REFUNDING ISSUE—FULL BOOK-ENTRY-ONLY **Ratings: (See "RATINGS" herein)**

In the opinion of Trespasz & Marquardt, LLP, Special Tax Counsel to the Authority ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance by the Authority with certain covenants, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Special Tax Counsel, interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes; however, such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Special Tax Counsel is also further of the opinion that interest on the Series 2017 Bonds is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Series 2017 Bonds. See "TAX MATTERS" herein.

The Series 2017 Bonds will be designated "Qualified Tax-Exempt Obligations" pursuant to Section 265(b)(3) of the Code.

Monroe County Water Authority

$3,950,000
MONROE COUNTY WATER AUTHORITY
(New York)
Water System Revenue Refunding Bonds, Series 2017

Dated: Date of Delivery **Due: August 1, as shown herein**

The Water System Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") are being issued by the Monroe County Water Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State") created by and existing under Title 5 of Article 5 of the Public Authorities Law of the State (the "Act"). The Series 2017 Bonds are issued pursuant to the Act and the terms and provisions of that certain Trust Indenture, dated as of October 1, 1991, from the Authority to The Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), as amended and supplemented from time to time (collectively, the "Indenture").

The Series 2017 Bonds shall bear interest from their dated date and interest is payable on February 1, 2018, and semiannually thereafter on February 1 and August 1 of each year. See "THE SERIES 2017 BONDS—General Provisions" herein. Interest will be payable at the rates and the Series 2017 Bonds shall mature on the dates and in the principal amounts set forth on the inside front cover.

The Series 2017 Bonds will be prepared as fully registered bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2017 Bonds. Purchasers of beneficial interests will not receive printed certificates representing their interest in the Series 2017 Bonds. So long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2017 Bonds. See "APPENDIX E—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest are payable directly to DTC by the Trustee, in New York, New York. Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2017 Bonds.

The Series 2017 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE SERIES 2017 BONDS—Redemption" herein.

Principal of and interest on the Series 2017 Bonds are payable solely from Revenues (as defined herein) of the Authority after the required deposits to the Operating and Maintenance Fund (as defined herein). See "SECURITY AND SOURCES OF PAYMENT" herein.

The Series 2017 Bonds are being issued to (i) advance refund a portion of the outstanding principal balance of the Authority's Water System Revenue Bonds, Series 2010 and (ii) pay costs of issuance of the Series 2017 Bonds as described herein. See "PLAN OF REFUNDING" herein.

THE SERIES 2017 BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK OR THE COUNTY OF MONROE, NOR OF ANY MUNICIPALITY IN SUCH COUNTY. NEITHER THE STATE OF NEW YORK, THE COUNTY OF MONROE, NOR ANY MUNICIPALITY IN SUCH COUNTY IS LIABLE FOR THE PAYMENT OF THE SERIES 2017 BONDS, NOR ARE THE SERIES 2017 BONDS PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE AUTHORITY PLEDGED UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains limited information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2017 Bonds are offered when, as, and if executed and delivered to Piper Jaffray & Co., Inc. (the "Underwriter"), subject to the approval of validity by Harter Secrest & Emery LLP, Rochester, New York, Bond Counsel to the Authority, approval of certain tax matters by Trespasz & Marquardt, LLP, Syracuse, New York, Special Tax Counsel to the Authority, and certain other conditions. Certain matters will be passed upon for the Underwriter by Bond, Schoeneck & King, PLLC, Syracuse, New York. Environmental Capital LLC, New York, New York, has acted as a financial advisor to the Authority. It is expected that the Series 2017 Bonds in book-entry form will be available for delivery to DTC or its agent on or about December 21, 2017.

PiperJaffray®

December 14, 2017

MONROE COUNTY WATER AUTHORITY

$3,950,000 Water System Revenue Refunding Bonds, Series 2017

Payment Dates, Principal Amounts, Interest Rates, Yields, and CUSIPs

Payment Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1]
2021	$215,000	2.000%	1.700%	610763 QB3
2022	220,000	5.000%	1.780%	610763 QC1
2023	225,000	5.000%	1.880%	610763 QD9
2024	235,000	5.000%	1.980%	610763 QE7
2025	250,000	5.000%	2.030%	610763 QF4
2026	265,000	5.000%	2.130%	610763 QG2
2027	275,000	5.000%	2.230%	610763 QH0
2028	290,000	4.000%	2.300%*	610763 QJ6

$605,000 4.000% Term Bond due August 1, 2030, Yield 2.500%*; CUSIP 610763 QK3

$660,000 4.000% Term Bond due August 1, 2032, Yield 2.650%*; CUSIP 610763 QL1

$710,000 3.000% Term Bond due August 1, 2034, Yield 3.050%; CUSIP 610763 QM9

*Priced at the stated yield to the August 1, 2027 optional redemption date at a redemption price of 100%.

[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated on behalf of the American Bankers Association by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. The data contained herein is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. None of the Authority, the Underwriter, or the Trustee takes any responsibility for the accuracy of such numbers.

MONROE COUNTY WATER AUTHORITY

475 Norris Drive
Rochester, New York 14610-0999
(585) 442-2000

THE AUTHORITY'S MEMBERS

[vacant], Chairperson
Scott D. Nasca, Vice Chairperson
Joseph R. Rulison, Treasurer
Wendy Bleier-Mervis, Member
Robert W. Hurlbut, Member
Allen S. Bernstein, Member
Sheryal A. Volpe, Member

THE AUTHORITY'S MANAGEMENT TEAM

Executive Director	Nicholas A. Noce
Executive Engineer	Richard J. Metzger, P.E.
Director of Operations, Facilities & Fleet Maintenance	Raymond W. Benshoff
Director of Finance & Business Services	Kathleen A. Prestidge
Director of Engineering	Stephen M. Savage, P.E.

CONSULTANTS TO THE AUTHORITY

General Counsel
Harter Secrest & Emery LLP
Rochester, New York

Auditors
Bonadio & Co., LLP
Pittsford, New York

Consulting Engineer
O'Brien & Gere Engineers, Inc.
Syracuse, New York

Financial Advisor
Environmental Capital LLC
New York, New York

No dealer, broker, salesperson or other person has been authorized by Piper Jaffray & Co., Inc. (the "Underwriter"), the Authority, or the Trustee to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

Information found on the website of the Authority is not as current as the information included in this Official Statement. Therefore, reliance should not be placed on information found on that website.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2017 Bonds by a person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Official Statement is not to be construed as a contract with the purchasers or any of the owners of Bonds. Any statement made in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact. The information set forth herein has been furnished by the Authority, The Depository Trust Company, and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as representations by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

In reliance upon exemptions contained in such acts, the Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended and the Indenture has not been qualified under the Trust Agreement Act of 1939, as amended. The registration or qualification of the Series 2017 Bonds in accordance with applicable provisions of securities laws of any state in which the Series 2017 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation. Neither those states nor any of their agencies have passed upon the merits of the Series 2017 Bonds or the accuracy or completeness of this Official Statement.

The Underwriter has provided the following sentence for inclusion in the Official Statement: "The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if, or when, its expectations, or events, conditions or circumstances upon which such statements are based, change.

The prospective financial information included in this offering document, including any forward-looking or prospective financial information, has been prepared by, and is the responsibility of the management of the Authority.

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$3,950,000
MONROE COUNTY WATER AUTHORITY
(New York)
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INTRODUCTION

This Official Statement, including the cover page, the inside cover page, and Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Monroe County Water Authority (the "Authority") of its $3,950,000 principal amount of Water System Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds"). The Series 2017 Bonds are to be issued under and secured by that certain Trust Indenture, dated as of October 1, 1991, from the Authority to The Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), as amended and supplemented from time to time (the "Indenture"), including by the Fourteenth Supplemental Trust Indenture, dated as of December 1, 2017, from the Authority to the Trustee (the "Fourteenth Supplemental Indenture"). Definitions of certain capitalized terms used herein may be found in **"APPENDIX C—CERTAIN DEFINITIONS."**

The proceeds of the Series 2017 Bonds will be used to (i) advance refund a portion of the outstanding principal balance of the Authority's Water System Revenue Bonds, Series 2010 and (ii) pay costs of issuance of the Series 2017 Bonds as described herein. (*See* **"PLAN OF REFUNDING"** and **"ESTIMATED SOURCES AND USES OF FUNDS."**)

The Series 2017 Bonds will be direct and general obligations of the Authority for which the full faith and credit of the Authority will be pledged to the payment of the principal of and interest thereon. Pursuant to the Indenture, the Series 2017 Bonds will be secured by a pledge of Revenues of the Authority. The Authority has no taxing power. (*See* **"SECURITY AND SOURCES OF PAYMENT."**)

As further security for the Series 2017 Bonds, the Indenture provides for certain "rate covenants." (*See* **"SECURITY AND SOURCES OF PAYMENT—Flow of Funds" and "SECURITY AND SOURCES OF PAYMENT—Rate Covenant."**)

In addition to the Series 2017 Bonds, the Indenture authorizes the issuance of other Series of Bonds for such other purposes as are permitted under the Indenture. (*See* **"OUTSTANDING BONDS" and "SECURITY AND SOURCES OF PAYMENT - Additional Bonds; Refunding Bonds."**)

The Indenture requires the Authority to fix, establish, and collect (or cause to be fixed, established, and collected) rates, tolls, rents, and other charges for the water distributed by it and for any services or facilities sold, furnished, or supplied by the Water System, which will be sufficient in each fiscal year to produce revenues which, together with other moneys lawfully available, will be equal to at least the sum of (i) Debt Service for such fiscal year on the Bonds, including the Series 2017 Bonds, (ii) the necessary expenses of operating, maintaining, renewing, and replacing the Water System and maintaining required Reserve Accounts and Secondary Reserve Accounts, and (iii) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Revenues in such fiscal year. (*See* **"APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."**)

The Series 2017 Bonds are not a debt of the State of New York or the County of Monroe, nor of any municipality in such county. Neither the State of New York, the County of Monroe, nor any municipality in such county is liable for the payment of the Series 2017 Bonds, nor are the

Series 2017 Bonds payable out of any funds other than those of the Authority pledged under the Indenture. The Authority has no taxing power.

Brief descriptions of the Series 2017 Bonds, the security and sources of payment for the Series 2017 Bonds, and the Authority are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Director of Finance & Business Services of the Authority (see address on the inside cover of this Official Statement).

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices, and the documents summarized or described herein. Investors should fully review the entire Official Statement. The offering of the Series 2017 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or otherwise to use it without the entire Official Statement.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2017 Bonds will be used to advance refund a portion of the Authority's Water System Revenue Bonds, Series 2010, of the series, maturities and principal amounts shown below (the *"*Refunded Bonds*"*), all of which were previously issued by Authority under the Indenture. Such proceeds will be deposited with the Trustee, as escrow agent (the "Escrow Agent") to be held in a special trust fund (the *"*Escrow Fund") for the redemption of the Refunded Bonds on their respective redemption dates and at their respective redemption prices shown below.

Simultaneously with the deposit with the Escrow Agent of the proceeds and other moneys in the Escrow Fund, the Authority will give the Trustee irrevocable instruction to give notice of the refunding and redemption of the Refunded Bonds and to apply the amounts deposited in the Escrow Fund to the payment of the redemption prices of and interest on the Refunded Bonds coming due on and prior to their redemption dates. The money in the Escrow Fund will be invested in non-callable direct obligations of the United States of America (the *"*Investment Securities*"),* the maturing principal of and interest on which will provide sufficient money, together with any other money held in the Escrow Fund, to pay the redemption prices of and interest to become due on and prior to their respective redemption dates on the Refunded Bonds. Special Tax Counsel to the Authority is expected to give an opinion that, upon making such deposits with the trustee for the Refunded Bonds and the issuance of certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the documents pursuant to which they were issued, be deemed to have been paid and will no longer be outstanding under said documents, and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by the applicable documents shall be discharged and satisfied. *See* **"VERIFICATION OF MATHEMATICAL ACCURACY."**

The remaining portion of the Series 2017 Bonds is being issued to pay costs of issuance of the Series 2017 Bonds as described herein. (*See* **"ESTIMATED SOURCES AND USES OF FUNDS" and "THE SERIES 2017 PROJECT."**)

TABLE OF REFUNDED BONDS

MONROE COUNTY WATER AUTHORITY
(New York)

Water System Revenue Bonds, Series 2010

Maturing August 1,	Principal Amount Outstanding	Principal Amount to be Refunded	Redemption Date August 1,	Redemption Price	CUSIP
2021	$ 215,000	$ 215,000	2020	100%	610763NW0
2022	225,000	225,000	2020	100%	610763NX8
2023	230,000	230,000	2020	100%	610763NY6
2024	240,000	240,000	2020	100%	610763NZ3
2025	250,000	250,000	2020	100%	610763PA6
2030	1,405,000	1,405,000	2020	100%	610763PB4
2035	1,735,000	1,735,000	2020	100%	610763PC2

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	
Principal amount of the Series 2017 Bonds	$3,950,000.00
Net original issue premium	481,575.60
Transfer of Series 2010 Debt Service Reserve Fund Proceeds	430,000.00
Total Sources	$4,861,575.60
Uses:	
Deposit to the Series 2017 Escrow Fund	$4,630,071.64
Costs of issuance, including the Underwriter's discount	231,503.96
Total Uses	$4,861,575.60

OUTSTANDING BONDS

As of September 30, 2017 the Authority had $135,950,000 of Bonds outstanding under the Indenture. (*See*, **"THE AUTHORITY—Total Debt Service."**) The following table presents the Authority's outstanding Bonds issued under the Indenture and payable from the Authority's Revenues.

Series of Bonds	Original Amount Issued	Principal Outstanding
Water System Revenue Refunding Bonds, Series 2007[1]	$ 20,212,787	$ 14,715,000
Water System Revenue Bonds, Series 2010	16,310,000	6,565,000
Water System Revenue Bonds, Series 2010A[2]	1,585,000	-
Water System Revenue Bonds, Series 2010B	92,915,000	92,915,000
Water System Revenue Bonds, Series 2012	6,290,000	5,630,000
Water System Revenue Bonds, Series 2013	18,125,341	16,125,000
	$ 155,438,128	$ 135,950,000

[1] This reflects debt incurred for the benefit of (and to be repaid by payments from) Genesee County.

[2] On August 1, 2017, the Authority made the last principal payment on these Bonds and they are no longer outstanding.

THE SERIES 2017 BONDS

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in **"APPENDIX C—CERTAIN DEFINITIONS."**

General Provisions

The Series 2017 Bonds are being issued by the Authority pursuant to the Act and in accordance with and secured by the terms and provisions of a Trust Indenture, dated as of October 1, 1991, from the Authority to the Trustee, as amended and supplemented by a First Supplemental Trust Indenture, dated as of October 1, 1991, a Second Supplemental Trust Indenture, dated as of July 1, 1992, a Third Supplemental Trust Indenture, dated as of September 1, 1993, a Fourth Supplemental Trust Indenture, dated as of December 1, 1994, a Fifth Supplemental Trust Indenture, dated as of April 1, 1995, a Sixth Supplemental Trust Indenture, dated as of December 1, 1997, a Seventh Supplemental Trust Indenture, dated as of March 1, 2001, an Eighth Supplemental Trust Indenture, dated as of July 1, 2007, a Ninth Supplemental Trust Indenture, dated as of December 1, 2009, a Tenth Supplemental Trust Indenture, dated as of April 1, 2010, an Eleventh Supplemental Indenture dated as of December 1, 2010, a Twelfth Supplemental Indenture dated as of December 1, 2012, a Thirteenth Supplemental Trust Indenture dated as of July 1 2013, and a Fourteenth Supplemental Trust Indenture dated as of December 1, 2017 (collectively, the "Indenture").

The Series 2017 Bonds shall be dated the date of delivery, shall bear interest from such date, payable semi-annually thereafter on February 1 and August 1 of each year, commencing February 1, 2018, at the rates and shall mature on the dates and in the principal amounts as set forth on the inside front cover of this Official Statement unless paid through mandatory sinking fund installments as hereinafter described or upon prior redemption. (*See* **"THE SERIES 2017 BONDS—Redemption."**)

The Series 2017 Bonds will be issued only as fully registered bonds without coupons in authorized denominations of $5,000 or any integral multiple thereof, provided that no individual Series 2017 Bond shall represent more than one maturity.

The principal of all Series 2017 Bonds is payable in lawful money of the United States of America at the corporate trust office of the Trustee in Pittsburgh, Pennsylvania.

Book-Entry Only System

The Series 2017 Bonds will be dated as of the date on which they are executed and delivered. The Series 2017 Bonds will be executed and delivered as fully registered bonds in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Series 2017 Bonds.

The principal of and interest with respect to the Series 2017 Bonds will be paid directly to Cede & Co. by the Trustee as long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2017 Bonds. For information relating to DTC and the DTC book-entry system as it relates to the Series 2017 Bonds, *see* **"APPENDIX E—BOOK-ENTRY-ONLY SYSTEM."**

Transfer and Exchange of the Series 2017 Bonds; Persons Treated as Owners

The person in whose name any Series 2017 Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of or interest thereon will be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon that Series 2017 Bond to the extent of the sum or sums so paid.

So long as the Series 2017 Bonds are held in book-entry form, transfers of interests in the Series 2017 Bonds by Beneficial Owners (as defined in Appendix E hereto) may only be made as described in Appendix E hereto. At any other time, any Series 2017 Bonds may be transferred or exchanged only upon the books kept for the registration and transfer of the Series 2017 Bonds as provided in the Indenture.

Mandatory Sinking Fund Redemption

The Series 2017 Bonds maturing on August 1, 2030, August 1, 2032 and August 1, 2034 are subject to mandatory redemption in part by lot at a redemption price equal to the principal amount thereof plus accrued interest accrued to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of such Series 2017 Bonds specified below on August 1 of each year shown below, plus interest accrued to the date of redemption:

Series 2017 Bonds Maturing
August 1, 2030

Year	Principal
2029	$295,000
2030*	$310,000

* Final maturity.

Series 2017 Bonds Maturing
August 1, 2032

Year	Principal
2031	$325,000
2032*	$335,000

* Final maturity.

Series 2017 Bonds Maturing
August 1, 2034

Year	Principal
2033	$350,000
2034*	$360,000

* Final maturity.

Optional Redemption

The Series 2017 Bonds maturing after August 1, 2027, are subject to optional redemption on or after August 1, 2027, at the election of the Authority, in whole or in part on any date, and if in part, in such order of maturities as the Authority may direct, at a redemption price equal to the sum of the principal amount to be so redeemed, plus interest accrued to the redemption date, without premium.

Notice of Redemption. The Indenture provides that notice of any redemption of the Series 2017 Bonds shall be sent at least thirty-five (35) days before the redemption date. Such notice shall contain information necessary to identify the Series 2017 Bonds being redeemed. A second notice shall be mailed no more than sixty (60) days after the redemption date to any Bondholder who has not turned Series 2017 Bonds in for redemption within thirty (30) days after the redemption date.

For so long as DTC is effecting book-entry transfers of the Series 2017 Bonds, the Trustee will provide the redemption notice described above to DTC. It is expected that DTC will, in turn, notify its participants, and that the participants, in turn, will notify or cause to be notified the Beneficial Owners of the Series 2017 Bonds to be prepaid. The Trustee and the Authority will have no responsibility or liability in connection with any failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2017 Bond, to notify the Beneficial Owner of the Series 2017 Bond so affected, and such failure shall not affect the validity of the redemption of such Series 2017 Bond. (*See* **"THE SERIES 2017 BONDS—Book-Entry-Only System"** herein and **"APPENDIX E—BOOK-ENTRY-ONLY SYSTEM."**)

SECURITY AND SOURCES OF PAYMENT

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in **"APPENDIX C—CERTAIN DEFINITIONS."**

Pledge of Revenues; Obligations of the Authority

Pursuant to the Indenture, the Series 2017 Bonds will upon issuance be equally and ratably secured with other outstanding Bonds by a pledge of Revenues of the Authority. The term "Revenues" includes all income, fees, charges, receipts, profits and other moneys derived by the Authority from its operation of the Water System (other than moneys deposited in the Rebate Account of the Bond Fund under the Indenture and payments under the Monroe County Agreement and the Amended and Restated Genesee County Agreement). The Series 2017 Bonds will be direct and general obligations of the Authority for which the full faith and credit of the Authority will be pledged to the payment of the principal thereof and interest thereon pursuant to the Indenture; however, the Authority has no taxing power.

The Indenture provides for the creation of (i) a special trust fund called the Water System Revenue Fund into which are deposited all Revenues of the Authority's Water System, and (ii) a special trust fund called the Bond Fund, the moneys in which are applied to and charged with the payment of the principal of and interest on all bonds issued under the Indenture.

There are certain other provisions of the Indenture creating other special funds relating to the operations of the Authority, certain covenants as to maintaining rates, the sale, lease or other disposition of property of the Authority, insurance, etc., and certain provisions relating to defaults by the Authority. (*See* **"APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"** and **"SECURITY AND SOURCES OF PAYMENT—Rate Covenant."**)

Neither the members of the Authority nor any person executing the Series 2017 Bonds will be liable personally on such Series 2017 Bonds by reason of the issuance thereof. The Series 2017 Bonds are not a debt of the State of New York, the County of Monroe, nor of any municipality in such county, and neither the State of New York, the County of Monroe, nor any municipality in such county is liable thereon, nor are the Series 2017 Bonds payable out of any funds other than those of the Authority. The Authority has no taxing power.

