2016	\$ 835,000	\$ 1,396,564	\$ 5,090,000	\$ 802,000	\$ 1,205,000	\$ 203,705	\$ 1,765,000	\$ 363,370	\$ 8,895,000	\$ 2,765,639	\$ 11,660,639
2017	865,000	1,358,989	5,340,000	547,500	1,230,000	174,364	1,820,000	310,119	9,255,000	2,390,972	11,645,972
2018	905,000	1,320,064	5,610,000	280,500	1,260,000	144,359	1,885,000	250,847	9,660,000	1,995,770	11,655,770
2019	940,000	1,279,339	-	-	1,290,000	113,632	1,950,000	187,930	4,180,000	1,580,901	5,760,901
2020	980,000	1,237,039	-	-	1,325,000	82,121	805,000	119,056	3,110,000	1,438,216	4,548,216
2021	1,025,000	1,192,939	-	-	1,355,000	49,827	830,000	96,989	3,210,000	1,339,755	4,549,755
2022	1,065,000	1,146,814	-	-	1,390,000	16,750	855,000	65,270	3,310,000	1,228,834	4,538,834
2023	1,115,000	1,098,889	-	-	-	-	1,738,384	(83,178)	2,853,384	1,015,711	3,869,095
2024	1,165,000	1,048,714	-	-	-	-	-	-	1,165,000	1,048,714	2,213,714
2025	1,215,000	996,289	-	-	-	-	-	-	1,215,000	996,289	2,211,289
2026	1,270,000	941,614	-	-	-	-	-	-	1,270,000	941,614	2,211,614
2027	1,325,000	882,876	-	-	-	-	-	-	1,325,000	882,876	2,207,876
2028	1,385,000	821,595	-	-	-	-	-	-	1,385,000	821,595	2,206,595
2029	1,445,000	756,500	-	-	-	-	-	-	1,445,000	756,500	2,201,500
2030	1,510,000	687,863	-	-	-	-	-	-	1,510,000	687,863	2,197,863
2031	1,575,000	616,137	-	-	-	-	-	-	1,575,000	616,137	2,191,137
2032	1,650,000	541,325	-	-	-	-	-	-	1,650,000	541,325	2,191,325
2033	1,720,000	462,950	-	-	-	-	-	-	1,720,000	462,950	2,182,950
2034	1,800,000	381,250	-	-	-	-	-	-	1,800,000	381,250	2,181,250
2035	1,885,000	295,750	-	-	-	-	-	-	1,885,000	295,750	2,180,750
2036	1,970,000	201,500	-	-	-	-	-	-	1,970,000	201,500	2,171,500
2037	2,060,000	103,000	-	-	-	-	-	-	2,060,000	103,000	2,163,000
Total	\$ 29,705,000	\$ 18,768,000	\$ 16,040,000	\$ 1,630,000	\$ 9,055,000	\$ 784,758	\$ 11,648,384	\$ 1,310,403	\$ 66,448,384	\$ 22,493,161	\$ 88,941,545

Source: Official Statements from Bond Issues and Erie County Water Authority Financial Records

ERIE COUNTY WATER AUTHORITY
Principal Debt Outstanding by Issue
(Unaudited)