Rate Covenant

The Indenture provides that the Authority shall fix, establish and collect, or cause to be fixed, established and collected, rates, tolls, rents and other charges for the water distributed by it and for any services or facilities sold, furnished or supplied by the Water System or any part thereof, which rates, tolls, rents and charges shall be sufficient in each fiscal year of the Authority to produce Revenues in such fiscal year which, together with other moneys which lawfully may be applied to the purpose, will be equal to at least the sum of (a) 1.2 times debt service for such fiscal year on all Bonds less amounts to be received from the County of Monroe or the County of Genesee during such year pursuant to any contract between the Authority and the County of Monroe or the County of Genesee which specifically obligates the particular county to pay debt service on one or more Series of Bonds (*See* **"OUTSTANDING BONDS."**), (b) the necessary expenses of operating, maintaining, renewing and replacing the Water System and maintaining the Debt Service Reserve Accounts in the Bond Fund, if any, and (c) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Revenues in such fiscal year. (See **"SECURITY AND SOURCES OF PAYMENT - Additional Bonds; Refunding Bonds"** and **"OUTSTANDING BONDS."**)

Additional Bonds; Refunding Bonds

In order to issue Additional Bonds under the Indenture, the Authority must deliver one of the following:

(a) a certificate of an Accountant selected by the Authority (i) setting forth for any consecutive 24-month period in the previous thirty-six (36) months the Revenues for such period, and (ii) showing that one-half of such Revenues would be sufficient to meet the rate covenant of the Indenture for the current fiscal year with respect to all Bonds to be outstanding at any time during such year, including the Additional Bonds proposed to be issued; or

(b) a certificate of the Consulting Engineer setting forth the estimated Revenues (assuming an estimated completion date) for whichever of the following periods shall extend until the latest date: (i) if interest on such Additional Bonds is to be capitalized until a certain date, for each of the three fiscal years succeeding such date, or (ii) if there is to be no capitalized interest, for the then current fiscal year and each of the next four succeeding fiscal years, and, in addition, a certificate of an Authorized Officer of the Authority showing that aggregate debt service on Bonds for each of the fiscal years set forth in the Consulting Engineer's certificate and showing that estimated Revenues would be sufficient to meet the rate covenant of the Indenture for each of such fiscal years for all Bonds to be outstanding during such time. (*See* **"SECURITY AND SOURCES OF PAYMENT—Rate Covenant."**)

The tests for the issuance of Additional Bonds shall not apply to (a) certain Refunding Bonds (including the Series 2017 Bonds), (b) any Series of Bonds, all of the proceeds of which are to be applied to pay costs of a Capital Improvement necessary to prevent a loss of Revenues therefrom, or to comply with requirements of any governmental agency having jurisdiction over the Authority, (c) completion bonds, or (d) any Series of Bonds, the aggregate principal amount of which does not exceed ten percent (10%) of Revenues for the most recent fiscal year prior to the issuance of such Series of Bonds for which audited financial statements are available and provided the Authority certifies to the Trustee that the estimated revenues for the current fiscal year are sufficient to meet the rate covenant set forth in the Indenture.

In order to issue Refunding Bonds under the Indenture, the Authority must deliver a certificate of an Authorized Officer as to no default under the Indenture, certain terms for cross-over refunding bonds, and a certificate of the Authority stating either (a) that the debt service on the Refunding Bonds in any year is no more than one hundred ten percent (110%) of the debt service in such year for the related Bonds being refunded, or (b) if the foregoing clause (a) is not the case, that the requirements for the issuance of Additional Bonds have been met. In connection with the issuance of the Series 2017 Bonds, the Authority expects to deliver a certificate under item (a) above.

Flow of Funds

The Authority will withdraw from the Water System Revenue Fund, from time to time, and in the following order, the moneys needed to make, and will make, the following payments in order of priority:

(a) to the Authority for deposit in the Operating and Maintenance Fund, not later than the last Business Day of each month, the amounts required to pay Operating Expenses;

(b) not later than the last Business Day of each month, to the Trustee for deposit in the Bond Fund, the amounts required to be deposited in the Bond Fund as set forth in the Indenture;

(c) not later than the last Business Day of each month, to the Authority for deposit in the Subordinated Indebtedness Fund, an amount equal to the greater of (i) one-twelfth (1/12) of the total amount required to meet the Authority's lease obligations to the County of Monroe and any other Subordinated Indebtedness payments for such fiscal year, or (ii) an amount required to increase the total amount paid into said fund during such year to an amount necessary to meet the Subordinated Indebtedness payments due in the next succeeding month; and

(d) the remainder in the Water System Revenue Fund, after making the transfers and allocations set forth above, to the Authority for deposit in the General Fund.

Moneys in the General Fund may be transferred as determined by the Authority from time to time, to the extent permitted by law, into the Capital Improvement Fund or any other fund created under the Indenture and used as provided therein. In the event any fund created under the Indenture has more than one hundred ten percent (110%) of the amount required to be on deposit therein ("excess funds"), the Authority may effect a transfer of the excess funds from such fund into the General Fund. In the case of a fund held by the Trustee, the transfer shall be effected upon delivery to the Trustee of a certificate of an Authorized Officer of the Authority stating that such fund has more than one hundred ten percent (110%) of the amount required to be on deposit therein.

Tax Covenants

In the Indenture, the Authority covenants with the holders of the Series 2017 Bonds from time to time that during the term of the Series 2017 Bonds and through the date of the final rebate, if any, that must be made to the United States in accordance with Section 148 of the Code, it will comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Series 2017 Bonds shall be excludable from gross income for federal income tax purposes.

THE AUTHORITY

Overview

The Authority is the third largest water supplier in New York State and one of the 80 largest water suppliers in the United States. The Authority was formed in 1950 and commenced full-scale operations in 1959 when it acquired the Monroe County assets of the New York Water Service Corporation, a private water company that served a limited portion of Monroe County. Today the Authority operates and manages a regional water supply and distribution system (the "Water System") that includes the single largest water treatment plant in New York State and provides water to approximately 600,000 individuals and services approximately 185,000 separate accounts. (*See* **"THE AUTHORITY—Water Rates and Water Customers."**) The Authority's customers are located in all of the towns and villages in Monroe County and certain municipalities in Ontario, Genesee, Livingston, Orleans, and Wayne Counties. (*See* **"THE AUTHORITY—Service Area."**) At the request of Genesee County, the Authority had the Act amended in 1999 to allow the Authority to provide wholesale and retail service throughout all of Genesee County as part of Genesee County's strategy to develop a coordinated, comprehensive, integrated public water system. (*See* **"THE AUTHORITY—Agreements with Genesee County."**)

The facilities that comprise the Water System are either owned by the Authority or leased on a long-term basis from Monroe County or other municipalities or water districts. (*See* **"THE AUTHORITY—Agreements with Monroe County."**) Leased facilities are operated and maintained at the expense of the Authority. The Authority has the right under its lease agreements to make improvements to such facilities and to interconnect other facilities operated by the Authority, as well as to take a supply of water without main rentals or surcharges.

The Authority's rates and charges are independently set by the Authority and are not subject to review, regulation or approval by any federal, state, or local governmental agency or body. (*See* **"THE AUTHORITY—Water Rates and Water Customers"** and **"SECURITY AND SOURCES OF PAYMENT—Rate Covenant.")**

See "**APPENDIX B—REPORT OF THE CONSULTING ENGINEER"** for the opinion of the Consulting Engineer regarding the condition of the Water System.

Organization and Membership

Under the Act, the members of the Authority, who must be residents of Monroe County, serve for overlapping terms of five (5) years, or until their successors are appointed and qualified. The County Legislature of Monroe County appoints the members. There are seven (7) members, no more than five (5) of whom may belong to the same political party.

The present officers and members of the Authority, the year they were appointed as members, their business affiliation and residency are as follows:

[Vacant][1], Chairperson.

Scott D. Nasca, Vice Chairperson and member since 2014. Mr. Nasca is President of Generation Capital Management, LLC and is a resident of the Town of Parma. His term expires April 1, 2019.

[1] Per the Authority's By-Laws, when the office of Chairperson is vacant, the Vice-Chairperson shall perform the duties of the Chairperson. Although a new Member could be appointed to fill the vacancy, election of a new Chairperson will not occur until the Authority's Annual Meeting in April, 2018.

Joseph R. Rulison, Treasurer and a member since June 2005. Mr. Rulison is CEO at three+one advisors and is a resident of the Town of Brighton. His term expires April 1, 2019.

Wendy Bleier-Mervis, member since 2011. Ms. Bleier-Mervis is Executive Director of Camp Good Days and Special Times and is a resident of the Town of Pittsford. Her term expires April 1, 2021.

Robert W. Hurlbut, member since 2011. Mr. Hurlbut is president of ROHM Services Corporation and is a resident of the Town of Brighton. His term expires April 1, 2022.

Allen S. Bernstein, member since 2014. Mr. Bernstein is Vice President of Sales and Solutions at DePrez Travel and is a resident of the Town of Henrietta. His term expires April 1, 2018.

Sheryal A. Volpe member since 2015. Ms. Volpe is an independent New York State Licensed Real Estate Broker and is a resident of the Town of Honeoye Falls. Her term expires April 1, 2021.

Management of the Authority

The following is a brief description of certain key senior administrative officers of the Authority:

Nicholas A. Noce, Executive Director of the Authority since December 2011. Previously, Mr. Noce served as Interim Executive Director for the Authority starting in August 2010 and prior to that served as Director of Finance & Business Services for the Authority starting in May 2005. He received a Bachelor of Science degree in Business Administration from Niagara University. Prior to joining the Authority, Mr. Noce held various financial positions for other public benefit corporations.

Kathleen A. Prestidge, Director of Finance & Business Services for the Authority since October 2013. She received a Bachelor of Science degree in Accounting from Clarkson University. Before joining the Authority in 1989, Ms. Prestidge held positions in banking and finance in the private sector.

Richard J. Metzger, P.E., Executive Engineer for the Authority since 1989. He received a Bachelor of Science degree in Civil Engineering from Rochester Institute of Technology. Before joining the Authority, Mr. Metzger was a project engineer with O'Brien & Gere Engineers, Inc., of Syracuse, New York, consulting engineers to the Authority.

Raymond W. Benshoff, Executive Director of Operations, Facilities & Fleet Maintenance for the Authority since 1996. He received a Bachelor of Science degree in Business Administration from Tri-State University. Prior to joining the Authority, Mr. Benshoff spent 25 years in management positions in the construction equipment field.

Stephen M. Savage, P.E., Director of Engineering for the Authority since 2006. He received a Bachelor of Science degree in Civil Engineering from Rochester Institute of Technology. Before joining the Authority, Mr. Savage was a project manager with MRB Group, P.C., in Penfield, New York.

Financial Statements

See **"APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY"** for a copy of the Authority's financial statements as of December 31, 2016, audited by Bonadio & Co., LLP, independent auditors.

GASB 45

In June 2004, the Government Accounting Standards Board issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("GASB 45"). GASB 45 establishes standards for the measurement, recognition, and display of other postemployment benefits ("OPEB") expense and related liabilities. OPEB includes post-employment health care, as well as other forms of post-employment benefits such as life insurance, when provided separately from a pension plan. The approach followed in GASB 45 is generally consistent with the approach adopted with regard to accounting for pension expense and liabilities, with modifications to reflect differences between pension benefits and OPEB. As of December 31, 2016, the Authority reported an OPEB obligation of $19,934,946 and an actuarial accrued liability of $49,931,423 in its financial statements, based upon an actuarial valuation as of January 1, 2015, in accordance with GASB 45. (*See* **"APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY"**). There is no requirement to fund the future OPEB obligation, and, at present, in New York State, there is neither a mechanism for the creation of discrete, irrevocable trusts into which any such payments in respect of future OPEB obligations could be paid, nor authority for local governments and public benefit corporations, including the Authority, to do so. *See* **"APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY"** for information on the funding policy, the funded status, and the funding progress.

Water Supply and Treatment

Shoremont Water Treatment Plant. The Authority's principal source of water supply is Lake Ontario, a high-quality, abundant supply. Raw water is drawn from Lake Ontario over 1.5 miles from the shoreline at a depth of approximately fifty (50) feet through concrete pipes and treated at the Authority-owned Shoremont Water Treatment Plant ("Shoremont") in the Town of Greece. Shoremont, the single largest water treatment plant in New York State, is a direct filtration plant last expanded in 1983 to an approved production capacity of 140 million gallons per day ("MGD").

Webster Water Treatment Plant. The Authority's Webster Water Treatment Plant ("Webster"), located in the eastern portion of the service area in the Town of Webster, was recently constructed and placed in service in 2013. It too is a direct filtration plant with a peak production capacity of 50 MGD. Both plants' source of supply is Lake Ontario, the 14th largest lake in the world.

Average daily production at the two Lake Ontario Plants (Shoremont and Webster) is approximately 65 MGD. Maximum single day production was approximately 123 million gallons in June 1995.

Corfu Water Treatment Plant. The Authority owns and operates the Corfu Water Treatment Plant ("Corfu"), a 0.2 MGD well supply and treatment plant in the Village of Corfu that serves its western Genesee County customers.

Transmission, Distribution, and Storage Facilities

Water is pumped from Shoremont, Webster and the Corfu WTPs to storage facilities and customers in the Authority's service area through approximately two hundred (200) miles of major transmission mains, ranging in diameter from sixteen (16) to sixty (60) inches, and approximately 3,200 miles of distribution mains, ranging in diameter from two (2) to twelve (12) inches. The Authority operates forty-eight (48) booster pumping stations to provide the pressure to distribute water to storage facilities and customers. The Water System includes two reservoirs and fifty-four (54) other storage facilities with an aggregate capacity of over 150 million gallons. The Authority has regular programs of

(i) pump, motor, and equipment inspection, maintenance, and replacement, (ii) storage facility inspection, painting, and repair, (iii) meter maintenance and replacement and (iv) main replacement or upgrading.

On or before October 15 of each year, the Consulting Engineer files a report on the properties and operations of the Water System with the Authority and the Trustee. Each such report shall be in sufficient detail to show whether the Authority has satisfactorily performed and complied with the covenants, agreements, and conditions set forth in the Indenture, the sufficiency of the amount being charged and collected for services, the proper maintenance of the Water System, and the making of repairs, renewals, replacements, modifications, additions, and betterments necessary or desirable to improve operating reliability or reduce costs and recommendations thereof.

Service Area

The Authority services Monroe County and portions of each of the five surrounding counties. The Authority's service area encompasses approximately 1,300 square miles.

In Monroe County, the Authority currently sells water at retail in every town and village in Monroe County. The Authority sells water at wholesale to independently operating water districts in the Town of Irondequoit (Sea Breeze Water District) and the Villages of Hilton and Brockport. (*See* **"THE AUTHORITY—Water Rates and Water Customers—*Water Customers*."**) The Authority also supplies water to the City of Rochester. (*See* **"THE AUTHORITY—Capital Improvement Program—*City Agreement*."**)

Outside of Monroe County, the Authority provides wholesale service to the Village of Victor (Ontario County), the Towns of Oakfield and Batavia and the Village of Oakfield (Genesee County), the Town of Clarendon (Orleans County), and the Wayne County Water Authority. The Authority provides retail service to the Town and Village of Bergen, the Town and Village of LeRoy, the Towns of Byron, Darien, Pavilion, Pembroke, Bethany and Stafford, and the Village of Corfu (Genesee County), the Town of Kendall (Orleans County), and the Towns of Victor, Richmond and West Bloomfield (Ontario County). The Authority also provides a supplemental supply of water outside of Monroe County to the Village of Holley (Orleans County) and the Town of Murray (Orleans County). (*See* **"THE AUTHORITY—Water Rates and Water Customers—*Water Customers*."**)

A map illustrating the Authority's service area may be found in Appendix F.

Agreements with Monroe County

In 1969, the Authority entered into an agreement with Monroe County (the "Monroe County Agreement") whereby the Authority agreed to plan, construct, operate, manage, repair, and maintain certain improvements to the Water System that are financed and owned by Monroe County and leased to the Authority for operation as part of the Water System. The Authority's lease payments for such improvements are equal to the debt service costs associated with financing such improvements through the issuance of bonds or bond anticipation notes by Monroe County. As of December 31, 2016, Monroe County had $1,176,719 of bonds and notes outstanding under this lease program with the Authority. Under the Monroe County Agreement, the Authority is required to take into account the annual amount of lease payments due to Monroe County when establishing water rates. (*See* **"THE AUTHORITY—Water Rates and Water Customers"** and **"SECURITY AND SOURCES OF PAYMENT—Rate Covenant."**) The Indenture provides that the County lease payments are subordinate in right of payment to the Authority's Operating Expenses and payments due in connection with the Authority's Bonds.

Agreements with Genesee County

In May 2000, the Authority and Genesee County entered into an agreement (the "Genesee County Agreement") pursuant to which the Authority acquired, constructed, equipped, and financed approximately thirty-five (35) miles of water mains in Genesee County and Monroe County, together with three pump stations and three storage tanks situated in Genesee County, all of which the Authority operates and maintains as part of the Water System. The cost of acquiring, constructing, and equipping such water mains, pump stations and water tanks was financed by the Authority through the issuance of the Water System Revenue Refunding Bonds, Series 2001 (the "Series 2001 Bonds"), which bonds were later refunded by the Water System Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds") issued to the EFC. (*See* **"OUTSTANDING BONDS."**) Under the Genesee County Agreement, Genesee County agreed to pay to the Authority, as a service fee, an amount equal to the total principal, Sinking Fund Installments, interest and premium, if any, due and payable on the Series 2001 Bonds (now the Series 2007 Bonds) twenty (20) days before the same come due (the "Service Payments"). The obligation of Genesee County under the Genesee County Agreement to make the Service Payments is absolute and unconditional without deduction or offset of any kind for any reason.

In December 2017, the Authority and Genesee County are expected to enter into an Amended and Restated Water Development and Supply Agreement (the "Amended and Restated Genesee County Agreement") to extend the term of the Genesee County Agreement through 2057; to consolidate into it that certain (i) Agreement for Specified Wholesale Water Supply to the County of Genesee, dated August 15, 2001, (ii) Facilities Lease Agreement, dated September 25, 2002, and (iii) Supplemental Agreement, dated as of October 8, 2003; to accommodate further expansion and improvement to the Water System; and to furnish the supply of water to the proposed Western New York Science and Technology Advanced Manufacturing Park project (the "STAMP Project") from the Authority, and if necessary, one or more alternative public sources. The Amended and Restated Genesee County Agreement is expected to retain those obligations of Genesee County described in the prior paragraph, including without limitation, the absolute and unconditional obligation to make Service Payments.

Capital Improvement Program

Overview. The Authority has historically had a significant focus on maintaining the Water System at its high level of performance. Over the past ten (10) years, over one-half of the budget for renewal and replacement in respect of the Water System has been related to the distribution system, including main replacement, cement lining, hydrant and valve replacements and cathodic protection. The renewal budget for mains over the last several years has averaged over $5 million. Other significant categories of reinvestment in the Water System infrastructure include: tank rehabilitation, production equipment renewals, pumping system upgrades, and control system modernization. The Authority also continues to implement installation of an automated meter reading system. Thus far, approximately fifty-two percent (52%) of the meters have been converted; it is anticipated that the remaining conversion will take place over the next six years.

Each year the Authority also develops and, as part of the annual budget approval process, adopts a capital improvement program for the ensuing six (6) years.

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The following table represents the Capital Improvement Program (the "CIP") of the Authority for 2017 through 2021.

Capital Improvement Program (2017 – 2021)[1]

	2017	2018	2019	2020	2021
Renewal & Replacement (R&R)					
Security	$ 221,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Production/Transmission	3,100,000	2,615,000	1,450,000	3,320,000	2,050,000
Engineering[2]	6,840,000	10,590,000	10,850,000	10,325,000	10,970,000
Facilities, Fleet & Operations	1,525,400	1,982,000	2,055,600	2,359,200	1,762,400
Finance & Business Services[3]	2,724,200	2,845,000	3,340,000	3,360,000	3,340,000
Subtotal	**$14,410,400**	**$18,132,000**	**$17,795,600**	**$19,464,200**	**$18,222,400**
Less: Funding from New Construction Fund	(3,000,000)	(1,000,000)	-	-	-
Less: Funding from General Fund	-	(3,500,000)	-	-	-
Less: Funding from R&R Fund Balance	(700,000)	-	-	-	-
Total Renewal & Replacement	**$10,710,400**	**$13,632,000**	**$17,795,600**	**$19,464,200**	**$18,222,400**
Capital Improvement (CI)					
Security	$ -	$ 200,000	$ 80,000	$ 50,000	$ 75,000
Production/Transmission	75,000	1,790,000	845,000	150,000	1,700,000
Engineering[4]	50,000	400,000	400,000	400,000	2,200,000
Facilities, Fleet & Operations	10,000	115,000	-	-	-
Finance & Business Services	102,000	158,000	-	-	-
Subtotal	**$ 237,000**	**$ 2,663,000**	**$ 1,325,000**	**$ 600,000**	**$ 3,975,000**
Less: Funding from General Fund	-	(500,000)	-	-	-
Less: Funding from CI Fund Balance	(237,000)	(283,000)	-	-	-
Total Capital Improvements	**$ -**	**$ 1,880,000**	**$ 1,325,000**	**$ 600,000**	**$ 3,975,000**
Total CIP	**$10,710,400**	**$15,512,000**	**$19,120,600**	**$20,064,200**	**$22,197,400**

1 Throughout this Official Statement, totals may not sum due to rounding.
2 Costs include the renewal and replacement of existing water mains and the rehabilitation of water storage facilities.
3 Costs include the renewal and replacement of residential water meters.
4 Costs include the construction of new water mains.

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Projected Debt Service. The projected debt service of the Authority includes principal and interest payments on the Authority's outstanding Water Revenue Refunding Bonds as well as anticipated payments on future debt. The following table represents the projected debt service for 2017 through 2021. (*See* **"OUTSTANDING BONDS."**)

Projected Debt Service (2017 - 2021)

	2017	2018	2019	2020	2021
Outstanding Bonds					
Series 2007[1]	$ 1,052,256	$ 1,060,136	$ 1,067,073	$ 1,065,034	$1,069,233
Series 2010[2]	1,401,385	943,250	1,301,750	215,250	-
Series 2010A	1,300,000	-	-	-	-
Series 2010B[3]	5,722,886	8,022,886	7,984,524	7,948,512	7,904,100
Series 2012	430,988	428,988	431,787	429,187	431,388
Series 2013[4]	955,140	956,900	952,842	953,176	952,838
Subtotal	**$10,862,655**	**$11,412,160**	**$11,737,976**	**$10,611,159**	**$10,357,559**
Anticipated Future Bonds					
Series 2017 Bonds	$ -	$ 98,572	$ 161,300	$ 161,300	$ 376,300
Series 2018 Bonds for Genesee County[5]	-	-	1,388,933	1,388,800	1,391,000
Subtotal	**$ -**	**$ 98,572**	**$ 1,550,233**	**$ 1,550,100**	**$ 1,767,300**
Total Debt Service[6]	**$10,862,655**	**$11,510,732**	**$13,288,209**	**$12,161,259**	**$12,124,859**

1 Debt service for the outstanding Series 2007 Bonds includes the effects of an interest rate subsidy provided by EFC and interest rate savings attributed to an EFC Series 2015 refunding.

2 Debt service for the outstanding Series 2010 Bonds excludes the portion of the Series 2010 Bonds which are being advance refunded by the Series 2017 Bonds.

3 Debt service for the outstanding Series 2010B Bonds excludes the effects of the interest subsidy provided by the federal government as part of the Build America Bonds program. Effects of the interest rate subsidy are shown and included in the table summarizing Project Revenues of the Authority.

4 Debt service for the outstanding Series 2013 Bonds includes the effect of an interest rate subsidy provided by EFC.

5 The Series 2018 Bonds may or may not be issued by the Authority. Debt service for the Series 2018 Bonds assumes a 30-year term, an estimated interest cost of 4.0% annually and equal principal and interest payments. The amount of bonds to be issued includes an allowance for costs of issuance and deposits to a debt service reserve fund.

6 Total Debt Service does not include the subordinated debt service of the Authority.

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Projected Expenses. The table below summarizes the Authority's projected expenses from 2017 through 2021. The Authority's expenses are primarily categorized by labor related expenses and non-labor expenses. The Authority's projected Labor Related Expenses and Expenses Other Labor are outlined by component below.

Projected Expenses (2017 – 2021)

	2017	2018	2019	2020	2021
Labor-Related Expenses					
Total Gross Payroll[1]	$ 14,839,792	$ 16,259,400	$ 16,584,588	$ 16,916,280	$ 17,254,605
Less: Transfers to Construction[1]	(1,166,771)	(1,667,100)	(1,700,442)	(1,734,451)	(1,769,140)
Plus: Gross Fringe Benefits[2]	8,204,544	8,326,040	8,659,082	9,005,445	9,365,663
Total Net Labor Expenses	**$ 21,877,565**	**$ 22,918,340**	**$ 23,543,228**	**$ 24,187,274**	**$ 24,851,128**
Expenses Other Than Labor					
Administration[3]	$ 5,285,229	$ 5,905,415	$ 6,023,523	$ 6,143,994	$ 6,266,874
Production & Transmission[4]	2,578,569	3,408,755	3,493,974	3,581,323	3,670,856
Engineering[3]	578,191	710,580	724,792	739,287	754,073
Facilities & Fleet Operations[4]	3,840,341	3,719,935	3,813,458	3,908,971	4,006,521
Finance & Business Services[3]	1,341,161	1,974,645	2,014,138	2,054,421	2,095,509
Power[4]	2,702,501	4,136,000	4,239,400	4,345,385	4,454,020
Security Initiative[5]	914,825	830,000	830,000	830,000	830,000
Water Purchases – City[6]	1,620,301	1,215,000	1,251,450	1,288,994	1,327,663
Water Purchases – ECWA[6]	370,028	333,000	342,990	353,280	363,878
City Agreement – Capital[5]	243,000	243,000	243,000	243,000	243,000
Total Expenses Other Than Labor	**$ 19,474,147**	**$ 22,476,330**	**$ 22,976,725**	**$ 23,488,654**	**$ 24,012,394**
Total Operating Expenses	**$ 41,351,712**	**$ 45,394,670**	**$ 46,519,953**	**$ 47,675,928**	**$ 48,863,522**

1 Gross Payroll and Transfers to Construction are assumed to increase at a rate of 2.0% per year beginning in 2019.
2 Net Fringe Benefits is assumed to increase at a rate of 4.0% per year beginning in 2019.
3 Administrative, Engineering and Finance & Business Services Expenses are assumed to increase at a rate of 2.0% per year beginning in 2019.
4 Production & Transmission, Facilities & Fleet Operations and Power Expenses are assumed to increase at a rate of 2.5% per year beginning in 2019.
5 Security Initiative and City Agreement-Capital Expenses are expenses that are fixed by contract.
6 Water Purchases are assumed to increase at a rate of 3.0% per year beginning in 2019.

Projected Revenues. The table below represents the anticipated revenues of the Authority for the period of 2017 through 2010. The projected revenues of the Authority are affected primarily by the anticipated number of customers, the annual consumption by wholesale and retail customers, and changes in the rates and charges of the Authority. It is assumed that the number of customers, water consumption by quarterly customers and water consumption by wholesale customers remains stable year over year. The Authority currently projects annual rate increases of 4.5% in 2018 and 3.5% in each year from 2019 through 2021.

Projected Revenues (2017 – 2021)

	2017[1]	2018[2]	2019	2020	2021
Rate Revenues					
Quarterly Customers	$ 52,890,505	$ 57,177,594	$ 59,178,810	$ 61,250,068	$ 63,393,821
Monthly Customers	5,877,856	6,384,340	6,607,792	6,839,065	7,078,432
Water Districts	3,256,020	3,447,867	3,568,542	3,693,441	3,822,712
Total Rate Revenues	**$ 62,024,381**	**$ 67,009,801**	**$ 69,355,144**	**$ 71,782,574**	**$ 74,294,965**
Other Water Revenue					
Central Facility Charges	$ 33,000	$ 43,000	$ 33,000	$ 33,000	$ 33,000
Genesee County Service Fees	1,052,255	1,060,140	1,067,073	1,065,034	1,069,233
Potential Future Genesee County Service Fees[3]	-	-	1,388,933	1,388,800	1,391,000
Late Charges	853,048	830,000	830,000	830,000	830,000
Fire Protection Service	1,280,459	1,280,000	1,280,000	1,280,000	1,280,000
Interest Income	187,820	30,000	30,000	30,000	30,000
Income from Cell Site Leases	243,810	235,000	235,000	235,000	235,000
Miscellaneous Income	535,020	470,000	500,000	500,000	500,000
Subsidy Payments[4]	1,864,802	1,870,809	1,829,155	1,794,950	1,756,035
Total Other Water Revenues	**$ 6,050,214**	**$ 5,818,949**	**$ 7,193,161**	**$ 7,156,784**	**$ 7,124,268**
Total Water Revenue	**$ 68,074,595**	**$ 72,828,750**	**$ 76,548,305**	**$ 78,939,358**	**$ 81,419,233**
Anticipated Rate Increases[5]		**4.5%**	**3.5%**	**3.5%**	**3.5%**

1 2017 projections are based upon actual Authority financial results through September 30, 2017 and projections thereafter.

2 2018 projections are based upon the Authority's approved 2018 budget.

3 Projected debt service on proposed Series 2018 Bonds for the benefit of Genesee County.

4 The American Recovery and Reinvestment Act, which among other things created the Build American Bonds program ("BABs"), provides for 35% interest subsidy payments to issuers of BABs. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments due to BABs issuers are subject to sequestration. Refund payments processed on or after October 1, 2017, and on or before September 30, 2018, will be reduced by the fiscal year 2018 6.6 percent sequestration rate. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the BABs interest subsidy sequester, at which time the sequestration reduction rate is subject to change. Some government officials have observed that the new federal tax laws currently in Congress may result in the further reduction or elimination of the BABs subsidy.

5 2018 rate increase is based upon 2018 budgeted results versus 2017 budgeted results.

Projected Cash Flows and Debt Service Coverage. The following table summarizes the projected cash flow and debt service coverage of the Authority for the period of 2017 through 2021. Debt service coverage is maintained at levels that exceed the minimum requirements of the rate covenant.

Projected Cash Flows and Debt Service Coverage (2017 – 2021)

	2017	**2018**	**2019**	**2020**	**2021**
Total Water Revenue	$ 68,074,595	$ 72,828,750	$ 76,548,305	$ 78,939,358	$81,419,233
Total Operating Expenses	41,351,712	45,394,670	46,519,953	47,675,928	48,863,522
Net Revenues Available for Debt Service	26,722,883	27,434,080	30,028,353	31,263,430	32,555,711
Total Debt Service	10,862,655	11,510,732	13,288,209	12,161,259	12,124,859
Debt Service Coverage	**2.46x**	**2.38x**	**2.26x**	**2.57x**	**2.69x**
Subordinated Indebtedness	585,973	341,449	340,617	-	-
Net Cash Prior to Other Uses	$ 15,274,255	$ 15,581,899	$ 16,399,526	$ 19,102,171	$ 20,430,852
Cash Capital Program from Rates/Capital Fund Balances					
Sources of Funds					
Net Cash Prior to Other Uses	$ 15,274,255	$ 15,581,899	$ 16,399,526	$ 19,102,171	$ 20,430,852
Net Cash (From Prior Year)	-	4,563,855	4,633,754	1,912,680	950,651
Funds Available in New Construction Fund (1)	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Total Sources	**$ 21,274,255**	**$ 26,145,754**	**$ 27,033,280**	**$ 27,014,851**	**$ 27,381,503**
Uses of Funds					
Renewal and Replacement	$ 10,710,400	$ 13,632,000	$ 17,795,600	$ 19,464,200	$ 18,222,400
Capital Improvement	-	1,880,000	1,325,000	600,000	3,975,000
Total Uses	**$ 10,710,400**	**$ 15,512,000**	**$ 19,120,600**	**$ 20,064,200**	**$ 22,197,400**
Net Cash	$ 4,563,855	$ 4,633,754	$ 1,912,680	$ 950,651	$ -
Funds Available in New Construction Fund[1]	6,000,000	6,000,000	6,000,000	6,000,000	5,184,103
Total Funds Available After Capital Program	**$ 10,563,855**	**$ 10,633,754**	**$ 7,912,680**	**$ 6,950,651**	**$ 5,184,103**
Anticipated Rate Increases		**4.5%**	**3.5%**	**3.5%**	**3.5%**

1 The New Construction Fund is a separate, special fund created under the Indenture. The Authority, at its discretion, may elect in the future to use certain proceeds available in the New Construction Fund to pay for expenditures from the Capital Program.

Quality and Environmental Matters

The Authority operates and maintains the Water System in accordance with all applicable federal and state regulations. The New York State Department of Health independently monitors finished water produced and distributed by the Authority to verify that it meets all applicable primary and secondary standards for metals, organics, and physical characteristics. Raw water and finished water (both within treatment plants and throughout the distribution system) are frequently tested by the Authority and independent agencies and laboratories for bacteriological quality, turbidity, and chlorine residual and the presence of organic contaminants. The Authority's sampling program far exceeds that required of it by New York State regulations.

There are no proposed federal or state water supply standards that would have any material impact on the Authority, or its operations, finances, or revenues.

City Agreement

The Authority's secondary source of water supply is the City of Rochester's Hemlock Lake—Canadice Lake supply system. Pursuant to an agreement entered into in May 2011 (the "City Agreement") for the purpose of better integrating their respective water supplies, the City of Rochester (the "City") and the Authority agreed to exchange water at production cost (the "Exchange Rate") for twenty-five (25) years. The City Agreement continues the mutual benefits of cooperative operations embodied in its predecessor agreement that ran from 1978 to 2011. Under the City Agreement, the Authority has the right to take up to twenty-six (26) mgd from City transmission mains and must buy a daily minimum of 2 mgd and an annual average minimum of 6 mgd. The City has the right to take up to twenty six (26) mgd from the Authority's mains and must buy a daily minimum of 2 mgd, but has no annual minimum. The cost of purchasing water for both parties is set at the Exchange Rate, which is adjusted annually based on a formula that prorates both parties' annual rate increases for a residential customer. The City Agreement also provides for capital cost sharing for two capital projects that mutually benefit both systems, allocates capacity sharing in the event of emergency or drought and includes provisions for either party to have the other incorporate additional treatment if needed.

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Operating and Financial Statistics 2013-2016 (unaudited)

	2013	2014	2015	2016
ACTIVE CUSTOMERS				
Retail	180,238	181,677	182,394	183,651
Wholesale	21,928	17,603	18,125	18,608
Total	**202,166**	**199,280**	**200,519**	**202,259**
WATER SALES (Million Gallons)				
Residential & Commercial	12,871	12,733	12,686	13,729
Large Commercial & Industrial	2,535	2,495	2,382	2,588
Wholesale	1,389	1,338	1,375	1,512
Total	**16,795**	**16,566**	**16,443**	**17,829**
WATER PURCHASES (Net Exchange)	3,279	2,718	2,361	2,983
REVENUES (in millions)				
Residential & Commercial	$45,018	$47,300	$48,987	$53,741
Large Commercial & Industrial	5,242	5,439	5,308	5,901
Wholesale	2,661	2,646	2,829	3,205
Total Metered	**52,921**	**55,385**	**57,124**	**62,847**
Fire Service	982	1,225	1,250	1,275
Interest Earnings	147	115	98	145
Federal Int. Subsidy Series 2010B Taxable Build America Bonds	1,855	1,859	1,852	1,865
Other	3,389	3,391	3,608	3,608
Total	**$59,294**	**$61,975**	**$63,932**	**$69,740**
OPERATING EXPENSE (in millions)				
Production/Transmission	$14,713	$12,904	$12,282	$13,102
Engineering	2,852	3,373	3,554	3,709
Facilities, Fleet & Operations	11,201	12,975	12,933	11,671
Finance & Business Services	5,836	6,013	6,036	6,136
Administration	4,640	6,865	8,217	8,629
Total	**$39,242**	**$42,130**	**$43,022**	**$43,247**
NET REVENUE	$20,052	$19,845	$20,910	$26,493
CASH CAPITAL PROGRAM	$4,633	$9,364	$16,443	$18,878
CAPITAL LEASE EXPENSE	$1,303	$1,231	$641	$620
WATER REVENUE DEBT SERVICE	$10,020	$10,568	$10,619	$10,837
DEBT COVERAGE EXCLUDING OBLIGATIONS ON LEASE FACILITIES	**2.00**	**1.88**	**1.97**	**2.44**

Total Debt Service

The following table shows debt service payable on all of the Authority's Water System Revenue Refunding Bonds, including the Series 2017 Bonds.

Year (December 31)	Debt Service on Outstanding Bonds	Series 2017 Debt Service	Total
2017	$ 10,862,655	$ -	$ 10,862,655
2018	11,412,161	98,572	11,510,733
2019	11,737,978	161,300	11,899,278
2020	10,611,158	161,300	10,772,458
2021	10,357,556	376,300	10,733,856
2022	10,320,982	377,000	10,697,982
2023	10,267,921	371,000	10,638,921
2024	10,219,181	369,750	10,588,931
2025	10,154,996	373,000	10,527,996
2026	10,088,872	375,500	10,464,372
2027	10,019,640	372,250	10,391,890
2028	10,006,274	373,500	10,379,774
2029	9,882,217	366,900	10,249,117
2030	9,804,474	370,100	10,174,574
2031	9,731,435	372,700	10,104,135
2032	9,655,660	369,700	10,025,360
2033	9,582,432	371,300	9,953,732
2034	9,507,519	370,800	9,878,319
2035	9,412,843		9,412,843
2036	9,336,963		9,336,963
2037	8,148,512		8,148,512
2038	7,609,518		7,609,518
2039	7,501,815		7,501,815
2040	7,388,366		7,388,366
2041	7,279,153		7,279,153
2042	7,153,060		7,153,060
Total	$ 248,053,338	$5,630,972	**$ 253,684,311**

Outstanding Bonds include the Authority's Water System Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), the unrefunded portion of the Authority's Water System Revenue Bonds, Series 2010, the Authority's Water System Revenue Bonds Series 2010A, the Authority's Water System Revenue Bonds, Series 2010B (Taxable Build America Bonds), the Authority's Water System Revenue Bonds, Series 2012 and the Authority's Water System Revenue Bonds, Series 2013. (See **"OUTSTANDING BONDS."**) Debt service with respect to the outstanding Series 2007 Bonds and Series 2013 Bonds includes an interest subsidy provided by the EFC. Debt service with respect to the outstanding Series 2010B Bonds does not include an interest rate subsidy provided by the federal government under the Build America Bonds program.

Water Rates and Water Customers

The Act provides that neither the Public Service Commission of the State of New York nor any other state board or commission of like character has jurisdiction over the Authority in the management and control of its properties or operations or any power over water rates fixed or charges collected by the Authority.

Rate Schedules. The Authority's current water rate schedule was effective as of January 1, 2017 (excluding sales pursuant to the City Agreement and other special contracts), and provides as follows.

The Residential Class includes all residential, small commercial and community service establishments in Monroe County:

Base Charge Per Connection - $0.21/day (most residential customers) to $7.77/day
Commodity Charge Per 1,000 Gallons - $2.96

The Non-Residential Class includes large commercial, industrial, municipal and all other direct retail customers in Monroe County:

Base Charge Per Connection Commodity Charge - $0.21/day to $7.77/day
First 125,000 Gallons Each Month - $2.96
Each Additional 1,000 Gallons - $2.02

The Out-of-County Landfill Class includes all customers within the Town of Bergen or the Village of Bergen, Genesee County:

Base Charge Per Connection - $0.21/day to $7.77/day
Commodity Charge Per 1,000 Gallons - $2.96

The Out-of-County Class includes all customers located outside of Monroe County except any area covered under existing agreements, or where water is purchased by the Authority from a third party:

Base Charge Per Connection - $0.21/day to $7.77/day
Commodity Charge Per 1,000 Gallons - $3.25

The Western Genesee County Class includes all customers in Genesee County served by water purchased by MCWA from a third party:

Base Charge Per Connection - $0.21/day to $7.77/day
Commodity Charge Per 1,000 Gallons - $4.34

The Town of Richmond Class includes all customers in the Town of Richmond:

Base Charge Per Connection - $0.21/day to $7.77/day
Commodity Charge Per 1,000 Gallons - $4.60
CIP Surcharge (per quarter) - $14.49

Billings of charges for water and water services is in arrears, while charges for service connections are payable in advance.

Comparison of Monthly Charges. The following graphic and table presents a comparison of regional monthly water charges based upon a survey conducted by the Authority's Rate Consultant.

Comparison of 2017 Water Charges[1, 2, 3, 4]
(All amounts in $)

	Annual Fixed Charge	Annual Consumption-Based Charge	Annual Minimum Charge	Annual Total Charge	Fixed Charge as % of Total	Min Charge as % of Total
Suffolk County Water Authority	90	145	90	235	38%	38%
Albany Water Board	0	286	105	286	0%	37%
City of Syracuse	0	311	151	311	0%	49%
Monroe County Water Authority	77	237	77	313	24%	24%
City of Watertown	0	325	133	325	0%	41%
Erie County Water Authority	79	254	193	332	24%	58%
Western Nassau Water Authority	0	356	178	356	0%	50%
Onondaga County Water Authority	120	243	120	363	33%	33%
Niagara Falls Water Board	15	350	185	365	4%	51%
City of Rochester	92	282	92	374	25%	25%
Buffalo Water Board	140	244	140	384	36%	36%
Yonkers	0	398	187	398	0%	47%
New York	0	407	179	407	0%	44%
City of Binghamton	64	353	201	417	15%	48%
City of Poughkeepsie	3	460	123	463	1%	27%
Elmira Water Board	0	464	156	464	0%	34%
Mohawk Valley Water Authority	121	362	253	483	25%	52%
Average	47	322	151	369	13%	41%

Notes

1 Charges are based on rates in effect in January 2017.
2 Charges assume a single family residential customer using a 5/8" meter and 80,000 gallons of water per year.
3 Minimum charges include fixed charges.
4 User Charges are based upon information provided by the identified water systems and standardized assumptions regarding water consumption and other factors. There may be significant differences in typical single-family residential usage among systems that result in charges that are different than shown above. Some water systems use property tax revenue or other revenues to pay for part of the cost of water services. In such situations, the user charges will not reflect the full cost of water services.

Water Rates and Revenues. The Authority's water revenues in the years 2011 through 2017 in each of the user classes described below are shown below together with applicable rate increases in each of these classes.

	Residential Class		Non-Residential Class		Wholesale Class	
Year	% Rate Increase	Revenues (in thousands)	% Rate Increase	Revenues (in thousands)	% Rate Increase	Revenues (in thousands)
2017*	3.3%	$54,650	4.8%	$5,870	5.1%	$3,064
2016	3.40%	53,741	3.4%	5,901	3.3%	3,206
2015	4.1%	48,987	1.7%	5,308	1.2%	2,830
2014	4.1%	47,300	6.3%	5,439	5.2%	2,646
2013	4.4%	45,018	0.9%	5,242	0.2%	2,661
2012	4.0%	44,375	0%	5,184	0%	3,554
2011	2.6%	41,689	4.2%	5,164	4.8%	3,482

*The projected revenues for 2017 are derived from the Authority's budget.

Water Customers. The Authority's total water sales for the year ended December 31, 2016 were 17,829,045 gallons. The following tables set forth information concerning the Authority's customer base and water sales (in thousands of gallons) for the year ended December 31, 2016.

Residential and Small Commercial	**Customers by Town**	**Sales (in thousands of gallons)**
Town of Greece	32,930	2,389,189
Town of Irondequoit	16,607	1,107,346
Town of Perinton	14,055	1,086,339
Village of Fairport	2,054	130,949
Town of Henrietta	13,218	1,018,673
Town of Webster	13,688	984,204
Village of Webster	1,574	154,415
Town of Penfield	12,478	955,833
Town of Brighton	10,088	950,229
Town of Pittsford	8,942	773,122
Village of Pittsford	674	51,207
Town of Gates	10,255	696,661
Town of Chili	9,556	674,025
Town of Victor	4,315	408,177
Town of Ogden	4,937	359,798
Village of Spencerport	1,313	89,836
Town of Parma	3,622	221,354
Village of Hilton	191	7,317
Town of Hamlin	2,612	176,584
Village of East Rochester	2,385	164,386
Town of Mendon	1,885	151,843
Village of Honeoye Falls	856	66,938
Town of Clarkson	1,811	139,734
Town of Sweden	1,280	117,249
Town of Riga	1,189	73,492
Village of Churchville	841	47,026
Town of Rush	1,126	70,328
Town of LeRoy	803	62,460
Village of LeRoy	1,713	109,271
Town of Pembroke	585	53,877
Village of Corfu	285	12,815
Town of Wheatland	610	50,355
Village of Scottsville	743	44,847
Town of Richmond	925	36,030
Town of Kendall	746	34,115
Town of West Bloomfield	378	33,588
Town of Darien	377	33,494
Town of Stafford	522	26,409
Town of Pavilion	341	23,288
Town of Bergen	250	22,144
Village of Bergen	420	22,098
Town of Byron	393	21,179
Town of Caledonia	30	2,520
Village of Caledonia	6	794

Town of East Bloomfield	20	1,066
Town of Lima	12	781
Town of Covington	10	635
Total	**183,651**	**13,658,020**

Large Commercial and Industrial		Sales (in thousands of gallons)
Lidestri Foods Inc.		414,620
Xerox		196,060
Rochester Institute of Technology		177,347
Wegmans-1500 Brooks Ave.		68,176
Delta Sonic		63,331
Tech Park Owner LLC		49,990
Darien Lake Theme Park		42,722
Nazareth College		38,059
Bouduelle USA lac		28,214
Monroe County Pure Waters		22,190
Subtotal		1,100,709
Remaining 469 Accounts		1,558,676
	Total	**2,659,385**

Water Districts		Customers by District	Sales (in thousands of gallons)
Wayne County Water & Sewer		4,360	333,815
Village of Brockport		1,798	288,967
Sea Breeze Water District		3,129	210,449
Genesee County		3,500	205,812
Village of Hilton		1,810	167,611
Livingston County Water & Sewer		1,050	86,602
Village of Victor		1,012	73,983
Town of Clarendon		784	58,677
Village of Holley		763	45,310
Town of Murray		390	39,710
Town of Farmington		12	704
	Total	**18,608**	**1,511,640**

ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents information regarding certain economic and demographic information about Monroe County. All information is presented on a calendar year basis unless otherwise indicated. The data contained below is the latest information available to the Authority. The sources of the information are indicated in the text or immediately following the tables. Although the Authority considers the sources to be reliable, the Authority has made no independent investigation of the information provided by sources other than the Authority, and the Authority does not warrant the accuracy of such information.