	EFC Financings		Issued Directly by the Authority			Total				
	Series 1998B	Series 2003F	Series 2007	Series 2008	Series 2012					
2016	\$ 1,040,000	\$ 725,000	\$ 835,000	\$ 5,090,000	\$ 1,205,000	\$ 8,895,000				
2017	1,080,000	740,000	865,000	5,340,000	1,230,000	9,255,000				
2018	1,125,000	760,000	905,000	5,610,000	1,260,000	9,660,000				
2019	1,170,000	780,000	940,000	-	1,290,000	4,180,000				
2020	-	805,000	980,000	-	1,325,000	3,110,000				
2021	-	830,000	1,025,000	-	1,355,000	3,210,000				
2022	-	855,000	1,065,000	-	1,390,000	3,310,000				
2023	-	1,738,384	1,115,000	-	-	2,853,384				
2024	-	-	1,165,000	-	-	1,165,000				
2025	-	-	1,215,000	-	-	1,215,000				
2026	-	-	1,270,000	-	-	1,270,000				
2027	-	-	1,325,000	-	-	1,325,000				
2028	-	-	1,385,000	-	-	1,385,000				
2029	-	-	1,445,000	-	-	1,445,000				
2030	-	-	1,510,000	-	-	1,510,000				
2031	-	-	1,575,000	-	-	1,575,000				
2032	-	-	1,650,000	-	-	1,650,000				
2033	-	-	1,720,000	-	-	1,720,000				
2034	-	-	1,800,000	-	-	1,800,000				
2035	-	-	1,885,000	-	-	1,885,000				
2036	-	-	1,970,000	-	-	1,970,000				
2037	-	-	2,060,000	-	-	2,060,000				
Bonds payable	4,415,000	7,233,384	29,705,000	16,040,000	9,055,000	66,448,384				
Bond premiums	-	-	140,931	862,765	-	1,003,696				
Total bonds payable	\$ 4,415,000	\$ 7,233,384	\$ 29,845,931	\$ 16,902,765	\$ 9,055,000	\$ 67,452,080				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total principal debt outstanding	\$ 75,664,253	\$ 106,952,133	\$ 110,924,347	\$ 104,407,112	\$ 94,414,876	\$ 87,897,640	\$ 93,610,404	\$ 84,766,552	\$ 76,279,316	\$ 67,452,080
Outstanding debt per customer	\$ 483	\$ 681	\$ 704	\$ 661	\$ 595	\$ 549	\$ 584	\$ 511	\$ 454	\$ 400

Source: Official Statements from Bond Issues and Erie County Water Authority Business Office Records

ERIE COUNTY WATER AUTHORITY
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

	Erie County			Unemployment Rate ¹		Labor Force ¹
	Population ²	Per Capita Income ³	Aggregate Income ⁴	Erie County	New York State	
2006	916,292	\$ 34,273	\$ 21,730,920,800	4.5%	4.0%	581,131
2007	911,784	36,085	23,742,483,500	5.4%	4.8%	580,153
2008	909,858	37,954	24,056,490,100	6.9%	6.5%	588,528
2009	909,247	38,398	24,210,326,900	8.6%	8.8%	573,029
2010	919,077	39,715	23,321,852,100	8.4%	8.2%	567,675
2011	919,924	41,686	24,618,932,800	8.3%	8.4%	563,112
2012	920,431	43,180	25,246,355,000	8.1%	8.1%	565,059
2013	921,794	43,431	22,548,884,700	6.7%	6.7%	552,513
2014	923,193	44,740	23,374,987,000	5.7%	5.5%	541,740
2015	922,578	n/a	n/a	4.9%	4.7%	557,071

(n/a: not available)

Sources:

¹ US Department of Labor – Bureau of Labor Statistics

² US Bureau of the Census

³ US Bureau of Economic Analysis

⁴ US Bureau of the Census – American Community Survey

ERIE COUNTY WATER AUTHORITY
Ten Largest Employers in Western New York
Current Year and Nine Years Ago
(Unaudited)

Employer	2015			2006		
	Employees	Percentage of Total Labor Force	Rank	Employees	Percentage of Total Labor Force	Rank
State of New York	17,643	3.2%	1	16,655	2.9%	1
United States of America	10,000	1.8%	2	10,000	1.7%	2
Kaleida Health	8,102	1.5%	3	6,866	1.2%	5
Catholic Health System	7,069	1.3%	4	4,702	0.8%	9
Buffalo City School District	6,894	1.3%	5	5,319	0.9%	7
Employer Services Corp.	6,811	1.2%	6	n/a	n/a	n/a
University at Buffalo	6,798	1.2%	7	6,488	1.1%	6
M&T Bank	6,429	1.2%	8	4,163	0.7%	10
Tops Markets	5,065	0.9%	9	8,000	1.4%	3
Erie County	4,000	0.7%	10	7,269	1.2%	4
HSBC Bank USA	n/a	n/a	n/a	5,100	0.9%	8
Total of Largest Employers	<u>78,811</u>	14.1%		<u>74,562</u>	12.8%	