Overview

The County of Monroe ("Monroe County") is located in Western New York State (the "State") on the south shore of Lake Ontario, approximately 70 miles east of the Buffalo/Niagara Falls area. The land area of Monroe County is approximately 673 square miles. Monroe County is in the northernmost portion of the Genesee River valley and contains one city, nineteen (19) towns, and ten (10) villages. The City of Rochester is the county seat and the State's third largest industrial and commercial center next to New York City and Buffalo. The area is accessible via the Greater Rochester International Airport, CSX Railroad, Genesee & Wyoming, Inc. (a regional railroad) and Amtrak, the New York State Thruway, the St. Lawrence Seaway, and the New York State Erie Canal System. The workforce in Monroe County is within 400 miles of many major metropolitan areas such as New York City, Toronto, Boston, and Washington, D.C.

Monroe County has a population of over 744,000 per the 2010 census and is the central county in the six-county Rochester Metropolitan Statistical Area ("MSA"), which has a population of approximately 1,100,000. The workforce in Monroe County measures approximately 360,000 and its economy draws from an MSA workforce totaling 523,400 (Source: New York State Department of Labor, May 2017). Monroe County is home to Xerox, Bausch & Lomb, Paychex, Frontier Communications, Sutherland Group and Wegmans Food Markets, as well as over 1,000 companies which employ less than 1,000 people, the largest number of workers being in the precision manufacturing, optics, financial services, medical, plastics, pharmaceuticals, and information technology industries.

Monroe County was established in 1821. In 1967, a County Charter became effective which provided for a continuation of the county manager form of government previously established in the County in 1936. The County Charter was amended pursuant to a public referendum held on November 4, 1980 to provide for the direct election of a County Executive for a four-year term commencing January 1, 1984. The County Clerk, the Sheriff and the District Attorney are elected in general elections.

Population

Monroe County's population, as recorded by the U.S. Bureau of the Census, is as follows:

Year	Population
1950	487,632
1960	586,387
1970	711,917
1980	702,238
1990	713,968
2000	735,343
2010	744,344

Source: U.S. Bureau of the Census.

Non-Agricultural Wage and Salary Employment, Annual Averages

The information contained in the table below is for the Rochester MSA, which includes Monroe, Livingston, Ontario, Orleans, and Wayne Counties.

Year	Non-Agricultural Wage & Salary Employment (000s)
2007	519.9
2008	521.2
2009	507.6
2010	508.2
2011	515.0
2012	518.6
2013	520.6
2014	523.1
2015	528.0
2016	532.9

Source: New York State Department of Labor, Current Employment Statistics.

Unemployment Rates (1)

The information contained in the table below represents the unemployment rates for Monroe County, the State of New York, and the United States. Except as noted, the rates shown below are not seasonally adjusted and are subject to revision.

Year	Monroe County Unemployment Rate	New York State Unemployment Rate	U.S. Unemployment Rate
2007	4.4%	4.6%	4.6%
2008	5.5	5.4	5.8
2009	7.8	8.3	9.3
2010	8.0	8.6	9.6
2011	7.7	8.3	8.9
2012	7.9	8.5	8.1
2013	7.0	7.7	7.4
2014	5.8	6.3	6.2
2015	5.1	5.3	5.3
2016	4.7	4.8	4.9
2017	4.9[2]	4.6[3]	4.4[4]

Source: New York State Department of Labor and U.S. Department of Labor, Bureau of Labor Statistics.

1 Except as noted, rates shown are not seasonally adjusted and are subject to revision.
2 October, 2017 year to date, not seasonally adjusted.
3 October, 2017 year to date, not seasonally adjusted.
4 October, 2017 year to date.

Largest Area Private-Sector Employers

The table below represents Monroe County's largest private-sector employers ranked by the number of full-time local employees.

Rank	Name	Number of Full-Time Employees[1]
1	University of Rochester	29,003[2]
2	Rochester Regional Health System	15,943[2]
3	Wegmans Food Markets Inc.	6,046
4	Xerox Corp.	5,500
5	Paychex Inc.	4,369
6	Lifetime Healthcare Cos. Inc.	3,443[2]
7	Harris Corp. R.F. Communications	3,400[2]
8	Rochester Institute of Technology	3,380
9	Sutherland Global Services, Inc.	2,920
10	Frontier Communications Corp.	1,660[2]
11	Eastman Kodak Company	1,640[2]
12	Lifetime Assistance	1,637
13	Hulbert Care Communities	1,500[2]
14	Center for Disability Rights	1,498[2]
15	Ortho Clinical Diagnostics	1,295[2]

Source: *Rochester Business Journal*, April 28, 2017.

1 Certain of the companies on the list have made announcements regarding layoffs and/or job increases that may not be reflected in such numbers.

2 Total local employees. The company declined to provide separate numbers for full-time and part-time employees.

CERTAIN AGREEMENTS OF THE STATE OF NEW YORK

Pursuant to the Act, the State of New York pledges to and agrees with the holders of bonds or notes issued by the Authority that the State will not limit or alter the rights thereby vested in the Authority to acquire, construct, maintain, operate, reconstruct and improve the properties, to establish and collect the revenues, rates, rentals, fees and other charges referred to in the Act and to fulfill the terms of any agreements made with the holders of such bonds or notes, or in any way impair the rights and remedies of the holders thereof, until the bonds, together with interest thereon, interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders thereof, are fully met and discharged.

Pursuant to the Act, the State also covenants with the purchasers and with all subsequent holders and transferees of bonds and notes issued by the Authority that such bonds and notes and the income therefrom and all moneys, funds and revenues pledged to pay or secure the payment of such bonds and notes shall at all times be free from taxation, except for transfer and estate taxes.

LEGALITY OF THE SERIES 2017 BONDS FOR INVESTMENT

The Act provides that bonds and notes issued by the Authority are securities in which all public officers and bodies of the State of New York and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business and all other persons whomsoever, except as hereinafter provided, are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them. Such bonds or notes, however, shall not be eligible for the investment of funds including capital, of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees and other individual fiduciaries.

BONDS AS SECURITY FOR DEPOSITS

Pursuant to the Act, bonds and notes issued by the Authority are made securities which may be deposited with and may be received by all public officers and bodies of the State of New York and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State of New York is now or may hereafter be authorized.

TAX MATTERS

In the opinion of Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Special Tax Counsel is of the further opinion that interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, however, such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of opinion for the Series 2017 Bonds of Special Tax Counsel is set forth in Appendix H-1 hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017 Bonds. The Authority has covenanted to comply with certain restrictions designed to insure that interest on the Series 2017 Bonds will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Series 2017 Bonds being included in gross income for federal income tax purposes as well as adjusted gross income for purposes of personal income taxes imposed by the State of New York or the City of New York, from the date of original issuance of the Series 2017 Bonds. The opinion of Special Tax Counsel assumes compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2017 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017 Bonds.

Original Issue Discount. The difference between the principal amount of the Series 2017 Bonds maturing in the year 2034 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial purchaser of such an owner's adjusted basis for purposes of determining an owner's gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of such corporation's federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Original Issue Premium. The Series 2017 Bonds maturing on August 1, 2021 through August 1, 2032 (the "Premium Bonds") are being offered at prices in excess of their principal amount. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of their principal amounts will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, if any, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2017 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage and Use of Proceeds Certificate, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Special Tax Counsel expresses no opinion as to any Series 2017 Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Trespasz & Marquardt, LLP.

Although Special Tax Counsel is of the opinion that interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and is excluded from adjusted gross income for federal income taxes imposed by the State of New York and the City of New York, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Legislative or administrative actions and court decisions, at either the Federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2017 Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2017 Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2017 Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2017 Bonds may occur. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisers regarding such matters.

VERIFICATION OF MATHEMATICAL ACCURACY

American Municipal Tax-Exempt Compliance Corporation d/b/a AMTEC, of Avon, Connecticut, and Michael Torsiello, C.P.A. (an independent Certified Public Accountant) of Morrisville, North Carolina (together, the “Verification Agent”), will deliver its report indicating that it has verified the mathematical accuracy of the computations in the schedules provided by the Underwriter. Included in the scope of its verification report will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash, the maturing principal amounts and the interest on the Investment Securities deposited with the trustee for the refunding of the Refunded Bonds and paying of the interest and redemption price coming due on the Refunded Bonds on or prior to their respective redemption dates as described in “THE REFUNDING PLAN” and (b) the computations supporting the conclusion of the Special Tax Counsel that the Series 2017 Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”), the Authority will undertake in a written agreement for the benefit of the holders and beneficial owners of the Series 2017 Bonds (the “Continuing Disclosure Agreement”) to provide the Municipal Securities Rulemaking Board (“MSRB”) as the sole nationally recognized securities repository through the MSRB’s Electronic Municipal Market Access system (“EMMA”) on an annual basis no later than one hundred eighty (180) days after the end of each respective fiscal year of the Authority, commencing with the fiscal year ending December 31, 2017, certain financial and operating data concerning the Authority of the type included in this Official Statement and as specified in the Continuing Disclosure Agreement. In addition, the Authority will undertake, for the benefit of the holders and beneficial owners of the Series 2017 Bonds, to provide to the MSRB through EMMA, in a timely manner, notices of certain events enumerated in the Rule. Notices of the aforesaid events and any filing to be made under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the MSRB through EMMA as provided at http://emma.msrb.org. The nature of the information to be provided annually and of the notices of such listed events is set forth in **“APPENDIX I—FORM OF CONTINUING DISCLOSURE AGREEMENT.”**

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the Authority, and no person, including a holder of the Series 2017 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the Authority shall no longer be required to provide the information no longer required to be provided under the Rule.

Due to an administrative error on the part of the Dissemination Agent, the Authority’s audited financial statements for the fiscal year ending December 31, 2013, were not timely filed in accordance with the terms of the Authority’s prior continuing disclosure undertakings. As of the date of this Official Statement, such audited financial statements and operating data have been filed.

In November, 2014, the Authority filed three self-reports with the Securities and Exchange Commission in connection with the Commission’s Municipalities Continuing Disclosure Cooperation Initiative. The self-report filings related to the disclosure in the Authority’s Official Statements dated April 1, 2010, December 14, 2010 and December 17, 2012 and provided clarification and corrective information with respect to the aforementioned disclosure and the Authority's continuing disclosure filing obligations.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P"), have assigned long – term ratings of "Aa2" and "AA+", respectively, to the Series 2017 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, New York, New York 10007; and S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2017 Bonds. The above ratings are not recommendations to buy, sell or hold the Series 2017 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies.

UNDERWRITING

The Authority and the Underwriter entered into a Purchase Contract with respect to the Series 2017 Bonds, pursuant to which the Underwriter has agreed to purchase the Series 2017 Bonds for reoffering at a purchase price of $4,367,897.36, which represents the principal amount of the Series 2017 Bonds, plus net original issue premium of $481,575.60, less an underwriter's discount of $63,678.24.

LITIGATION

No litigation is pending or, to the best of the Authority's knowledge, threatened which seeks to restrain or enjoin the execution, issuance, sale, or delivery of the Series 2017 Bonds or in any way contests the validity of the Series 2017 Bonds or any proceedings of the Authority taken with respect to the authorization, issuance, or sale of the Series 2017 Bonds or the pledge or application of any moneys provided for the payment of or security for the Series 2017 Bonds. Neither the creation, organization, or existence of the Authority, nor the title of the present directors or officers of the Authority to their respective office is being contested. The Authority is engaged in routine litigation incidental to the conduct of its business.

CERTAIN LEGAL MATTERS

Bond Counsel will render an opinion regarding the validity of the Series 2017 Bonds in substantially the form set forth in Appendix G hereto. Special Tax Counsel will render an opinion regarding certain tax matters with respect to the Series 2017 Bonds in substantially the form set forth in Appendix H hereto. Copies of such opinions will be furnished to the Underwriter at the time of delivery of the Series 2017 Bonds. Certain legal matters will be passed upon for the Underwriter by Bond, Schoeneck & King, PLLC, Syracuse, New York.

FINANCIAL ADVISOR

Environmental Capital LLC, New York, New York is serving as Financial Advisor to the Authority with respect to the issuance of the Series 2017 Bonds. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2017 Bonds. The

Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and is not obligated to ensure compliance with the undertaking by the Authority to provide continuing secondary market disclosure.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the Authority. Copies of this Official Statement may be obtained from the Authority at the address indicated on the inside cover page of this Official Statement.

Financial statements of the Authority, a summary of the Indenture to be adopted or executed in connection with the offering of the Series 2017 Bonds, information relating to the Book-Entry-Only System relating to the Series 2017 Bonds, the Form of Opinion of Bond Counsel, the Form of Opinion of Special Tax Counsel, and certain selected financial information about the Authority are attached hereto as Appendices. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

Insofar as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

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The delivery of this Official Statement, including the Appendices and other information herein, has been duly authorized by the Authority.

MONROE COUNTY WATER AUTHORITY

By: /s/ Nicholas A. Noce
Nicholas A. Noce
Executive Director

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

Financial Statements as of December 31, 2016 Together with Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

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DECEMBER 31, 2016

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 2, 2017

To the Board of Directors of
Monroe County Water Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Monroe County Water Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2016, 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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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.

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Totals
We have previously audited the Authority's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 9, schedule of funding progress – other postemployment benefits plan, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The Monroe County Water Authority (the Authority) is a not-for-profit public benefit corporation that reliably provides quality, affordable water that fosters economic vitality and enhanced quality of life for Monroe County and area communities who request service.

The financial statements of the Authority include the Statement of Net Position, the Statement of Revenue, Expenses and Change in Net Position, and the Statement of Cash Flows, and related notes to the financial statements. The Statement of Net Position provides information about the nature and the amounts of investments and resources (assets), deferred outflows of resources, and the obligations to the Authority's creditors (liabilities), and deferred inflows of resources, with the difference between these reported as net position.

The Statement of Revenue, Expenses and Change in Net Position shows how the Authority's net position changed during the year. It accounts for all the year's revenues and expenses, measures the financial results of the Authority's operations for the year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, and investing activities.

The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Authority's accounting methods and policies.

Management provides the following discussion and analysis (MD&A) of the Authority's financial position and activities. This overview is provided for the year ended December 31, 2016. The information contained in this analysis should be used by the reader in conjunction with the information contained in our audited financial statements and the notes to those financial statements, all of which follow this narrative on the subsequent pages.

FINANCIAL HIGHLIGHTS

The Authority's financial statements are prepared on the accrual basis of accounting promulgated by the Governmental Accounting Standards Board (GASB). The Authority is a single-purpose entity and revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

The 2016 financial statements are presented with comparative totals from 2015.

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of its most recent fiscal year by $333,554,807 (net position). Of this amount $55,470,765 (unrestricted net position) may be used to meet the Authority's ongoing obligations.

- Operating revenues increased approximately $5,747,000 or 9% during the current year from approximately $62.0 million for the 2015 fiscal year to approximately $67.7 million for the 2016 fiscal year. Most of this increase in revenues occurred in the residential customer class and is largely due to the unusually dry summer of 2016.

FINANCIAL HIGHLIGHTS (Continued)

- Several major construction projects were completed during the year increasing the Authority's assets as follows:

Project Name	2016
West Main & Lee Road Tanks Rehabilitation	$ 3,499,263
SWTP Substation Phase I & II	$ 3,408,752
Kreag Road Canal Crossing	$ 2,893,605
2016 Residential Meter Replacements	$ 2,233,675
Basket Road Water Main Replacement	$ 1,507,834
2015 Cement Lining	$ 1,472,298
Hilton Tank Recoating	$ 1,220,090
Spencerport & Corfu Tanks Rehabilitation	$ 1,189,484
Fisher Road Water Main Replacement	$ 1,063,222

Summary of Operations and Change in Net Position

	2016	2015
Operating revenues	$ 67,729,116	$ 61,982,042
Operating expenses	(60,995,850)	(59,569,502)
Operating income	6,733,266	2,412,540
Non-operating expenses, net	(5,958,587)	(5,843,000)
Income (loss) before capital contributions	774,679	(3,430,460)
Capital contributions	4,779,723	3,785,445
Change in net position	$ 5,554,402	$ 354,985

Capital contributions are revenues from grants, developers, and customers for water system capital improvements donated to the Authority.

FINANCIAL HIGHLIGHTS (Continued)

Financial Position Summary
Net position is an indication of the Authority's financial strength. The Authority's net position as of December 31, 2016 is $333,554,807. A summary of the Authority's financial position is shown below.

	2016	2015
ASSETS:		
Current assets	$ 68,865,449	$ 63,520,398
Capital assets	416,928,672	414,615,334
Funds held by trustee	17,615,157	21,894,621
Restricted assets	3,195,688	3,357,707
Total assets	506,604,966	503,388,060
DEFERRED OUTFLOWS OF RESOURCES	10,993,110	3,535,254
LIABILITIES:		
Current liabilities, including current portion of long-term debt	15,928,769	18,775,870
Other liabilities (long-term)	166,965,543	160,147,039
Total liabilities	182,894,312	178,922,909
DEFERRED INFLOWS OF RESOURCES	1,148,957	-
NET POSITION:		
Net investment in capital assets	274,888,354	268,859,780
Restricted	3,195,688	3,357,707
Unrestricted	55,470,765	55,782,918
Total net position	$ 333,554,807	$ 328,000,405

As a water utility, the Authority has a significant investment in infrastructure. The Authority's infrastructure includes pipelines ranging from 2" in diameter to 5' in diameter, 51 booster pumping stations, 49 tanks, 2 reservoirs, 3 water treatment plants, land and other facilities required in the treatment and distribution of potable water to its customers. The Authority's net position also includes funds available to pay for ongoing and future construction or replacements, and/or additions, to this infrastructure. Deferred outflows of resources increased and deferred inflows of resources were recorded due to a change in the actuarial valuation of the New York State Employees' Retirement System in the current year. Long-term liabilities were recorded in both years as a result of a net pension liability related to GASB 68 & 71 for the Authority's proportionate share of the New York State Employees' Retirement System.

MCWA Rates and Charges
The Authority sets its rates annually in concurrence with the adoption of its annual operating budget. The Authority is required by its Master Trust Indenture dated October 1, 1991 and Supplemental Indentures issued with and specific to each subsequent revenue bond issue (Trust Indentures) to set rates and fees sufficient to cover all of its operating and capital expenses.

Many factors were considered by the Authority's Board Members when the rates were being set for 2017. Based in part on the recommendation of the Authority's independent rate consultant, the daily base charge and the commodity rate increased by a modest amount and are shown in the following table.

FINANCIAL HIGHLIGHTS (Continued)

MCWA Rates and Charges (Continued)

	2017	2016	2015
Residential/quarterly:			
Daily base charge per connection (up to ¾”)	$ 0.21	$ 0.21	$ 0.21
Commodity charge per 1,000 gallons	$ 2.96	$ 2.84	$ 2.71
Large commercial/monthly:			
Daily base charge per connection	$ 0.62 - 7.77	$ 0.62 - 7.42	$ 0.62 - 7.42
Commodity charge per 1,000 gallons -			
First 125,000 gallons	$ 2.96	$ 2.84	$ 2.71
Each additional 1,000 gallons	$ 2.02	$ 1.92	$ 1.86
Water district rate:			
Daily base charge per connection	$ 0.62 - 7.77	$ 0.62 - 7.42	$ 0.62 - 7.42
Commodity charge per 1,000 gallons	$ 2.02	$ 1.92	$ 1.86

Summary of Operating Revenues

	2016	2016 Budget	2015
Water sales:			
Residential/quarterly	$ 53,741,425	$ 52,788,520	$ 48,987,079
Large commercial/monthly	5,901,460	5,497,550	5,308,211
Water districts/wholesale	3,205,667	2,797,610	2,829,711
Total water sales	62,848,552	61,083,680	57,125,001
Other water and operating revenue	4,880,564	4,373,920	4,857,041
Total operating revenue	$ 67,729,116	$ 65,457,600	$ 61,982,042

Revenues

Water sales for 2016 were projected based on average historical usage with the typical residential customer using approximately 73 thousand gallons of water annually. This year’s water sales, which include the residential, large commercial and water district classes, were $5,723,551 more than those of 2015 and $1,764,872 more than budget. 2016 had an unusually dry spring and summer. In contrast, 2015 had an unusually wet spring and summer.

Other water revenue includes private fire services in the amount of $1,275,267, and late charges in the amount of $896,383. Also included are payments made to the Authority by both Monroe County and Genesee County for debt service on facilities constructed and owned by the Authority for the benefit of the respective counties. In 2016, the service fees for Monroe and Genesee Counties were $724,907 and $1,054,906 respectively. 2016 was the final year for the Monroe County service fee. Other operating revenues included cell tower lease income of $233,494 in 2016.

Total operating revenue for 2016 was $67,729,116; $5,747,074 higher than 2015, and $2,271,516 more than budget estimates.

Operating Expenses

The Authority’s expenses (excluding depreciation and amortization) are budgeted and tracked functionally by operating department. The Authority is divided into the following five departments: Administration; Production/Transmission; Engineering; Facilities, Fleet & Operations; and Finance & Business Services.

FINANCIAL HIGHLIGHTS (Continued)

Operating Expenses (Continued)
The following is a breakdown of the Authority's functional expenses by operating department (excluding depreciation and amortization):

	2016	2016 Budget	2015
Functional expenses:			
Administration	$ 8,629,242	$ 9,340,708	$ 8,217,451
Production/transmission	13,101,455	15,321,957	12,281,416
Engineering	3,709,368	3,974,542	3,553,659
Facilities, fleet & operations	11,671,464	13,482,729	12,932,953
Finance and business services	6,136,247	6,948,807	6,036,470
Total functional expenses	$ 43,247,776	$ 49,068,743	$ 43,021,949

Operating expenses (excluding depreciation and amortization) were $5,820,967, or 11.9% under budget for 2016.

The following is a breakdown of the Authority's total operating expenses:

	2016	2015
Operating expenses:		
Salaries and fringe benefits	$ 21,464,226	$ 21,677,298
Operations and maintenance	11,700,159	13,473,366
General and administrative	9,840,391	7,628,285
City contract - capital	243,000	243,000
Depreciation and amortization	17,726,862	16,526,341
Amortization of deferred amounts on refunding, net	21,212	21,212
Total operating expenses	$ 60,995,850	$ 59,569,502

Total operating expenses increased $1,426,348 from 2015. Salaries and Benefits decreased $213,072 or 1%. Operations and Maintenance expense totaled $11,700,159, down $1,773,207 or 13.2% compared to 2015. This is largely due to the unusual amount of emergency repair work related to the high number of frozen services during the winter of 2015, which did not occur in 2016. General and administrative expenses increased $2,212,106 from 2015. Much of this is due to the expense resulting from the increase in the Authority's share of the NYS Retirement System's net pension liability, as required by the implementation of GASB 68 and 71 and an increase in the valuation of Other Post-Employment Benefits (OPEB). City contract – capital is the Authority's share of capital projects outlined in the 2011 Exchange Agreement for Water Supply with the City of Rochester and did not change for 2016.

Non-Operating Revenue (Expenses)
The Authority's non-operating revenue (expenses) is composed of the following:

	2016	2015
Non-operating revenue (expenses):		
Federal interest subsidy	$ 1,865,136	$ 1,851,784
Interest earnings	145,689	98,093
Interest expense	(7,509,017)	(7,610,335)
Loss on disposal of capital assets	(479,254)	(200,389)
Realized and unrealized gains on investments, net	18,859	17,847
Total non-operating revenue (expenses), net	$ (5,958,587)	$ (5,843,000)

DEBT ADMINISTRATION

Water Revenue Bonds

As of December 31, 2016, the Authority has six water revenue bond series outstanding totaling $139,005,000. In 2015, the NYS Environmental Facilities Corporation (EFC) refinanced its 2007 Series bonds. The Authority's 2007 Series bonds, a part of the EFC 2007 financing, remained intact with the Authority receiving its share of the interest savings through credits from EFC at the time of debt service payments. The 2007 Series bonds continue to be payable by Genesee County to the Authority under the terms of the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000.

Monroe County Water Authority Bond Series	Bonds Outstanding as of December 2016	Bonds Outstanding as of December 2015	Principal Due 2017
1993 Series B Refunding	$ -	$ 825,000	$ -
2007 Series Refunding	15,290,000	15,860,000	575,000
2010 Series	7,620,000	8,635,000	1,055,000
2010A Series	1,250,000	1,585,000	1,250,000
2010B Series	92,915,000	92,915,000	-
2012 Series	5,805,000	5,975,000	175,000
2013 Series	16,125,000	16,595,000	475,000
Total	$ 139,005,000	$ 142,390,000	$ 3,530,000

Obligations under Capital Lease

The Authority entered into an agreement with Monroe County, dated November 18, 1969, in which Monroe County agreed to finance, and the Authority agreed to construct and pay for, certain improvements within Monroe County. Improvements constructed under this agreement are owned by Monroe County but leased to the Authority. The Authority operates these leased facilities with all the responsibilities of ownership. There remains $1,268,039 of principal and interest outstanding which the Authority is required to pay.

County of Monroe Bond Series	Bonds Outstanding as of December 2016	Bonds Outstanding as of December 2015	Principal Due 2017
1996 Series A Refunding	$ 936,719	$ 1,212,056	$ 293,783
2008 Series C Refunding	240,000	505,000	240,000
Total	$ 1,176,719	$ 1,717,056	$ 533,783

Credit Ratings

The Authority is the recipient of very favorable credit ratings from both Moody's Investors Service and Standard & Poor's. The Authority has an Aa2 rating assigned to its revenue bonds by Moody's Investors Service and an AA+ rating by Standard & Poor's. The Authority's bond ratings were last reviewed by Moody's Investor Service and by Standard & Poor's in December of 2012. The Authority issues revenue bonds subject to its Master Trust Indenture dated October 1, 1991 and Supplemental Indentures issued with, and specific to, each subsequent revenue bond issue.

ECONOMIC FACTORS AND NEXT YEAR'S GOALS

The Authority continues to develop the necessary infrastructure and operational practices to meet its short and long-term plans while ensuring quality customer service is provided and competitive rates are being maintained.

In 2017, the Authority intends to spend approximately $14 million for capital improvements, including the following major projects.

- Water Main Rehabilitation and Replacements
- Switchgear Replacements
- Tank Painting and Rehabilitation
- Meter Replacements
- Service Replacements

The Authority believes it possesses the financial and leadership capabilities to accomplish its goals during the upcoming year.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Director of Finance & Business Services, Monroe County Water Authority, 475 Norris Drive, Rochester, New York, 14610 or by email to kathy.prestidge@mcwa.com.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 53,675,821	$ 48,216,219
Accounts receivable	5,487,770	5,238,188
Accrued unbilled revenue	7,120,000	6,720,000
Materials and supplies	1,472,977	1,742,528
Prepayments and other current assets	1,108,881	1,603,463
Total current assets	68,865,449	63,520,398
OTHER ASSETS:		
Capital assets -		
Nondepreciable	13,079,316	26,874,262
Depreciable, net	403,849,356	387,741,072
Funds held by trustee -		
Capital improvement fund	4,193,221	5,158,674
New construction fund	13,421,936	16,735,947
Total other assets	434,543,829	436,509,955
RESTRICTED ASSETS:		
Debt service fund held by trustee	-	114,013
Debt service reserve held by trustee	3,195,688	3,243,694
Total restricted assets	3,195,688	3,357,707
Total assets	506,604,966	503,388,060
DEFERRED OUTFLOWS OF RESOURCES		
Pension related - ERS	10,642,540	3,081,602
Deferred amounts on refunding water revenue and capital lease bonds	350,570	453,652
Total deferred outflows of resources	10,993,110	3,535,254
LIABILITIES		
CURRENT LIABILITIES:		
Current portion of water revenue bonds	3,530,000	3,385,000
Current portion of obligations under capital leases	533,783	540,337
Accounts payable and other liabilities	4,042,748	7,054,656
Accrued payroll and benefits	4,848,118	4,799,524
Accrued interest on water revenue and capital lease bonds	2,974,120	2,996,353
Total current liabilities	15,928,769	18,775,870
OTHER LIABILITIES:		
Water revenue bonds, net of bond premium of $1,219,547 and $1,301,417 for 2016 and 2015, respectively	136,694,547	140,306,417
Obligations under capital leases	642,936	1,176,719
Net pension liability - ERS	9,693,114	2,021,835
Other postemployment benefit obligations	19,934,946	16,642,068
Total other liabilities	166,965,543	160,147,039
Total liabilities	182,894,312	178,922,909
DEFERRED INFLOWS OF RESOURCES		
Pension related - ERS	1,148,957	-
Total deferred inflows of resources	1,148,957	-
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	274,888,354	268,859,780
RESTRICTED	3,195,688	3,357,707
UNRESTRICTED	55,470,765	55,782,918
Total net position	$ 333,554,807	$ 328,000,405

The accompanying notes are an integral part of these statements.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)

	2016	2015
OPERATING REVENUE:		
Water sales - residential	$ 53,741,425	$ 48,987,079
Water sales - industrial/commercial	5,901,460	5,308,211
Water sales - water district	3,205,667	2,829,711
Other water revenue	4,258,738	4,116,154
Other operating revenue	621,826	740,887
Total operating revenue	67,729,116	61,982,042
OPERATING EXPENSES:		
Salaries and fringe benefits	21,464,226	21,677,298
Operations and maintenance	11,700,159	13,473,366
General and administrative	9,840,391	7,628,285
City contract - capital	243,000	243,000
Depreciation and amortization	17,726,862	16,526,341
Amortization of deferred amounts on refunding, net	21,212	21,212
Total operating expenses	60,995,850	59,569,502
Total operating income	6,733,266	2,412,540
NON-OPERATING REVENUE (EXPENSES):		
Federal interest subsidy	1,865,136	1,851,784
Interest earnings	145,689	98,093
Interest expense	(7,509,017)	(7,610,335)
Loss on disposal of capital assets	(479,254)	(200,389)
Unrealized and realized gains on investments, net	18,859	17,847
Total non-operating expenses, net	(5,958,587)	(5,843,000)
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	774,679	(3,430,460)
CAPITAL CONTRIBUTIONS:		
Developers and customers	4,779,723	3,785,445
Total capital contributions	4,779,723	3,785,445
CHANGE IN NET POSITION	5,554,402	354,985
NET POSITION - beginning of year, as previously reported	328,000,405	327,374,651
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (NOTE 3)	-	270,769
NET POSITION - beginning of year, as restated	328,000,405	327,645,420
NET POSITION - end of year	$ 333,554,807	$ 328,000,405

The accompanying notes are an integral part of these statements.

MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

(With Comparative Totals for 2015)

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 67,143,219	$ 61,866,634
Payments to suppliers	(24,095,010)	(20,461,848)
Payments to employees	(16,863,456)	(18,768,054)
Net cash flow from operating activities	26,184,753	22,636,732
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Withdrawals from (deposits) into funds held by trustee	-	59,418
Withdrawals from (deposits) into restricted for capital projects	-	55,375
Withdrawals from funds held by trustee	4,441,483	4,859,703
Purchases of capital assets	(15,853,762)	(18,940,592)
Proceeds from disposal of capital assets	114,031	207,585
Federal interest subsidy	1,865,136	1,851,784
Proceeds from water revenue bond issuance	-	16,425,000
Repayments and redemptions of water revenue bonds	(3,385,000)	(19,375,341)
Repayments of obligations under capital leases	(540,337)	(534,873)
Interest paid	(7,531,250)	(7,676,876)
Net cash flow from capital and related financing activities	(20,889,699)	(23,068,817)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	145,689	98,093
Gains (losses) on investments	18,859	17,847
Net cash flow from investing activities	164,548	115,940
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,459,602	(316,145)
CASH AND CASH EQUIVALENTS - beginning of year	48,216,219	48,532,364
CASH AND CASH EQUIVALENTS - end of year	$ 53,675,821	$ 48,216,219
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	$ 6,733,266	$ 2,412,540
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization	17,748,074	16,547,553
Bad debt expense (recovery)	(13,608)	27,154
Pension items - ERS	1,259,298	(788,998)
Changes in:		
Accounts receivable	(235,974)	30,253
Accrued unbilled revenue	(400,000)	(215,000)
Materials and supplies	269,551	(87,245)
Prepayments and other current assets	494,582	(141,130)
Accounts payable and other liabilities	(3,061,985)	1,873,022
Accrued payroll and benefits	48,594	(215,601)
Other postemployment benefit obligations	3,292,878	3,124,845
Customer deposits	50,077	69,339
Net cash flow from operating activities	$ 26,184,753	$ 22,636,732
NON-CASH CAPITAL FINANCING ACTIVITY:		
Capital assets received directly from developers and customers	$ 4,779,723	$ 3,785,445

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

Monroe County Water Authority (the Authority), a discretely presented component unit of the County of Monroe, New York (the County), is a public benefit corporation organized under the Public Authorities Law of the State of New York. The Authority was created to finance, construct, operate and maintain a water supply and distribution system for the benefit of the residents of the County and the State of New York.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation
GASB requires the classification of net position into three categories defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent capital-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

- Unrestricted net position - This component consists of net position that does not meet the definition of "net investment in capital assets," or "restricted."

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
For purposes of presenting the statement of cash flows, the Authority considers all highly liquid short-term investments with a maturity of three months or less from year-end to be cash or cash equivalents.

Accounts Receivable
Accounts receivable consists of fees for services for water charges due from individuals, businesses, and other governments. Accounts receivable are carried on the balance sheet at net realizable value. The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Accrued Unbilled Revenues
Accrued unbilled revenues represent revenue earned in the current year but not billed to customers until future dates, usually within three months, and is an estimate made by management using historical trends.

Materials and Supplies - Inventory
Materials and supplies are stated at cost and are determined using a weighted-average method.

Capital Assets
Capital assets are stated at cost. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives or lease term if shorter:

Production and distribution system	5 - 40 years
Water facility capital lease	5 - 25 years
Water rights	40 years
Pipelines and district facilities	40 years
Meters and distribution services	25 - 40 years
Automotive and construction equipment	5 years
Land improvements	10 - 20 years
Furniture, fixtures and other equipment	5 - 15 years

Improvements, renewals and significant repairs over $5,000 that extend the life of the asset are capitalized; other repairs and maintenance costs are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any unrelated gains or losses are recorded.

Funds Held by Trustee
Funds held by Bank of New York (the Trustee) consist of fixed income United States Government securities. The Authority reports these items at fair value based on quoted market prices. These funds are required to be held in accordance with the trust indentures for the water revenue bonds as described in Note 8.

Accrued Payroll and Benefits
It is the Authority’s policy to record employee benefits, including accumulated vacation and sick leave, as a current liability in accounts payable and other liabilities on the statement of net position. The Authority’s employees are granted vacation and sick leave in varying amounts based on the underlying employee contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unamortized Bond Premium
Bond premium related to the issuance of debt obligations is amortized over the term of the respective bond issues and capital leases.

Deferred Outflows and Inflows of Resources
In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Authority reports deferred amounts on refunding of capital leases and water revenue bonds, as well as amounts relating to the New York State Employees' Retirement System in this category.

Revenue Recognition
Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings.

Operating and Non-Operating Revenues and Expenses
Operating revenue consists of water revenue and other related revenue. The Authority defines non-operating revenue as interest earnings on investment assets and realized/unrealized gains or losses on sales of investments. Non-operating expenses are defined as interest expense on long-term debt and gains/losses on disposals of capital assets. The Authority also receives Federal interest subsidies which are considered non-operating revenue.

Capital Contributions from Developers and Customers
Capital contributions from developers and customers represent amounts for betterments or additions to capital assets that have been contributed to the Authority.

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

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

Comparative Information
The financial statements include certain prior-year summarized comparative information in total but not in the same detail used for the current year presentation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2015, from which the summarized information was obtained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications
Certain reclassifications have been made to the December 31, 2015 financial statement presentation to correspond with the current year's format. Net Position and changes in net position are unchanged due to these reclassifications.

3. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Authority adopted 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* for the year ended December 31, 2015. Statement No. 68 and Statement No. 71 established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68 and Statement No. 71, as well as for non-employer governments that have a legal obligation to contribute to those plans. Accordingly, Beginning Net Position and Net Pension Liability (Asset) on the Statement of Net Position was adjusted as noted in the following table:

	Statement of Net Position		
	Net Pension Liability	Deferred Outflows	Net Position
Balance at December 31, 2014, as previously reported	$ -	$ -	$ 327,374,651
Restatement of beginning balance - Adoption of GASB Statements No. 68 and No. 71			
Contributions subsequent to measurement date	-	2,975,247	2,975,247
NYS Employees' Retirement System Plan	(2,704,478)	-	(2,704,478)
	(2,704,478)	2,975,247	270,769
Balance at December 31, 2014, as restated	$ (2,704,478)	$ 2,975,247	$ 327,645,420

4. WATER AGREEMENT

The Authority and the City of Rochester, New York (the City) entered into an agreement in 2011 that provides for the exchange of water between the two entities at a fixed rate that is established annually based on the weighted average cost of each entity's typical residential customer. Authority consumption of the City's water is offset against the City's consumption of the Authority's water with the net consumption charged at the annual exchange rate. For the years ended December 31, 2016 and 2015, the Authority had net purchases from the City of $1,324,374 and $1,014,958, respectively.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The guidelines established by the Authority permit the investment of funds held by the Authority, and funds held in trust for the Authority, to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, United States Government obligations and repurchase agreements.

The Authority's investment policy requires its deposits and investments, not controlled by the Trustee, to be 100% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. In addition, the Authority's investment policy includes the following provisions for credit risk and custodial credit risk (as defined below):

- Custodial credit risk
  For cash deposits or investments, custodial credit risk 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 or collateral securities that are in the possession of an outside party.

    - The Authority limits its investments (other than United States securities held by the Trustee) at any financial institution to 1% of such institution's total assets.

    - Any financial institution in which the Authority invests funds must have in excess of $50,000,000 in capital stock and retained earnings and the Authority limits its investments (other than United States securities held by the Trustee) at these institutions to 5% of the total capital stock and retained earnings.

- Credit risk

    - The Authority limits its investments in money market funds to those with the highest short-term or long-term rating by at least one nationally recognized rating agency. In 2016, the Authority did not hold any investments in money market funds. The money market funds detailed in this section are used as savings accounts by the Authority and these accounts are classified as cash and cash equivalents and not investments.

As of December 31, 2016 and 2015, the Authority's deposits and investments in various banks are detailed on the following page.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Total deposits of cash and cash equivalents, marketable securities and related collateral, included in cash and cash equivalents and marketable securities, not controlled by the Trustee (including certificates of deposit and money market funds) are as follows for the years ended December 31:

	2016	
	Carrying Amount	Bank Balance
Demand deposits	$ 3,866,054	$ 3,866,054
Time deposits	49,809,767	50,712,281
Total cash and investments	$ 53,675,821	$ 54,578,335
Insured cash - FDIC		$ 889,185
Uninsured - collateralized with securities held by pledging financial institution		55,917,123
Total insured and collateralized cash and cash equivalents		$ 56,806,308

	2015	
	Carrying Amount	Bank Balance
Demand deposits	$ 897,229	$ 897,229
Time deposits	47,318,990	48,100,433
Total cash and investments	$ 48,216,219	$ 48,997,662
Insured cash - FDIC		$ 751,001
Uninsured - collateralized with securities held by pledging financial institution		50,336,977
Total insured and collateralized cash and cash equivalents		$ 51,087,978

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Total cash and cash equivalents and marketable securities by type as of December 31, including certificates of deposit controlled by the Trustee and reported in 'Capital improvement fund', 'New construction fund', and 'Restricted Assets' in the accompanying financial statements, are as follows:

	2016	2015
United States Treasury obligations	$ 5,044,355	$ 6,088,889
United States Treasury bills	15,763,351	19,148,328
Money market funds	48,203,095	42,968,463
Cash	5,475,865	5,262,867
	$ 74,486,666	$ 73,468,547

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

The Authority has the following recurring fair value measurements as of December 31, 2016 and 2015:

- U.S. Treasury securities of $21 and $25 million, respectively are valued using quoted market prices (Level 1 inputs).

The following deposits and investments, excluding amounts controlled by the Trustee, held with one financial institution represent five percent or more of the Authority's total deposits and investments at either December 31, 2016 and 2015, or both:

	2016	2015
M&T Bank	$ 45,821,506	$ 36,820,842
Key Bank (previously First Niagara Bank)	$ 7,830,767	$ 11,384,341

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Transfers	Disposals	Balance December 31, 2016
Land and easements	$ 10,155,771	$ -	$ 187,202	$ -	$ 10,342,973
Construction-in-progress	16,718,491	16,621,128	(30,603,276)	-	2,736,343
Total non-depreciable assets	$ 26,874,262	$ 16,621,128	$ (30,416,074)	$ -	$ 13,079,316
Land improvements	$ 7,618,352	$ -	$ 108,053	$ (21,128)	$ 7,705,277
Production and distribution	228,593,694	-	12,210,682	(2,168,393)	238,635,983
Pipelines and district facilities	279,240,755	2,586,924	12,895,453	-	294,723,132
Meters and services	83,322,757	1,425,433	4,278,042	(676,585)	88,349,647
Automotive and construction	7,610,555	-	465,680	(440,050)	7,636,185
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other	2,502,006	-	458,164	(58,781)	2,901,389
Total at cost	686,945,099	4,012,357	30,416,074	(3,364,937)	718,008,593
Less: Accumulated					
Land improvements	(1,624,581)	(295,272)	-	15,287	(1,904,566)
Production and distribution	(71,859,063)	(7,482,358)	-	1,800,843	(77,540,578)
Pipelines and district facilities	(109,273,023)	(6,466,022)	-	-	(115,739,045)
Meters and services	(33,376,634)	(2,281,361)	-	562,444	(35,095,551)
Automotive and construction	(4,263,310)	(548,500)	-	336,053	(4,475,757)
Water facility capital lease	(77,151,396)	(406,426)	-	-	(77,557,822)
Furniture, fixtures and other	(1,656,020)	(246,923)	-	57,025	(1,845,918)
Total accumulated	(299,204,027)	(17,726,862)	-	2,771,652	(314,159,237)
Total depreciable assets - net	$ 387,741,072	$ (13,714,505)	$ 30,416,074	$ (593,285)	$ 403,849,356

6. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Transfers	Disposals	Balance December 31, 2015
Land and easements	$ 9,917,487	$ -	$ 238,284	$ -	$ 10,155,771
Construction-in-progress	21,728,234	19,443,101	(24,452,844)	-	16,718,491
Total non-depreciable assets	$ 31,645,721	$ 19,443,101	$ (24,214,560)	$ -	$ 26,874,262
Land improvements	$ 7,593,802	$ -	$ 24,550	$ -	$ 7,618,352
Production and distribution	224,321,035	-	5,028,570	(755,911)	228,593,694
Pipelines and district facilities	262,975,888	1,850,369	14,415,472	(974)	279,240,755
Meters and services	78,678,930	1,432,567	3,772,673	(561,413)	83,322,757
Automotive and construction	7,515,023	-	851,095	(755,563)	7,610,555
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other	2,433,600	-	122,200	(53,794)	2,502,006
Total at cost	661,575,258	3,282,936	24,214,560	(2,127,655)	686,945,099
Less: Accumulated					
Land improvements	(1,328,020)	(296,561)	-	-	(1,624,581)
Production and distribution	(65,661,175)	(6,936,557)	-	738,669	(71,859,063)
Pipelines and district facilities	(103,414,430)	(5,859,567)	-	974	(109,273,023)
Meters and services	(31,597,003)	(2,130,146)	-	350,515	(33,376,634)
Automotive and construction	(4,244,135)	(594,903)	-	575,728	(4,263,310)
Water facility capital lease	(76,661,688)	(489,708)	-	-	(77,151,396)
Furniture, fixtures and other	(1,490,916)	(218,899)	-	53,795	(1,656,020)
Total accumulated	(284,397,367)	(16,526,341)	-	1,719,681	(299,204,027)
Total depreciable assets - net	$ 377,177,891	$ (13,243,405)	$ 24,214,560	$ (407,974)	$ 387,741,072

7. CAPITAL LEASES

The Authority and the County entered into an agreement in 1969 which provides for the Authority, as agent of the County, to plan, construct, operate, manage, repair and maintain certain water facilities owned by the County and primarily financed through County bond issues. These water facilities are leased to the Authority, which, along with capital assets owned by the Authority, become an integrated water system.