Source: Business First Buffalo 2014 Book Lists; Business First of Buffalo 2005 Book of Lists

ERIE COUNTY WATER AUTHORITY
Operating Statistics
Last Ten Years
(Unaudited)

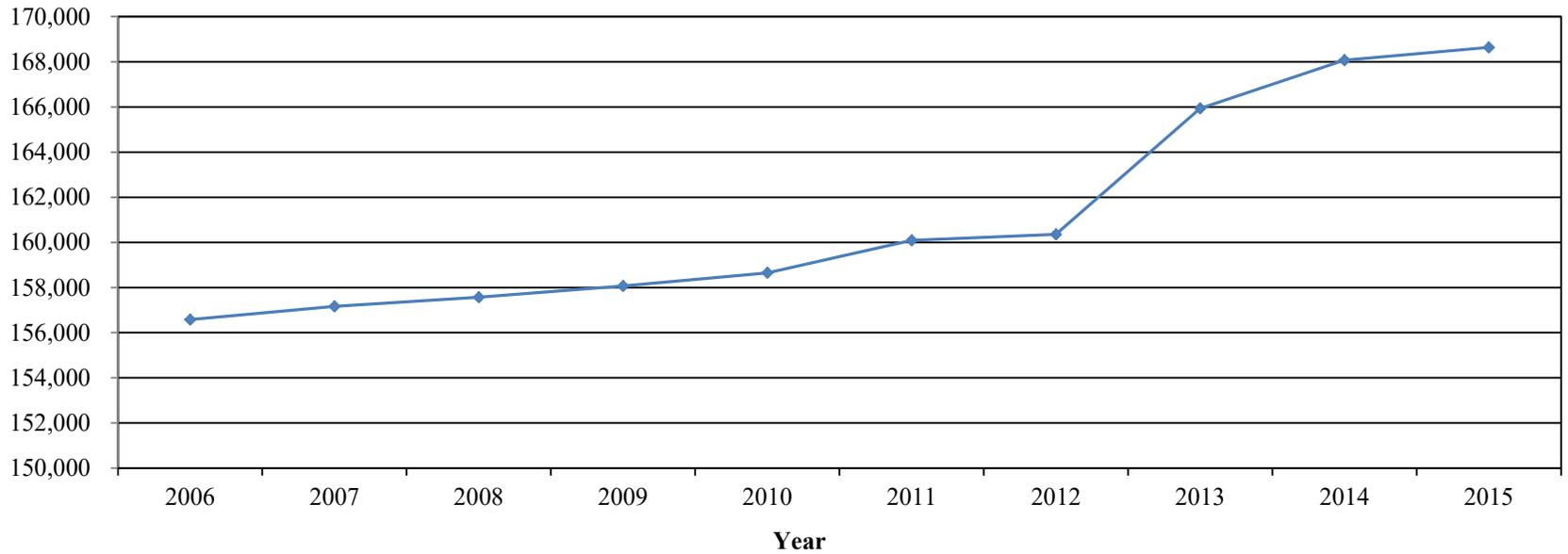
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total number of customers	156,579	157,163	157,571	158,069	158,650	160,088	160,355	165,933	168,069	168,637
Number of employees	261.8	262.8	267.0	264.8	258.9	250.9	247.8	247.1	245.9	245.9
Customers per employee	598.1	598.0	590.2	596.9	612.8	638.1	647.1	671.5	683.5	685.8
<hr/>										
Total water output (MG)	25,096.4	27,291.5	25,174.7	24,676.8	24,503.2	24,630.0	24,834.6	23,917.5	25,069.3	25,741.7
Output per customer (gallons)	160,279.5	173,650.9	159,767.3	156,114.1	154,448.2	153,852.9	154,872.6	144,139.5	149,160.8	152,645.6