These leases are defined as capital leases and the related facilities are recorded as an asset that is generally amortized over the term of the lease or the related bond issue, whichever is shorter. The lease obligation is shown as a liability with the related interest expense reported as non-operating expenses.

Water facilities under capital leases that are included within capital assets as of December 31 are as follows:

	2016	2015
Completed water facilities	$ 78,056,980	$ 78,056,980
Less: Accumulated amortization	(77,557,822)	(77,151,396)
	$ 499,158	$ 905,584

Amortization expense related to water facilities under capital leases was $406,426 and $489,708 for the years ended December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, the amount of the County bonds outstanding is included in obligations under capital leases. The expended portion of the bond proceeds is included in water facilities under capital leases.

The County issued $51,005,000 in general obligation refunding bonds in 2004, of which $5,964,830 refunded the County's 1993 Revenue Bonds. This resulted in a deferred loss on refunding of $185,170 and an interest savings of approximately $585,000 to the Authority. The excess of the reacquisition price over the net carrying amount of the refunded bonds, or a deferred loss, in the amount of $185,170 was deferred and amortized over the term of the new bonds using the straight-line method through 2014.

In 2008, the County issued $2,570,000 in general obligation refunding bonds, which refunded the remaining 1996C bonds. This resulted in a deferred loss on refunding of $30,000 and, along with the remaining unamortized gain on the previous refunding, was amortized over the term of the new bond using the straight-line method through 2014. This refunding resulted in approximately $125,000 of interest savings over the life of the bond.

7. CAPITAL LEASES (Continued)

Long-term capital lease activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
County bonds issued in 1996 Series A as part of the refunding that mature annually ranging from $293,000 to $331,000 from 2017 to 2019 bearing interest ranging from 3.37% to 5.47%	$ 1,212,056	$ -	$ (275,337)	$ (293,783)	$ 642,936
County bonds issued in 2008 Series C as part of the Series 1996C refunding that matures at $240,000 in 2017 bearing interest of 3.75%.	505,000	-	(265,000)	(240,000)	-
Long-term capital lease liabilities	$ 1,717,056	$ -	$ (540,337)	$ (533,783)	$ 642,936

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

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
County bonds issued in 1996 Series A as part of the refunding that mature annually ranging from $275,000 to $331,000 from 2016 to 2019 bearing interest ranging from 3.37% to 5.47%	$ 1,471,929	$ -	$ (259,873)	$ (275,337)	$ 936,719
County bonds issued in 2008 Series C as part of the Series 1996C refunding that mature annually ranging from $240,000 to $265,000 from 2016 to 2017 bearing interest from 3.75% to 4%	780,000	-	(275,000)	(265,000)	240,000
Long-term capital lease liabilities	$ 2,251,929	$ -	$ (534,873)	$ (540,337)	$ 1,176,719

The following is a schedule of the future minimum lease payments under the capital leases as of December 31, 2016:

	Principal	Interest	Total
2017	$ 533,783	$ 52,190	$ 585,973
2018	312,240	29,209	341,449
2019	330,696	9,921	340,617
	$ 1,176,719	$ 91,320	$ 1,268,039

8. WATER REVENUE BONDS

The Authority has entered into Trust Indentures under which all outstanding bonds have been issued. The Trust Indentures pledge all revenues and other income collected by the Authority for payment of principal and interest on the bonds. The Trust Indentures also generally require establishment of a trust fund called "the water system revenue fund," for which the Authority acts as a trustee, into which all revenue is to be deposited, as well as a debt service reserve fund under which the Authority is required to maintain deposit amounts sufficient to cover the annual debt service or provide a surety bond (as defined in the Trust Indentures) of its bonds. The Authority covenants in its indenture that it will establish water rates sufficient to cover the sum of: (1) 1.2 times debt service, (2) expenses of operating, maintaining, renewing and replacing the water system and maintaining the debt service reserve fund, and (3) any additional amounts required to pay all other charges payable from the Authority's revenue. As of December 31, 2016 and 2015, the Authority is in compliance with its financial covenants.

The balance of the 1993 Series B bonds was repaid in 2016 by the County to the Authority under the terms of the Construction Services Agreement between the County and the Authority dated December 21, 1990.

The Authority issued 2001 series bonds in the amount of $20,000,000 which is entirely payable by Genesee County to the Authority under the terms of the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. The first principal payment on the 2001 Series was made in 2006. During 2007, the bonds were advance refunded by the Authority on behalf of Genesee County with the issuance of the Series 2007 Bonds.

In 2015, the New York State Environmental Facilities Corporation (EFC) refinanced its 2007 series bonds, which included bonds issued for the Authority. The Authority's portion of the bond, $16,425,000, was part of the EFC issue of $367,455,000 State Clean Water & Drinking Water Revolving Fund Revenue Bonds Series 2015D, dated August 13, 2015. The Authority's 2007 series bonds, which were part of the original EFC 2007 financing, remained intact with the Authority receiving its share of the interest savings through credits from EFC at the time of debt service payments. This refinancing and its associated costs will save Genesee County over $2,700,000 over the term of the bond. The entire $16,425,000 continues to be payable by Genesee County to the Authority under the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. In addition, the bond refunding resulted in present value savings to the Authority of $1,470,817.

In 2010, the Authority issued the 2010 Series bonds which refunded the 1993 Series A bonds and the 1997 bonds. This refinancing and its associated costs were paid by the Authority and will save the Authority approximately $773,000 over the term of the bond. In addition, the bond refunding resulted in an economic gain on refunding of $680,000. The excess of the net carrying amount of the refunded bonds over the reacquisition price in the amount of $527,039 has been deferred and was allocated between bond premium and deferred gain on refunding and is being amortized over the term of the new bonds using the straight-line method through 2035.

At December 31, 2016 and 2015, approximately $342,000 and $485,000, respectively of the deferred amount on refunding was included in deferred outflows of resources on the statement of net position. For the year ended December 31, 2016 and 2015, interest expense was $7,441,837 and $7,516,112, respectively on the water revenue bonds. Cash paid for interest was $7,451,887 and $7,571,000, during the years ended December 31, 2016 and 2015.

8. WATER REVENUE BONDS (Continued)

Long-term water revenue bond activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
Bonds issued in 1993 Series B that matured in an annual amount of 825,000 in 2016 bearing interest at 5.25%	$ 825,000	$ -	$ (825,000)	$ -	$ -
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from $575,000 to $1,115,000 from 2017 to 2036 bearing interest ranging from 4.082% to 4.97%	15,860,000	-	(570,000)	(575,000)	14,715,000
Bonds issued in 2010 as part of refunding that mature in annual amounts ranging from $205,000 to $1,230,000 from 2017 to 2035 bearing interest ranging from 3.5% to 4.5%	8,635,000	-	(1,015,000)	(1,055,000)	6,565,000
Bonds issued in 2010 Series A that matures in an annual amount of $1,250,000 in 2017 bearing interest of 2.6%	1,585,000	-	(335,000)	(1,250,000)	-
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from $2,300,000 to $5,775,000 from 2018 to 2042 bearing interest ranging from 4.49% to 6.34%	92,915,000	-	-	-	92,915,000
Bonds issued in 2012 that mature in annual amounts ranging from $175,000 to $410,000 from 2017 to 2037 bearing interest ranging from 3.0% to 5.0%	5,975,000	-	(170,000)	(175,000)	5,630,000
Bonds issued in 2013 that mature in annual amounts ranging from $475,000 to $960,000 from 2017 to 2042 bearing interest ranging from 0.2% to 4.69%	16,595,000	-	(470,000)	(475,000)	15,650,000
Add: Bond premium	1,301,417	-	(81,870)	-	1,219,547
Long-term w ater revenue bond liabilities	$ 143,691,417	$ -	$ (3,466,870)	$ (3,530,000)	$ 136,694,547

8. WATER REVENUE BONDS (Continued)

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

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
Bonds issued in 1993 Series B that mature in an annual amount of 825,000 in 2016 bearing interest at 5.25%	$ 1,605,000	$ -	$ (780,000)	$ (825,000)	$ -
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from $570,000 to $1,115,000 from 2016 to 2036 bearing interest ranging from 4.082% to 4.97%	-	16,425,000	(565,000)	(570,000)	15,290,000
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from $565,000 to $1,115,000 from 2015 to 2036 bearing interest ranging from 4.082% to 4.97%	16,425,000	-	(16,425,000)	-	-
Bonds issued in 2010 as part of refunding that mature in annual amounts ranging from $205,000 to $1,230,000 from 2016 to 2035 bearing interest ranging from 3.5% to 4.5%	9,615,000	-	(980,000)	(1,015,000)	7,620,000
Bonds issued in 2010 Series A that mature in annual amounts ranging from $335,000 to $1,250,000 from 2016 to 2017 bearing interest ranging from 2.19% to 2.6%	1,585,000	-	-	(335,000)	1,250,000
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from $2,300,000 to $5,775,000 from 2018 to 2042 bearing interest ranging from 4.49% to 6.34%	92,915,000	-	-	-	92,915,000
Bonds issued in 2012 that mature in annual amounts ranging from $170,000 to $410,000 from 2016 to 2037 bearing interest ranging from 3.0% to 5.0%	6,135,000	-	(160,000)	(170,000)	5,805,000
Bonds issued in 2013 that mature in annual amounts ranging from $470,000 to $960,000 from 2016 to 2042 bearing interest ranging from 0.2% to 4.69%	17,060,341	-	(465,341)	(470,000)	16,125,000
Add: Bond premium	1,383,288	-	(81,871)	-	1,301,417
Long-term water revenue bond liabilities	$ 146,723,629	$16,425,000	$ (19,457,212)	$(3,385,000)	$ 140,306,417

8. WATER REVENUE BONDS (Continued)

The following is a schedule of the future minimum payments under the water revenue bonds as of December 31, 2016:

	Principal	Interest	Total
2017	$ 3,530,000	$ 7,332,656	$ 10,862,656
2018	4,375,000	7,217,546	11,592,546
2019	4,860,000	7,058,362	11,918,362
2020	3,925,000	6,866,545	10,791,545
2021	4,035,000	6,717,943	10,752,943
2022 - 2026	22,240,000	30,796,540	53,036,540
2027 - 2031	26,805,000	24,618,506	51,423,506
2032 - 2036	32,375,000	16,723,969	49,098,969
2037 - 2041	30,125,000	7,802,366	37,927,366
2042	6,735,000	418,064	7,153,064
	$ 139,005,000	$ 115,552,497	$ 254,557,497

9. PENSION PLAN

New York State and Local Employees' Retirement System Plan Description

The Authority participates in the New York State Employees' Retirement System (NYSERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing, multiple employer public employee retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, 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.

9. PENSION PLAN (Continued)

New York State and Local Employees' Retirement System Plan Description (Continued)
The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

	NYSERS
2016	$ 2,216,347
2015	$ 2,628,166
2014	$ 2,975,247

$554,087 of the cash paid for NYSERS during 2016, represents amounts owed for the period of January 1 - March 31, 2017 and is shown as prepayments and other current assets on the accompanying statement of net position.

$657,042 of the cash paid for NYSERS during 2015, represents amounts owed for the period of January 1 - March 31, 2016 and is shown as prepayments and other current assets on the accompanying statement of net position.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
At December 31, 2016 and 2015, the Authority reported a net pension liability of $9,693,114 and $2,021,835, respectively for its proportionate share of the NYS ERS net pension liability. The net pension liability was measured as of March 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2016, the Authority's proportion was .0603922%, which was an increase from .0598487% which was its proportionate share measured at December 31, 2015.

At December 31, 2015, the Authority's proportion was .0598487%, which was an increase from 0% which was its proportionate share measured at December 31, 2014.

9. PENSION PLAN (Continued)

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

For the year ended December 31, 2016, the Authority recognized pension expense of $3,475,645. At December 31, 2016, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 48,982	$ 1,148,957
Changes in assumptions	2,584,861	
Net difference between projected and actual earnings on pension plan investments	5,750,487	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	41,863	-
Contributions subsequent to the measurement date	2,216,347	-
Total	$ 10,642,540	$ 1,148,957

For the year ended December 31, 2015, the Authority recognized pension expense of $2,628,166. At December 31, 2015, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 64,721
Net difference between projected and actual earnings on pension plan investments	351,167
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	37,548
Contributions subsequent to the measurement date	2,628,166
Total	$ 3,081,602

9. PENSION PLAN (Continued)

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

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

Plan's Year Ended March 31:	2016	Plan's Year Ended March 31:	2015
2017	$ 1,847,885	2016	$ 113,359
2018	1,847,885	2017	113,359
2019	1,847,885	2018	113,359
2020	1,733,581	2019	113,359
	$ 7,277,236		$ 453,436

The Authority recognized $2,216,347 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2016 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

The Authority recognized $2,628,166 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2015 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures to roll forward the total pension liability to March 31, 2015.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014.

9. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.9% indexed by service
Projected COLAs	1.4% compounded annually
Decrements	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.5% compounded annually, net of investment expenses

In 2016, the long-term expected rate of return on pension plan investments was determined using a building-clock method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

In 2015, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of 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 expect 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, 2016 and 2015 are summarized below:

	2016 and 2015	
Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38	7.30
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation-Indexed Bonds	2	4.00
	100%	

9. PENSION PLAN (Continued)

Discount Rate

The discount rate used to calculate the total pension liability in 2016 was 7.0%. The discount rate used in 2015 was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 for 2016 calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Proportionate Share of Net Pension liability (asset)	$ 21,857,269	$ 9,693,114	$ (585,076)

The following presents the Authority's proportionate share of the net pension liability for 2015 calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount 7.50%	1% Increase 8.50%
Proportionate Share of Net Pension liability (asset)	$ 13,476,406	$ 2,021,835	$ (7,648,663)

Pension Plan Fiduciary Net Position (000's)

The components of the current-year net pension liability of the employers as of March 31, 2016 and 2015 were as follows:

	2016	2015
Total pension liability	$ 172,303,544	$ 164,591,504
Net position	(156,232,265)	(161,213,259)
Net pension liability (asset)	$ 16,071,279	$ 3,378,245
ERS net position as a percentage of total pension liability	90.70%	97.90%

10. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The Authority provides certain health care benefits for retired employees. The Authority administers the Retirement Benefits Plan (the Retirement Plan) as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB). In general, the Authority provides health care benefits for those retired personnel who are eligible for a pension through the NYSERS. The Retirement Plan can be amended by action of the Authority subject to applicable collective bargaining and employment agreements.

The number of retired employees currently eligible to receive benefits at December 31, 2016 and 2015 was 134 for both years. The Retirement Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Retirement Plan.

Funding Policy

The obligations of the Retirement Plan are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 10%, depending on when the employee was hired. The Authority will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the Retirement Plan are paid by the Authority. The Authority currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums.

Annual OPEB Cost and Net OPEB Obligation

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

	2016	2015
Annual required contribution	$ 5,197,329	$ 4,794,151
Interest on net OPEB obligation	832,103	675,861
Adjustment to ARC	(1,082,590)	(879,315)
Annual OPEB cost	4,946,842	4,590,697
Contributions made	(1,653,964)	(1,465,852)
Increase in net OPEB obligation	3,292,878	3,124,845
Net OPEB obligation - beginning of year	16,642,068	13,517,223
Net OPEB obligation - end of year	$ 19,934,946	$ 16,642,068

10. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Trend Information

The following table provides trend information for the Retirement Plan:

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percent Contributed	Net OPEB Obligation
2016	$ 4,946,842	$ 1,653,964	33.4%	$ 19,934,946
2015	$ 4,590,697	$ 1,465,852	31.9%	$ 16,642,068
2014	$ 3,266,388	$ 1,256,705	38.5%	$ 13,517,223

Funded Status

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	5.0%
Inflation rate	2.25%
Medical care cost trend rate	8.0%, or 6.0% initially, based on age of employees and type of plan chosen. The rate is reduced by decrements each year to an ultimate rate of 3.886% in 2075.
Prescription drug trend rate	9.0% initially, reduce by decrements each year to an ultimate rate of 3.886% in 2075.
Dental care cost trend rate	4%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the Authority's investment assets are low risk in nature, such as money market funds or certificates of deposit.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Authority has entered into agreements with various water districts, towns and villages whereby the Authority obtains the use of the water facilities and agrees to provide water services to the residents of such districts. A number of these agreements require payments to be made by the Authority equal to the interest and principal due each year on the districts' outstanding debt related to the leased facilities. These agreements are classified as operating leases in the accompanying financial statements and recorded as a component of operating expenses. Any improvements to these facilities are capitalized by the Authority.

Amounts due under these commitments are summarized as follows for the years ending December 31:

2017	$ 43,725
2018	42,694
2019	41,569
2020	40,444
2021	38,569
2022 - 2023	75,220
	$ 282,221

Total rental expense charged to operations amounted to $49,453 and $50,438 during the years ended December 31, 2016 and 2015, respectively.

The Authority has entered into a Water System Construction/Operation Agreement with Genesee County to finance, construct, own, operate and supply water service in the County of Genesee. The Authority plans to develop the Genesee County project in two phases.

Phase I of the project involved the construction of approximately thirty-five miles of water mains financed with the proceeds of the 2001 Series Water Revenue Bonds and capital grants from state and federal agencies (See further disclosure in Note 8). Expenditures of $24,061,115 were incurred for this project since Phase I was completed in 2004.

Phase II of the project has not yet started but will include an additional water main connection to the Authority's system in several towns of Genesee and Monroe Counties. There have been no expenditures incurred for Phase II of the project.

The Authority has entered into an agreement in 2010 whereby Monroe County is to provide certain public security and safety services to the Authority through December 31, 2026.

Amounts due under this agreement are summarized as follows for the years ended December 31:

2017	$ 829,847
2018	829,847
2019	829,847
2020	829,847
2021	829,847
2022 - 2026	4,149,235
	$ 8,298,470

The Authority expensed $1,850,000 and $1,650,000 under this agreement during the years ended December 31, 2016 and 2015, respectively.

11. COMMITMENTS AND CONTINGENCIES (Continued)

Commitments (Continued)

The Authority has entered into a water exchange agreement with the City of Rochester, New York (the City). A stipulation of the agreement required the City to replace its Rush Reservoir with covered storage of water. The project the Authority is required to pay for 54% of the costs of the project, not to exceed a total project cost of $9,000,000. The Authority's maximum commitment is $4,860,000 over 20 years.

Amounts due under this agreement are summarized as follows for the years ended December 31:

2017	$ 243,000
2018	243,000
2019	243,000
2020	243,000
2021	243,000
2022 - 2026	1,215,000
2027 - 2031	1,215,000
2032 - 2033	486,000
	$ 4,131,000

The Authority expensed $243,000 under this agreement during each of the years ended December 31, 2016 and 2015.

Contingencies

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Authority has various insurance policies with third-party carriers related to property protection, casualty and statutory and non-statutory employee protection.

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

12. SELF-INSURANCE

Beginning January 1, 2010, the Authority elected to be self-insured for workers' compensation claims. The Authority transfers its risk of loss through the purchase of commercial insurance for workers' compensation benefits up to a maximum aggregate amount of $5,000,000, subject to a deductible of $400,000 per occurrence. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2016 and 2015, there were no liabilities recorded for workers' compensation claims.

13. RELATED PARTY TRANSACTIONS

The Authority has a contract with the County to supply the Authority with power and natural gas. The contract states that the Authority will purchase power and gas from the County at market value, plus a .6% service fee each year through August 31, 2020. For the years ended December 31, 2016 and 2015, the Authority paid approximately $3,100,000 and $3,500,000, respectively, to the County under the terms of this agreement.

14. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In June 2015, the GASB issued Statement *No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. The Authority is required to adopt the provisions of this Statement for the year ending December 31, 2018, with early adoption encouraged.

In March 2016, GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, Financial Reporting for pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016, except for the requirements of this standard for the selection of assumptions when the Authority's pension liability is measured as of a date other than their most recent fiscal year-end. In that case, the requirements for selection of assumptions are effective for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier adoption is encouraged.

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

The Authority's management has begun to assess the impact of certain of these statements on its future financial statements while others will be assessed in the coming periods.

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Year Ended	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
1/1/2015	12/31/2016	$ -	$ 49,931,423	$ 49,931,423	0.00%	$ 15,486,395	322.4%
1/1/2015	12/31/2015	$ -	$ 46,100,791	$ 46,100,791	0.00%	$ 15,676,570	294.1%
1/1/2013	12/31/2014	$ -	$ 40,499,156	$ 40,499,156	0.00%	$ 15,659,732	258.6%

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of the net pension liability (asset)	0.060%	0.001%								
Proportionate share of the net pension liability (asset)	$ 9,693,114	$ 2,021,835								
Covered-employee payroll	$ 14,584,555	$ 14,724,692								
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	66.46%	13.73%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.70%	97.90%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

MONROE COUNTY WATER AUTHORITY
(A Discretely Presented Component Unit of the County of Monroe, New York)

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 2,628,166	$ 2,975,247								
Contributions in relation to the contractually required contribution	2,628,166	2,975,247								
Contribution deficiency (excess)	$ -	$ -								
Covered-employee payroll	$ 14,584,555	$ 14,724,692								
Contributions as a percentage of covered-employee payroll	18.02%	20.21%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

Bonadio & Co., LLP
Certified Public Accountants

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

March 2, 2017

To the Board of Directors of
Monroe County Water Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Monroe County Water Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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

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APPENDIX B

REPORT OF THE CONSULTING ENGINEER

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OBG | There's a way

December 14, 2017

Mr. Nick Noce, Executive Director
Monroe County Water Authority
475 Norris Drive
Rochester, New York 14610

RE: Series 2017 Bonds
FILE: 00868/ 63358/ 3.10

Dear Mr. Noce:

In accordance with the Trust Indenture and as Consulting Engineer to the Monroe County Water Authority (Authority), we hereby submit the opinion of O'Brien & Gere Engineers, Inc. (OBG) on the existing condition of the Authority's water system in connection with the partial refunding of the Series 2017 Bonds.

AUTHORITY'S WATER SYSTEM

Based on our experience with the design, operation and overall inspection of the Authority's water system, as described below, OBG concludes that the overall water system continues to be operated in a professional manner. Further, OBG is of the opinion that:

- The Authority maintains, preserves and keeps the properties of the Authority's water system in good repair, working order and condition.
- The Authority makes necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto.
- The money budgeted for Operating Expenses, Subordinated Indebtedness, and expenses for repairs, renewals, replacements, or maintenance items are adequate.
- The Authority considers both proactive and reactive projects within the Water System when establishing the annual Capital Improvement Fund.

OBG hereby consents to the inclusion of these opinions and conclusions attributed to it in the Official Statement relating to the Series 2017 Bonds.

400 Andrews Street, Harro East Building
Suite 710, Rochester, NY 14604

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OBG
www.obg.com

METHODOLOGY

OBG has served the Authority since 1972 in various capacities relating to water supply, water distribution and overall system planning, including several years as its consulting engineer.

As the Authority's current Consulting Engineer, OBG annually inspects each of the Authority's production facilities, pumping stations, storage facilities and operations centers with several members of the Authority's staff and management. A System Inspection and Program Review Report is provided to the Authority on an annual basis, which includes a listing of action items and an overall summary of maintenance items for the facilities. Additionally, OBG reviews the preliminary budget on an annual basis and confirms the money budgeted for the upcoming year is adequate and in general compliance with the Trust Indenture.

Very truly yours,

O'BRIEN & GERE ENGINEERS, INC.

Terrance P. Madden, PE
Senior Vice President

cc: Richard J. Metzger, PE – Monroe County Water Authority
Kathleen Prestidge – Monroe County Water Authority
Jennifer L. Olivo, PE – O'Brien & Gere
Michelle L. McEntire, PE – O'Brien & Gere

APPENDIX C

CERTAIN DEFINITIONS

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APPENDIX C

CERTAIN DEFINITIONS

The following is a summary of certain definitions and terms contained in the Indenture or in the Official Statement. This summary does not purport to be complete or definitive and it is qualified in its entirety by reference to provisions of the Indenture or the Official Statement.

"Act" means the Monroe County Water Authority Act, Title 5 of Article 5 of the Public Authorities Law of New York, as originally enacted and as thereafter amended.

"Amended and Restated Genesee County Agreement" means that certain agreement dated as of December __, 2017 between the Authority and Genesee County, which extends the term of the Genesee County Agreement through 2057; consolidates into it that certain (i) Agreement for Specified Wholesale Water Supply to the County of Genesee, dated August 15, 2001, (ii) Facilities Lease Agreement, dated September 25, 2002, and (iii) Supplemental Agreement, dated as of October 8, 2003; accommodates further expansion and improvement to the Water System; and furnishes the supply of water to the proposed Western New York Science and Technology Advanced Manufacturing Park project (the "STAMP Project") from the Authority, and if necessary, one or more alternative public sources.

"Authority" means the Monroe County Water Authority, a body corporate and politic constituting a public benefit corporation, created pursuant to and existing under the Act.

"Authority Bonds" means all Bonds issued by the Authority pursuant to the terms of the Indenture.

"Bond" or "Bonds" means any of the bonds authenticated and delivered under and pursuant to the Indenture.

"Bond Fund" means the fund so designated in the Indenture to pay debt service on Authority Bonds.

"Bondholder", or the term "holder" or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Bond or Bonds or such holders duly authorized attorney-in-fact, representative or assign.

"Capital Improvement" means any water supply system, water distribution system, including plants, works, instrumentalities or parts thereof and appurtenances thereto, dams, reservoirs, water mains, pipe lines, pumping stations, filtration and treatment plants and equipment or any other property incidental to or included in the Water System (whether or not then in existence or to be acquired, installed or constructed), and any lands, easements, rights in land and water rights and rights of way in connection therewith, which the Authority is or shall be authorized by law to construct or develop or acquire for its corporate purposes and shall include any acquisition by the purchase of stock of an existing water company.

"City Agreement" means that certain Exchange Agreement for Water Supply entered into in May 2011 between the Authority and the City of Rochester.

"Code" means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the applicable temporary, proposed, or final regulations promulgated thereunder by the United States Treasury Department.

"Consulting Engineer" means the engineer or engineering firm or corporation retained by or on behalf of the Authority pursuant to the Indenture.

"Cross-over Refunding Bonds" means Bonds issued for the purpose of refunding Bonds or Original Bonds if the proceeds thereof are irrevocably deposited in escrow to secure repayment on an applicable redemption date or maturity date of the related Bonds or Original Bonds being refunded and the earnings on such escrow are required to be used to pay interest on the Cross-over Refunding Bonds.

"Escrow Agent" means the Trustee, as escrow agent.

"Escrow Agreement" means the Trust and Escrow Agreement, dated as of December 21, 2017 between the Authority and the Escrow Agent.

"Escrow Fund" means the account established and administered pursuant to the terms of the Escrow Agreement.

"Fourteenth Supplemental Indenture" means that certain Fourteenth Supplemental Trust Indenture, dated as of December 1, 2017, from the Authority to the Trustee, and pursuant to which the Authority issued the Series 2017 Bonds.

"Genesee County Agreement" means that certain agreement dated May 24, 2000, as amended to date, between the Authority and Genesee County.

"Indenture" means that certain that certain Trust Indenture, dated as of October 1, 1991, from the Authority to The Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the "Trustee"), as amended, modified and supplemented by one or more Supplemental Indentures.

"Monroe County Agreement" means that certain agreement dated as of November 18, 1969, as amended to date, between the Authority and Monroe County.

"Operating Expenses" means the Authority's expenses for operation and maintenance of the Water System and shall include administrative expenses, insurance premiums, financing, accounting, legal and engineering expenses, any payments to pension, retirement, group life insurance, health and hospitalization funds or other employee benefit funds, and any other expenses required to be paid by the Authority under the provisions of the Indenture or by contract, by law or permitted by standard practices for public utility systems similar to the property and business of the Authority and applicable in the circumstances, and the expenses, liabilities and compensation of the Trustee and Paying Agents required to be paid under the Indenture, all to the extent properly attributable to the Water System including payment of taxes or other governmental charges required by law, if any, but shall not include any charge or allowance for depreciation and shall not include moneys payable as rent to the County of Monroe pursuant to the Monroe County Agreement and Chapter 1111 of the Laws of 1969 of the State of New York, each as amended from time to time.

"Paying Agent" means any agency designated by the Authority as an agent to pay the Bonds, and its successors and any other corporation which may at any time be substituted in its place pursuant to the indenture.

"Record Date" means, with respect to any Series of Bonds, the fifteenth (15th) day (whether or not a business day) of the calendar month immediately preceding an interest payment date or such other day as may be provided in any Supplemental Indenture.

"Revenues" means all revenues, rates, fees, charges, rentals and other earned income and receipts (except as otherwise provided in the Indenture), in each case derived by or for the account of the Authority from the operation of the Water System, but excluding moneys held by or for the Authority which do not actually belong to the Authority or which are subject to refund by the Authority and which are held for the account of others, or subject to refund to others.

"Series of Bonds" or "Series" means all Bonds designated as being of the same series issued and delivered on original issuance pursuant to the same Supplemental Indenture in a simultaneous transaction and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

"Series 2007 Bonds" means the Water System Revenue Refunding Bonds, Series 2007.

"Series 2010 Bonds" means the Water System Revenue Bonds, Series 2010.

"Series 2010 A Bonds" means the Water System Revenue Bonds, Series 2010 A.

"Series 2010 B Bonds" means the Water System Revenue Bonds, Series 2010 B (Taxable Build America Bonds).

"Series 2012 Bonds" means the Water System Revenue Bonds, Series 2012.

"Series 2013 Bonds" means the Water System Revenue Bonds, Series 2013.
"Series 2017 Bonds" means the Water System Revenue Refunding Bonds, Series 2017.

"Series 2017 Project" means (a) advance refunding a portion of the outstanding principal balance of the Authority's Water System Revenue Bonds, Series 2010 and (b) paying costs of issuance of the Series 2017 Bonds.

"Sinking Fund Installment" means as of any particular date of computation and with respect to Term Bonds of any particular Series, the amount of money required by the Supplemental Indenture authorizing such Series of Bonds to be set aside at all events on a single future date for retirement of the Bonds of such Series but does not include any amount payable by the Authority by reason only of the maturity of such Bonds.

"Subordinated Indebtedness" means moneys payable as rent to the County of Monroe pursuant to the Monroe County Agreement and Chapter 1111 of the Laws of 1969 of the State of New York, each as amended from time to time, and any other indebtedness of the Authority which is not on a parity with the Bonds issued under this Indenture.

"Supplemental Indenture" means any supplemental indenture adopted by the Authority pursuant to and in compliance with the provisions of Article II of the Indenture providing for the issuance of Bonds and shall also mean any other supplemental indenture adopted by the Authority pursuant to and in compliance with the provisions of Article IX of the Indenture amending or supplementing the provisions of the Indenture.

"Term Bonds" means the Bonds of a Series of which all the Bonds mature on a single date.

"Water System" means the source of water supply and the water supply and distribution system of the Authority, including the plants, works, instrumentalities or parts thereof and appurtenances thereto, lands, easements, rights in lands and water rights, rights-of-way, contract rights, franchises, approaches, connections, dams, reservoirs, water mains and pipe lines, pumping stations and equipment, filtration and treatment plants and other property, real, personal, or mixed, incidental to and included in such source of supply and such system or parts thereof, and any improvements, extensions and betterments, now or hereafter constructed, acquired (including by lease) or made by the Authority.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and it is qualified in its entirety by reference to provisions of the Indenture.

Authorization and Issuance of Bonds

The issue of Bonds of the Authority authorized and secured by the Indenture are designated "Water System Revenue Bonds". The Bonds may be issued in one or more Series pursuant to the terms, conditions and limitations of the Indenture. Bonds may be issued at any time and from time to time for any corporate use or purpose. Each Series of Bonds issued pursuant to the Indenture shall be authorized by a Supplemental Indenture, which shall specify and determine all matters required by law to be specified and determined prior to the issuance of such Series.

Issuance of Refunding Bonds

The Trustee shall not deliver to the Authority any Refunding Bonds unless there shall have been delivered to the Trustee, among other things, copies of approving resolutions, a certificate of the Authority as to no default under the Indenture, certain terms for Cross-over Refunding Bonds, and a certificate of the Authority stating either (i) that the debt service on the Refunding Bonds in any year is no more than 110% of the debt service in such year for the related Bonds being refunded, or (ii) if (i) is not the case, that the requirements for the issuance of Additional Bonds have been met.

Issuance of Additional Bonds

The Trustee shall not deliver to the Authority any Additional Bonds unless there shall have been delivered to the Trustee, among other things, copies of approving resolutions, a certificate of the Authority as to no default under the Indenture, a certificate of an Accountant selected by the Authority (1) setting forth for any consecutive twenty-four (24) month period in the previous thirty-six (36) months, the Revenues for such period, and (2) showing that one-half of such Revenues would be sufficient to meet the rate covenant set forth in the Indenture for the current fiscal year with respect to all Bonds to be outstanding at any time during such year, including the Additional Bonds proposed to be issued under the Indenture. In the event the Authority does not furnish the certificate referred to in the preceding clause, a certificate of the Consulting Engineer setting forth the estimated Revenues (assuming completion of construction or acquisition on its then estimated completion date) for whichever of the following periods shall extend until the latest date: (1) if the Supplemental Indenture authorizing the Series of Bonds being issued requires that interest on such Bonds be capitalized until a certain date, for each of the three fiscal years succeeding such date, or (2) if the Supplemental Indenture authorizing the Series of Bonds being issued does not require that interest be capitalized, for the then current fiscal year and each of the next four succeeding fiscal years; and, in addition, a certificate of an Authorized officer of the Authority showing the total aggregate debt service on Bonds for each of the fiscal years set forth in the Consulting Engineer's certificate and showing that estimated Revenues as shown in the Consulting Engineer's certificate for each of such fiscal years would be sufficient to meet the rate covenant set forth in the Indenture for each of such fiscal years with respect to all Bonds to be outstanding at any time during such years.

Neither of the certificates referred to in the last two clauses of the preceding paragraph shall apply to: (1) the Series 1991 Bonds; (2) certain Refunding Bonds; (3) any Series of Bonds all of the proceeds of which are to be applied to pay construction or acquisition costs of a Capital Improvement necessary, as expressed in a Consulting Engineer's certificate, to prevent a loss of Revenue therefrom, or to comply with requirements of any governmental agency having jurisdiction over the Authority; (4) completion bonds; or (5) any Series of Bonds, the aggregate principal amount of which does not in any fiscal year exceed ten percent (10%) of Revenues for the most recent fiscal year prior to the issuance of such Series of Bonds for which audited financial statements are available, all as expressed in a certificate of the Authority; provided that the Trustee shall have received a certificate of the Authority showing the estimated Revenues for the current fiscal year are sufficient to meet the rate covenant set forth in the Indenture for such fiscal year with respect to all Bonds to be outstanding at any time during such year including the Additional Bonds proposed to be issued.

Bond Anticipation Notes

Whenever the Authority shall be permitted to issue notes representing loans in anticipation of the sale of bonds, the Authority may by resolution authorize the issuance of bond anticipation notes in anticipation of the sale of such bonds. The principal of any such notes shall be payable through the issuance of bonds in anticipation of which they were issued or, subject to rights of the holders of Bonds outstanding hereunder, from the proceeds of Bonds or from any other moneys of the Authority available therefor. Bond anticipation notes shall not be issued in an amount exceeding the principal amount of the bonds in anticipation of the sale of which such notes are proposed to be issued.

The Authority shall by resolution prescribe the form and details of such bond anticipation notes and the manner of their execution, consistent with the laws applicable to the Authority in effect at the time of the issuance of such notes, and no notes including renewals thereof shall mature later than five (5) years from the date of issue of the original notes or such other longer or shorter term as may be available pursuant to applicable law.

For all purposes of the Indenture, the Trustee shall treat the obligation of the Authority to pay interest as though it were an obligation of the Authority to pay interest on Additional Bonds. The principal and interest of all bond anticipation notes shall be payable at the office of the Trustee.

For the purposes of determining compliance with the covenants contained in the Indenture, as of the date of issuance of any Series of bond anticipation notes, the aggregate principal amount of all outstanding bond anticipation notes (including such Series) shall never exceed the principal amount of a hypothetical Series of Bonds which could be issued hereunder having an assumed final maturity of thirty (30) years, bearing an assumed rate of interest equal to the highest rate then borne by any bond anticipation note then outstanding (or, if none, the interest rate borne by the bond anticipation notes to be issued) and having debt service due in each fiscal year in approximately equal amounts.

Transferring and Exchange of Bonds

A Bond may be transferred on the books of the Authority by the person in whose name it is registered, in person or by such owner's duly authorized attorney, upon surrender of the Bond to the Trustee, accompanied by a duly executed written instrument of transfer. The Trustee shall require the payment by the holder of the Bond requesting a transfer of any tax or other governmental charges required to be paid with respect to such transfer.

A Bond may be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any authorized denominations upon surrender of the Bond to the Trustee, accompanied by a duly executed assignment in form satisfactory to the Trustee. The Trustee shall require the payment by the holder of the Bonds requesting an exchange of any tax or other governmental charges required to be paid with respect to said exchange.

Revenues and Revenue Funds

The Indenture establishes the following funds:

(a) Water System Revenue Fund, to be held by the Authority;

(b) Operating and Maintenance Fund, to be held by the Authority;

(c) Bond Fund, to be held by the Trustee;

(d) Subordinated Indebtedness Fund, to be held by the Authority;

(e) General Fund, to be held by the Authority; and

(f) Capital Improvement Fund, to be held by the Trustee.

In addition, the Indenture authorizes the creation of the Escrow Fund pursuant to the terms of the Escrow Agreement.

In the Indenture, the Authority covenants that it will pay or cause to be paid into the Water System Revenue Fund, all Revenues, and all Revenues are pledged to secure the payment of the principal of, premium, if any, and Redemption Price of and interest on the Bonds, subject to the rights of the holders of Original Bonds.

Operating and Maintenance Fund

All Operating Expenses of the Authority shall be paid from the Operating and Maintenance Fund. Moneys shall be transferred from the Revenue Fund as required to pay such Operating Expenses. Such payments shall be prior to any payment to other funds and accounts established pursuant to the Indenture.

Bond Fund

Moneys in the Bond Fund shall be used solely for the purpose of paying the principal, premium, if any, and interest on the Bonds and the cost of issuance of the Bonds.

1. The Trustee shall create a separate account in the Bond Fund to be known as the "Interest Account". Unless otherwise provided in a Supplemental Indenture, the Authority shall pay to the Trustee, and the Trustee shall credit to the Interest Account an amount such that, if the same amount were so credited to the interest Account in each calendar month thereafter until the next interest payment date of the Bonds of such Series, the aggregate of the amounts so credited would be equal to the installment of interest due on all Bonds of such Series.

2. The Trustee shall create a separate account in the Bond Fund to be known as the "Principal Account". Unless otherwise provided in a Supplemental Indenture, the Authority shall pay to the Trustee, and the Trustee shall credit to the Principal Account an amount such that, if the same amount were so credited to the Principal Account in each calendar month thereafter, prior to the next principal payment date on the Serial Bonds of such series, the aggregate of the amounts so credited would be equal to the installment of principal due on the Serial Bonds of such Series. In the event of a redemption or acceleration of the Bonds of a Series, moneys for the payment of Redemption Price shall be deposited into the Principal Account for such Series of Bonds.

3. The Trustee shall create a separate account in the Bond Fund to be known as the "Sinking Fund Installment Account" in order to meet the specified sinking fund installment requirements of Term Bonds and otherwise to retire Bonds prior to maturity. Unless otherwise provided in a Supplemental Indenture, the Authority shall pay to the Trustee, and the Trustee shall credit to the Sinking Fund Installment Account an amount such that, if the same amount were so credited to the Sinking Fund Installment Account in each calendar month thereafter, prior to the next date upon which a sinking fund installment falls due on the Term Bonds of such Series, the aggregate of the amounts so credited would on such date be equal to the sinking fund installment due on the Term Bonds of such Series.

4. [Reserved].

5. The Trustee shall create a separate account in the Bond Fund to be known as the "Cost of Issuance Account" for each Series of Bonds, each such account to be known as the "Cost of Issuance Account, Series ____" using the Series designation of the Bonds to which such account relates. The Cost of Issuance Account Requirement for each Series of Bonds shall be that amount, if any, required in the Supplemental Indenture providing for the issuance of such Series of Bonds as the Cost of Issuance Account Requirement for such Series of Bonds. In the event a Cost of Issuance Account Requirement is prescribed, the Supplemental Indenture providing for the issuance of a Series of Bonds shall provide for payments into the Bond Fund for credit to the appropriate Cost of Issuance Account from the proceeds of Bonds. The moneys in the Bond Fund on credit to a Cost of Issuance Account shall be used and applied solely for the purpose of paying the costs of issuance of such Series of Bonds, and shall be disbursed by the Trustee upon submission by the Authority of proper invoices for costs of issuance. No Bonds other than the Series of Bonds for which such account has been created shall have any right to be paid from such account.

6. Moneys on deposit in the Bond Fund shall be transmitted by the Trustee to any Paying Agent at such times as shall be necessary on or prior to the date upon which any installment of interest or principal is due on the Bonds (either at the maturity date thereof or redemption date prior to maturity) to pay, and in amounts sufficient to meet such installments of, principal of, premium, if any, and interest on the Bonds, then due. In the event that there shall be a deficiency in the Interest Account, Principal Account or Sinking Fund Installment Account on the Business Day before any interest, principal or sinking fund payment is due on a Series of Bonds, the Trustee shall promptly make up such deficiency from any debt service reserve account (a "Debt Service Reserve Account") for such Series by the withdrawal of cash therefrom for that purpose or by the sale or redemption of Authorized Investments held in the Debt Service Reserve Account, if necessary, in such amounts as will provide cash in the Debt Service Reserve Account sufficient to make up any such deficiency or by the transfer of Authorized Investments (or undivided interests therein) in which moneys in the Interest Account, Principal Account or Sinking Fund Installment Account, as the case may be, may be invested, or by taking such steps as may be necessary to realize the benefit of any surety bond, insurance policy, letter of credit or similar device deposited in the Debt Service Reserve Account for such Series.

Subordinated Indebtedness Fund

The Authority shall withdraw from the Water System Revenue Fund for deposit in the Subordinated Indebtedness Fund an amount equal to the greater of (i) one-twelfth of the total amount required to meet the Authority's Lease obligations to the County of Monroe and any other Subordinated Indebtedness payments for such fiscal year, or (ii) an amount required to increase the total amount paid into said fund during such year to an amount necessary to meet the Subordinated Indebtedness payments due in the next succeeding month.

The Authority shall pay from time to time out of the Subordinated Indebtedness Fund all amounts required to be paid as lease obligations to the County of Monroe and any other amounts required to be paid on Subordinated Indebtedness, or to reimburse the General Fund for amounts advanced therefor.

General Fund

All remaining Revenues of the Authority, after deposit of the amounts required in the Funds heretofore described, shall be deposited in the General Fund. Moneys in the General Fund may be used for any lawful purposes of the Authority.

Investments of Funds

1. Moneys in each of the Water System Revenue Fund, the Operating and Maintenance Fund, the Subordinated Indebtedness Fund and the General Fund not required for immediate disbursement for the purpose for which such Fund is established may, to the fullest extent practicable and reasonable, be invested and reinvested solely in Authorized Investments.

2. Moneys in the Interest Account, Principal Account, Sinking Fund Installment Account and Debt Service Reserve Account in the Bond Fund may, to the fullest extent practicable and reasonable, be invested and reinvested solely in investments specified in items (i), (ii) and (iii) of the definition of Authorized Investments.

Excess Funds

In the event any of the above-referenced Funds has more than 110% of the amount required to be deposited therein, the Authority may transfer the excess funds into the General Fund.

Construction Funds

Whenever any Supplemental Indenture shall require the deposit of any part of the proceeds of any Series of Bonds in a Construction Fund, the Trustee or the Authority shall establish and hold in trust a Construction Fund and the moneys deposited therein shall be applied only to the Capital Improvements designated in the Supplemental Indenture providing for the issuance of such Series of Bonds. Each such Construction Fund shall be identified by such appropriate particular designation as may be determined by the Authority and as may be necessary to distinguish such fund from other Construction Funds. In the event any interest on such Bonds is to be capitalized from the proceeds of such Bonds, there shall be created in the Construction Fund a "Construction Interest Account".

The moneys held in any Construction Fund shall be subject to a lien and charge in favor of the holders of the Bonds and shall be held for the security of the holders until paid out from such fund for the cost of the Capital Improvements for which such Bonds were issued.