Total water sales (MG)	18,491.3	19,474.0	17,637.5	17,269.6	17,378.1	17,345.4	18,335.2	16,909.6	16,573.6	16,513.0
Sales per customer (gallons)	118,095.7	123,909.6	111,933.7	109,253.6	109,537.3	108,349.2	114,341.3	101,906.2	98,611.9	97,920.4
Percentage of water sold	73.7%	71.4%	70.1%	70.0%	70.9%	70.4%	73.8%	70.7%	66.1%	64.1%
<hr/>										
Total operating expenses	\$ 43,832,327	\$ 47,832,292	\$ 50,991,963	\$ 46,008,550	\$ 49,673,825	\$ 49,928,877	\$ 52,348,289	\$ 54,382,827	\$ 57,811,984	\$ 57,435,644
Operating expense per customer	\$ 280	\$ 304	\$ 324	\$ 291	\$ 313	\$ 312	\$ 326	\$ 328	\$ 344	\$ 341
Total operating revenue	\$ 55,744,905	\$ 61,227,617	\$ 56,284,871	\$ 54,688,581	\$ 57,701,068	\$ 59,529,303	\$ 65,763,547	\$ 63,555,781	\$ 65,908,808	\$ 69,595,215
Operating revenue per customer	\$ 356	\$ 390	\$ 357	\$ 346	\$ 364	\$ 372	\$ 410	\$ 383	\$ 392	\$ 413

Source: Erie County Water Authority's Financial, Production and Business Office Records

ERIE COUNTY WATER AUTHORITY
Number of Customers by Classification
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of customers:										
Residential	147,326	147,850	148,218	148,697	149,255	150,592	150,810	156,183	158,317	158,579
Commercial	7,197	7,224	7,244	7,240	7,249	7,315	7,332	7,480	7,479	7,656
Industrial	333	327	333	322	322	321	322	327	317	336
Public authorities	605	609	595	593	595	599	598	627	620	692
Fire protection	1,098	1,133	1,161	1,197	1,209	1,241	1,273	1,296	1,315	1,353
Bulk sales	20	20	20	20	20	20	20	20	21	21
Total number of customers	156,579	157,163	157,571	158,069	158,650	160,088	160,355	165,933	168,069	168,637

Total Number of Customers

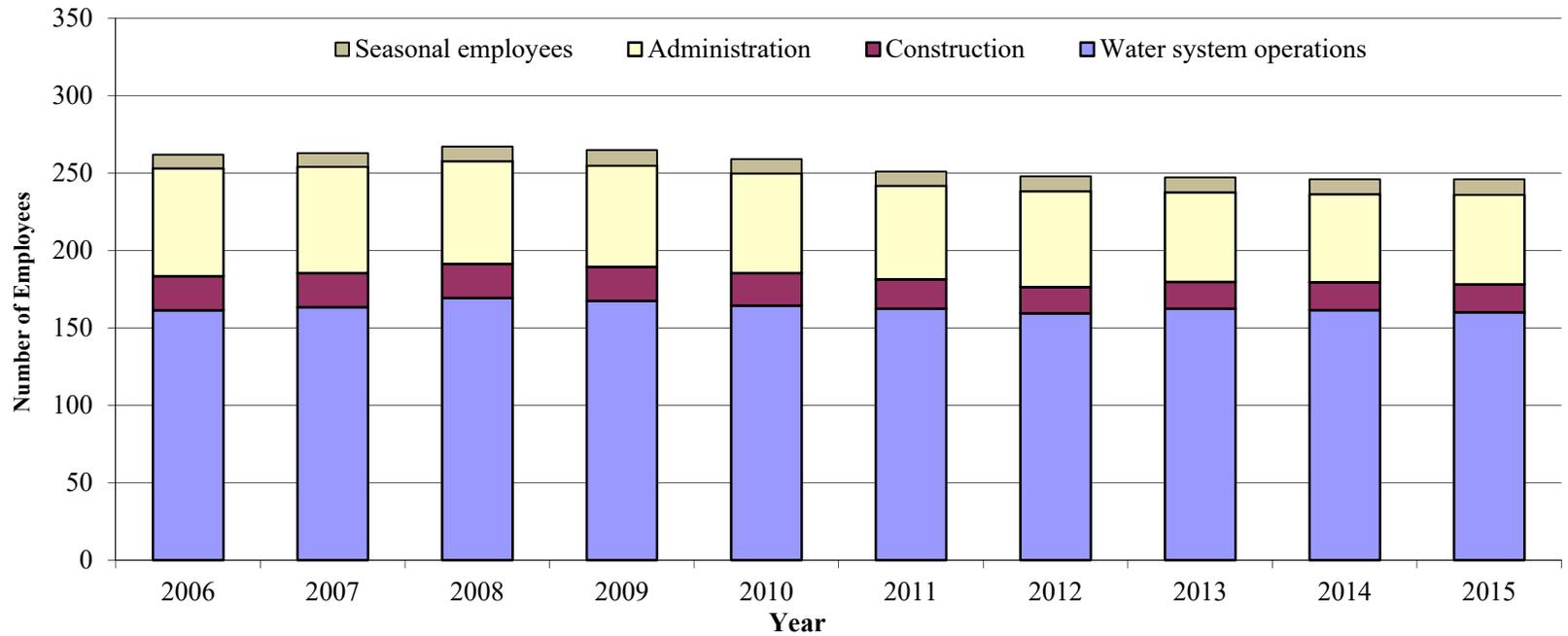


Source: Erie County Water Authority's Financial and Business Office Records

ERIE COUNTY WATER AUTHORITY
Number of Employees¹ by Function
Last Ten Fiscal Years
(Unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Water system operations	161.3	163.3	169.2	167.3	164.3	162.3	159.3	162.3	161.4	160.0
Construction	22.0	22.0	22.0	22.0	21.0	19.0	17.0	17.3	18.0	18.0
Administration	69.7	68.7	66.4	65.4	64.4	60.4	61.9	57.9	56.9	57.9
Seasonal employees	8.8	8.8	9.4	10.1	9.2	9.2	9.6	9.6	9.6	10.0
Total number of employees	<u>261.8</u>	<u>262.8</u>	<u>267.0</u>	<u>264.8</u>	<u>258.9</u>	<u>250.9</u>	<u>247.8</u>	<u>247.1</u>	<u>245.9</u>	<u>245.9</u>

¹Number of employees represents the number of budgeted full time equivalents based on 2,080 hours.



Source: Erie County Water Authority Financial Records

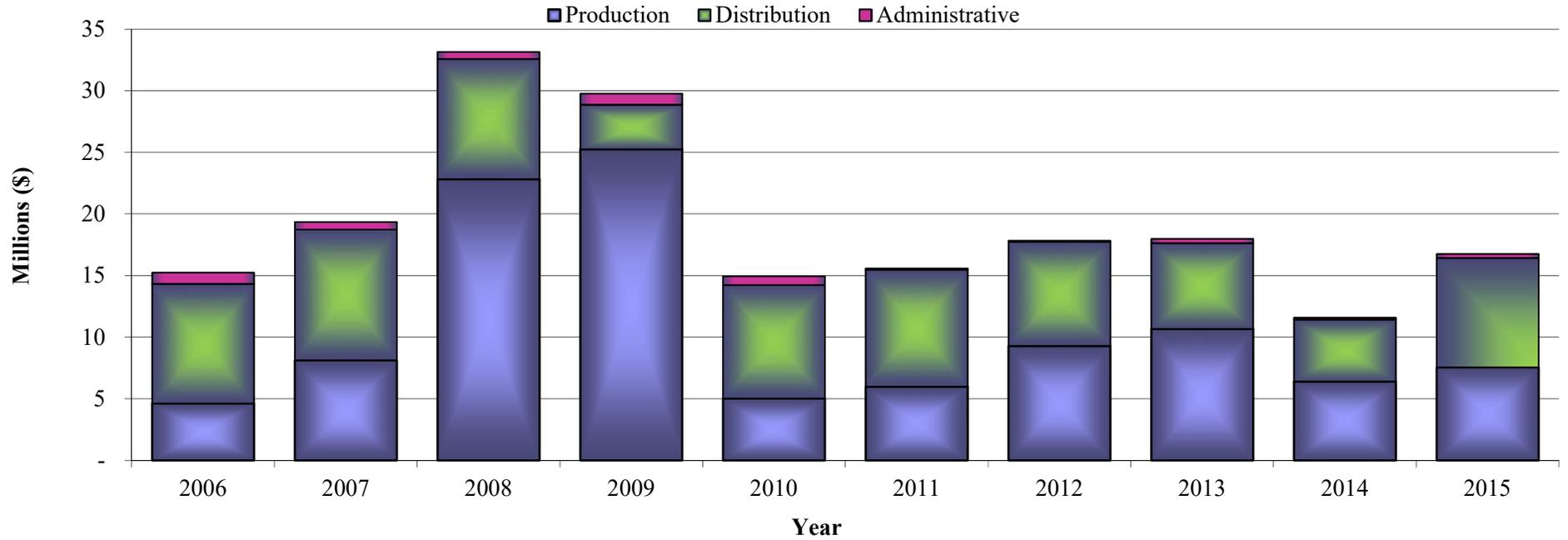
ERIE COUNTY WATER AUTHORITY
Operating and Capital Indicators
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Main lines in direct service areas (miles)	2,143	2,148	2,151	2,154	2,157	2,408	2,415	2,470	2,510	2,465
Main lines in leased managed areas (miles)	1,186	1,224	1,229	1,230	1,230	1,085	1,095	1,179	1,181	1,152
Number of hydrants	16,792	17,126	17,134	17,177	17,252	17,444	17,651	18,481	18,859	18,869
Number of water tanks	40	40	40	40	40	40	38	37	37	37
Storage capacity of water tanks (million gallons)	74.9	74.9	74.9	74.9	74.9	74.9	71.8	71.3	71.3	71.3
Number of pump stations	37	38	38	38	38	38	38	38	38	38
Number of new service taps	673	730	551	541	491	395	470	534	579	591

Sources: Erie County Water Authority Financial Records

ERIE COUNTY WATER AUTHORITY
Annual Capital Project Expenditures
Last Ten Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Production	\$ 4,614,091	\$ 8,128,793	\$22,828,605	\$25,254,324	\$ 5,016,033	\$ 5,985,653	\$ 9,287,492	\$10,667,575	\$ 6,397,188	\$ 7,559,124
Distribution	9,714,965	10,602,490	9,752,934	3,609,036	9,208,944	9,490,992	8,455,965	6,964,898	5,031,063	8,878,951
Administrative	913,888	617,080	578,635	906,627	712,168	94,310	88,084	347,340	153,826	316,327
Total capital expenditures	\$15,242,944	\$19,348,363	\$33,160,174	\$29,769,987	\$14,937,145	\$15,570,955	\$17,831,541	\$17,979,813	\$11,582,077	\$16,754,402
Capital expenditures per customer	\$ 97	\$ 123	\$ 210	\$ 188	\$ 94	\$ 97	\$ 111	\$ 108	\$ 69	\$ 99



Sources: Erie County Water Authority Financial Records

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