From the proceeds derived from the sale of Bonds for Capital Improvements there shall be deposited:

1. With the Authority or the Construction Fund Custodian, as the case may be, for credit to the Construction Interest Account (if any, otherwise with the Trustee for deposit in the Bond Fund for credit to the Interest Account), an amount equal to the accrued interest on the Bonds paid as part of the purchase price;

2. With the Authority or the Construction Fund Custodian, as the case may be, for credit of such Construction Interest Account, if any, otherwise with the Trustee for deposit in the Bond Fund for credit to the Interest Account, the amount, if any, equal to the interest on the Bonds during the construction period being capitalized from the proceeds thereof;

3. With the Trustee for payment into the Bond Fund for credit to the applicable Debt Service Reserve Account the amount prescribed in the applicable Supplemental Indenture; and

4. With the Authority or the Construction Fund Custodian, as the case may be, for credit to the applicable Construction Fund the balance of the Bond proceeds, which shall be applied to the payment of the Capital Improvement. Any balance remaining in such Construction Fund upon completion of such Capital Improvement shall be used for any lawful purpose of the Authority. Moneys credited to the Construction Interest Account shall be used for the purpose of paying interest on the Bonds.

New Construction Fund and Capital Improvement Fund

The Authority may, in its discretion and from time to time, authorize the transfer of moneys into the New Construction Fund from the Construction Fund (subject to limitations set forth in the Indenture) or from the General Fund. Moneys held in the New Construction Fund shall be used to pay for or reimburse the Authority for a Capital Improvement.

The Authority may, in its discretion and from time to time, authorize the transfer of moneys into the Capital Improvement Fund from the General Fund. Moneys held in the New Construction Fund shall be used to pay for, or reimburse the Authority for, a Capital Improvement.

Investment of Construction Fund, Capital Improvement Fund and New Construction Fund Moneys

Unless otherwise specified in any Supplemental Indenture, moneys in the Construction Fund and moneys in the New Construction Fund and the Capital improvement Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested solely in Authorized Investments.

Annual Budget

At the beginning of each calendar year, the Authority shall prepare and file with the Trustee an annual budget of Operating Expenses, Subordinated Indebtedness and expenses for repairs, renewals, replacements or maintenance items.

Any annual budget may be amended by the Authority at any time in the year for which it is adopted provided the amendment is supported by a certificate of the Consulting Engineer recommending such amendment. Any change in the application of moneys within a category of expenses itemized in the annual budget shall not be deemed to be an amendment of the annual budget. Any increase or decrease of twenty percent (20%) or less in the required payments into the Subordinated Indebtedness Fund from the amount budgeted should not be deemed to be an amendment of the annual budget.

If for any reason whatsoever, the annual budget for any year shall not have become effective at the beginning of such year, then and in such event, until the annual budget for such year shall become effective, the annual budget for the preceding year, if any, shall be deemed to be the annual budget for the purpose of determining the amounts to be paid by the Trustee for deposit in the Fund pursuant to the Indenture.

Copies of each Annual Budget and of any amendments thereof and of any certificates of the Consulting Engineer shall be filed with the Trustee for inspection of the Bondholders and copies thereof shall be mailed to every Bondholder who within one year prior thereto shall have filed with the Authority a statement of his name and address together with a request for such copies.

Particular Covenants

In the Indenture, the Authority covenants as follows:

To Maintain the Properties of the Water System; To Keep the System in Good Repair

Except as otherwise provided in the Indenture, the Authority shall (i) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Water System and all additions and betterments thereto and extensions thereof, and every part and parcel thereof in good repair, working order and condition, (ii) from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted, (iii) comply, or cause to be complied with the terms and conditions of any permit or license for the Water System or any part thereof issued by any federal or state governmental agency or body and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Water System or requiring a license, permit or approval therefor.

Rate Covenant

The Authority shall fix, establish and collect, or cause to be fixed, established and collected, rates, tolls, rents and other charges for the water distributed by it and for any services or facilities sold, furnished or supplied by the Water System or any part thereof, which rates, tolls, rents and charges shall be sufficient in each Fiscal Year to produce Revenues in such fiscal year which together with other moneys which lawfully may be applied to the purpose, will be equal to at least the sum of (A) 1.2 times an amount equal to debt service for such fiscal year on all Bonds less amounts to be received from the County of Monroe or the County of Genesee during such year pursuant to any contract between the Authority and the County of Monroe or the County of Genesee which specifically obligates the particular county to pay debt service on one or more Series of Bonds, (B) the necessary expenses of operating, maintaining, renewing and replacing the Water System and maintaining the Debt Service Reserve Accounts in the Bond Fund and paying required amounts into the Subordinated Indebtedness Fund and (C) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Revenues in such fiscal year

Sale, Lease or other Disposition of Properties of the Water System

The Authority shall not sell, mortgage, lease or otherwise dispose of the properties of the Water System except as provided below:

(1) The Authority may sell, lease or otherwise dispose of any part of the properties comprising the Water System having a value of $1,000,000 or less on such terms and conditions as may be prescribed by the Authority. The Authority may sell, lease or otherwise dispose of any part of the properties comprising the Water System having a value in excess of $1,000,000 if the Consulting Engineer shall certify to the Authority in writing that such terms and conditions of the proposed sale, lease or the disposition of any such properties are fair and reasonable, and that the estimated Revenues to be derived from the remaining properties of the Water System after taking into consideration the use by the Authority of the proceeds of such proposed sale, lease or other disposition of such properties, will be sufficient to enable the Authority to comply with all covenants and conditions of the Indenture. Proceeds of any sale, lease or other disposition of any portion of the properties of the Water System pursuant to this paragraph shall be paid: (i) if such proceeds are not in excess of $100,000, into the Water System

Revenue Fund; or (ii) if such proceeds are in excess of $100,000, (A) into the Sinking Fund Installment Account in the Bond Fund and applied to the purchase or redemption of Bonds or (B) into the Water System Revenue Fund and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water System, as the Authority shall determine.

(2) The Authority may sell, lease, or otherwise dispose of surplus lands, crops, timber, buildings and any other portion of the works, plant and facilities of the Water System and real and personal property comprising a part thereof, which, in the opinion of the Authority, shall have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the Water System, or no longer necessary, material to, or useful in such operation. Proceeds of any such sale, lease or other disposition of any portion of the properties of the Water System pursuant to this paragraph shall be paid into the Water System Revenue Fund.

(3) In the event that any part of the properties comprising the Water System shall be transferred from the Authority through the operation of law (including condemnation), any moneys received by the Authority as a result thereof shall be paid (i) if such proceeds are not in excess of $100,000, into the Water System Revenue Fund, or (ii) if such proceeds are in excess of $100,000, into the General Fund and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water System, as the Authority shall determine.

(4) Any portion of the Water System owned by the County of Monroe and leased to the Authority pursuant to that certain Agreement, dated as of November 18, 1969, as amended, will be governed by such Agreement and applicable provisions of law.

Insurance

(A) Except as provided in paragraph (B) hereof, the Authority shall keep, or cause to be kept, the works, plants and facilities comprising the properties of the Water System and the operations thereof insured to the extent available at reasonable cost with responsible insurers, with policies payable to the Authority, against risks of direct physical loss, damage to or destruction of the Water System, or any part thereof, at least to the extent that similar insurance is usually carried by utilities operating like properties against accidents, casualties or negligence, including liability insurance and employer's liability; provided, however, that any time while any contractor engaged in constructing any part of the Water System shall be fully responsible therefor, the Authority shall not be required to keep such part of the Water System insured. All policies of insurance shall be for the benefit of the holders of the Bonds and the Authority as their respective interests may appear.

In the event of any loss or damage to the properties of the Water System covered by insurance, the Authority will (i) with respect to each such loss, promptly repair and reconstruct to the extent necessary to the proper conduct of the operations of the Water System the lost or damaged portion thereof and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless, in case of loss or damage involving $100,000 or more, the Authority shall determine that such repair and reconstruction not be undertaken; and (2) if the Authority shall not use the entire proceeds of such insurance to repair or reconstruct such lost or damaged property, the proceeds of such insurance policy or policies of any portion thereof not used for such repair or reconstruction, as the case may be, shall be paid into the Water System Revenue Fund.

(B) If the Authority elects to self-insure or fails to carry insurance against any of the risks normally insured against by operators of facilities similar to the Water System, it must secure the concurrence of the Consulting Engineer. In making its decision whether to concur in such self-insurance, the Consulting Engineer shall (i) make an estimate of the added financial risks, if any, assumed by the Authority as a result of the self-insurance; (ii) consider the availability of commercial insurance, the terms upon which such insurance is available and the costs of such available insurance, and the effect of such terms and costs upon the Authority's costs and charges for its services; (iii) determine whether the added financial risk, if any, being assumed by the Authority is prudent in light of the savings to be realized from such self-insurance or in light of the general availability of insurance.

Consulting Engineer

The Authority shall retain and appoint, as Consulting Engineer, an independent consulting engineer or engineering firm or corporation having special skill, knowledge and experience in analyzing the operations of water utility systems, preparing rate analyses, forecasting the loads and revenues of water utility systems, preparing feasibility reports respecting the financing of water utility systems and advising on the operation of water facilities, who shall be available to advise the Authority, upon request, and to make such investigations and determinations as may be necessary from time to time under the provisions hereof. In addition to the other duties of the consulting Engineer pursuant hereto, the Consulting Engineer shall, on or before October 15 of each year make an examination of and report on the properties and operations of the Water System. Each such report shall be in sufficient detail to show whether the Authority has satisfactorily performed and complied with the covenants, agreements and conditions set forth herein, the sufficiency of the amount being charged and collected for services under the requirements hereof, the proper maintenance of the Water System, and the making of repairs, renewals, replacements, modifications, additions and betterments necessary or desirable to improve operating reliability or reduce costs and recommendations thereof. If the Authority in any material way shall have failed to perform or comply with such covenants, agreements and conditions contained herein, such report shall specify the details of such failure. A copy of each such report shall be filed with the Authority and the Trustee and sent to any Bondholder filing with the Trustee a written request for a copy thereof. On the filing of such report, the Authority shall undertake a review of such report and shall cause the prompt taking of such action as shall be necessary to fully perform and comply with the covenants, agreements and conditions of the Indenture as to which the report specified such failure of performance or compliance.

Not to Furnish Free Service; Enforcement of Accounts Due

So long as any Bonds issued pursuant to the Indenture are outstanding and unpaid, the Authority will not furnish or supply water or any other commodity, service or facility furnished by it or in connection with the operation of the Water System, free of charge to any person, firm or corporation, public or private, and the Authority will promptly enforce the payment of any and all accounts owing to the Authority by reason of the ownership and operation of the Water System, provided, however, a continuation of service at a rate or in a manner required by any existing contract in force on the date the Indenture was executed by the parties thereto shall not constitute a breach of this covenant.

Protection of Security

The Revenues and other moneys, securities and funds pledged pursuant to the Indenture are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created hereby, except as otherwise expressly provided in the Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Indenture and each Supplemental Indenture and all the rights of the Bondholders against all claims and demands of all persons.

Arbitrage Covenant; Rebate Fund

The Authority covenants with the holders from time to time of the Bonds that (i) throughout the term of the Bonds and (ii) through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") it will comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Bonds shall be and continue to be excluded from gross income for federal income tax purposes under said Section 103.

If and to the extent necessary to comply with any covenant established in a Supplemental Indenture with respect to a Series of Bonds regarding maintaining the exemption of interest on such Bonds from federal income taxation, the Authority and the Trustee shall establish in the Supplemental Indenture providing for the issuance thereof a rebate fund (the "Rebate Fund"). Moneys in the Rebate Fund are not available for the benefit of holders of Bonds and are not pledged to payment of the Bonds or interest thereon.

Events of Default

Each of the following events is defined as an "Event of Default":

(a) if payment of the principal (including a Sinking Fund Installment) of or premium, if any, on any Bond shall not punctually be made when due and payable, whether at the stated maturity thereof or upon proceedings for the redemption thereof (whether by voluntary redemption or a mandatory sinking fund redemption or otherwise);

(b) if payment of the interest on any Bond shall not punctually be made within fifteen (15) days after the date such payment is due;

(c) if the Authority shall fail to duly and punctually perform or observe any other of the covenants, agreements or conditions contained in this Indenture or in the Bonds, on the part of the Authority to be performed, and such failure shall continue for ninety (90) days after written notice thereof from the Trustee or the holders of not less than twenty-five percent (25%) of the Bonds then outstanding; provided that, if such failure shall be such that it cannot be corrected within such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(d) if an order, judgment, or decree shall be entered by any court of competent jurisdiction, with the consent or acquiescence of the Authority, or if such order, judgment or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or set aside or discharged or stayed (or in case custody or control is assumed by said order, such custody or control shall not otherwise be terminated) within ninety (90) days after the entry thereof (and if appealed, shall not thereafter be vacated or discharged: (i) appointing a receiver, trustee or liquidator for the Authority or for the Water System or any part of the Water System; or (ii) assuming custody or control of the Water System or any part thereof under the provisions of any law for the relief or aid of debtors; or (iii) approving a petition filed against the Authority under the provisions of Chapter IX of an act to establish a uniform Law on the Subject of Bankruptcies II USC 901-946; or (iv) Bankruptcy Act, or under any other applicable Bankruptcy Act, which shall give relief substantially similar to that afforded by said Chapter IX; and

(e) if the Authority shall (i) admit in writing its inability to pay its debts generally as they become due; or (ii) file a petition in bankruptcy or seeking a composition of indebtedness; or (iii) make an assignment for the benefit of its creditors; or (iv) file a petition or any answer seeking relief under the Bankruptcy Act referred to in the preceding clause, or under any amendment thereto, or under any other applicable bankruptcy act which shall save relief substantially the same as that afforded by Chapter IX of said act; or (v) consent to the appointment of a receiver of the whole or any substantial part of the Water System; or (vi) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the Authority or of the whole or any substantial part of the Water System.

Notice to Bondholders of Event of Default

The Trustee, within ninety (90) days after the occurrence of an Event of Default, shall give to the Bondholders notice of all defaults known to the Trustee, unless such defaults shall have been cured before the giving of such notice.

Remedies

The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, upon demand of the Trustee, the Authority shall pay over to the Trustee and cause any Construction Fund Custodian to pay over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority and pledged under this Indenture, and moneys, securities and funds then held by any Construction Fund Custodian, and (ii) as promptly as practicable after receipt thereof, all Revenues.

During the continuance of an Event of Default due to payment failure, the Revenues received by the Trustee or by a Bondholders' Committee shall be applied by the Trustee or by the Bondholders' Committee, as the case may be, first to the payment of all necessary and proper Operating Expenses of the Water System and all other proper disbursements or liabilities made or incurred by the Trustee or by the Bondholders' Committee, as the case may be; secondly, to the then due and overdue payments into the Bond Fund, including the making up of deficiencies therein; and lastly, for any lawful purpose in connection with the Water System.

Upon an Event of Default, the Trustee or a Bondholders' Committee representing the holders of not less than a majority of the Bonds at the time outstanding, as a matter of right against the Authority, without notice or demand, and without regard to the adequacy of the security for the Bonds, shall, but only if and to the extent then permitted by law be entitled to take possession and control of the business and properties of the Water System. Upon taking such possession, the Trustee or such Bondholders' Committee shall operate and maintain the Water System, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for water distributed through the facilities of the Water System and collect the Revenues of the Water System.

Upon the occurrence of an Event of Default and at any time while such Event of Default shall be continuing, the Trustee or the holders of twenty-five percent (25%) or more in principal amount of the Bonds then outstanding or at any committee therefor shall, but only if and to the extent then permitted by law, be entitled to the appointment of a receiver to take possession of the Water System, to manage, and receive and apply the Revenues.

Notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from any moneys, securities, funds and Revenues deposited or pledged with it under the Indenture or agreed or provided to be delivered to or deposited or pledged with it under the Indenture.

Bondholders' Committee

Upon the occurrence of an Event of Default and at any time such Event of Default shall be continuing, the holders of not less than twenty percent (20%) in principal amount of the Bonds then outstanding may call a meeting of the holders of Bonds for the purpose of electing a Bondholders' Committee. At such meeting, the holders of not less than a majority of the principal amount of the Bonds then outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business. The Bondholders present in person or by proxy may, by the votes cast by the holders of a majority in principal amount of the Bonds so present in person or by proxy, elect one or more persons who may or may not be Bondholders to the Bondholders' Committee, which shall act as trustee for all Bondholders.

Suits by Individual Bondholders

Except as otherwise specifically provided in the Indenture, no holder of any of the Bonds shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default and the holders of at least twenty percent (20%) in principal amount of the Bonds then outstanding shall have filed a written request with the Trustee and shall have offered it reasonable opportunity either to exercise the power granted under the Indenture or to institute such action, suit or proceeding in its own name, and unless such Bondholder shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for a period of sixty (60) days after the receipt by it of such notice, request and offer of indemnity shall have refused to comply with such request; it being understood and intended that, except as above provided, no one or more holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under this Indenture, except in compliance with the conditions precedent to the initiation of such litigation as herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all holders of the outstanding Bonds.

Defeasance

(a) The obligations of the Authority under the Indenture and the liens, pledges, charges, trusts, covenants and agreements of the Authority made or provided for under the Indenture, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding under the Indenture,

(i) when such Bond shall have been cancelled, or shall have been surrendered for cancellation or is subject to cancellation, or shall have been purchased by the Trustee from moneys held under the Indenture; or

(ii) as to any Bond not cancelled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and premium if any, on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Trustee or a Paying Agent for such Bond, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Investment Securities maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, whichever the Authority deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee and said Paying Agents.

At such time as a Bond shall be deemed to be no longer outstanding hereunder, as aforesaid, such Bond, except for the purposes of any payment from such moneys or Investment Securities, shall no longer be secured by or entitled to the benefits of the Indenture.

Amending and Supplementing of Indenture Without Consent of Holders of Bonds

The Authority, from time to time and at any time and without the consent or concurrence of any holder of any Bond, may approve an Indenture amendatory hereof or supplemental to the Indenture (herein defined and referred to as a "Supplemental Indenture"), (i) for the purpose of providing for the issuance of Bonds, or (ii) if the provisions of such Supplemental Indenture shall not adversely affect the rights of the holders of the Bonds then outstanding, for any one or more of the following purposes:

1. to make any changes or corrections in the Indenture as to which the Authority shall have been advised by counsel that the same are verbal corrections or changes or are required for or the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Indenture, or to insert in this Indenture such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable;

2. to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds;

3. to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture;

4. to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge, or charge, created or to be created by the provisions of the Indenture;

5. to grant or to confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant or to confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, duties, remedies, powers, authority or security or to provide for additional security;

6. to supplement or amend the Indenture as permitted under the Indenture, including, but not limited to, supplement for the issuance of Additional Bonds;

7. to provide for the deposit of any Revenues into an additional fund, so long as deposits to such fund are made after deposits into the Bond Fund, or to effect any other modification, amendment or supplement to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the interests of the Trustee or Bondholders;

8. to modify, amend or supplement the Indenture for or the purpose of (i) obtaining or maintaining a rating on the Bonds or any Series of Bonds, or (ii) obtaining or maintaining credit enhancement for the Bonds or any Series of Bonds or for any Debt Service Reserve Requirement for any Series of Bonds;

9. to modify, amend or supplement the Indenture to effect a change which, based upon a certificate of the Consulting Engineer, does not adversely affect Revenue available for debt service on the Bonds; or

10. to make any change necessary, in the opinion of nationally recognized bond counsel, to maintain the exclusion from gross income for federal income tax purposes of interest on any outstanding tax-exempt Bond.

Amendment of Indenture With Consent of Holders of Bonds

With the consent of the holders of not less than a majority of the Bonds then outstanding, the Authority from time to time, and at any time, may approve a Supplemental Indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture, or modifying or amending the rights and obligations of the Authority under the Indenture or modifying or amending in any manner the rights of the holders of the Bonds then outstanding provided, however, that without the specific consent of the holder of each such Bond which would be affected thereby, no Supplemental Indenture amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the Redemption Price (or the redemption premium) payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any Supplemental Indenture amending or supplementing the provision of the Indenture; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby; or (4) authorize the creation of any pledge of the Revenues and other moneys pledged hereunder, prior, superior or equal to the pledge of a lien and charge thereon created herein for the payment of the Bonds except to the extent provided; or (5) deprive any holder of the Bonds in any material respect of the security afforded by the Indenture; provided further, however, that, in addition to those of items (1) through (5) as shall be applicable thereto, without the specific consents of the holders of not less than a majority in principal amount of the Term Bonds then Outstanding and affected thereby, no Supplemental Indenture amending or supplementing the provisions hereof shall (a) change the amount of any sinking fund installments for the retirement of Term Bonds or the due dates of such installments or the terms for the purchase or redemption thereof from such installments, or (b) reduce the aforesaid percentage of Term Bonds, the holders of which are required to consent to any such Supplemental Indenture.

Indenture Binding Upon Successors or Assigns of the Authority

(a) All the terms, provisions, conditions, covenants, warranties and agreements contained in the Indenture shall be binding upon the successors and assigns of the Authority and shall inure to the benefit of the holders of the Bonds.

(b) Nothing contained in the Indenture shall prevent the consolidation of the Authority with, or merger of the Authority into, or transfer of the Authority's interest in the entire Water System to any other public benefit corporation or political subdivision which has the legal authority to acquire the Authority's interest in the Water System, provided that:

(i) upon any such consolidation, merger or transfer, the due and punctual performance and observance of all the agreements and conditions of the Indenture to be kept and performed by the Authority shall be expressly assumed in writing by the public benefit corporation or political subdivision resulting from such consolidation or surviving such merger or to which the Authority's interest in the Water System shall be transferred; and

(ii) the exclusion of the interest on the Bonds from gross income for Federal income tax purposes shall not be adversely affected thereby.

(c) Within thirty (30) days after the consummation of any such consolidation, merger or transfer of interest, the Authority shall give notice thereof in reasonable detail to the Trustee and shall furnish to the Trustee favorable opinions of counsel and nationally recognized bond counsel.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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APPENDIX E
BOOK-ENTRY-ONLY SYSTEM

The following description of DTC and the procedures and record keeping with respect to beneficial ownership interests in the Series 2017 Bonds, payment of principal, interest, purchase price and other payments with respect to the Series 2017 Bonds to DTC Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2017 Bonds and other related transactions by and between DTC, the DTC Participants, Indirect Participants and the Beneficial Owners is based solely on information provided by DTC, and the Authority assumes no responsibility therefor. Accordingly, no representations can be made concerning these matters and neither the DTC Participants, the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants or the Indirect Participants, as the case may be.

The Series 2017 Bonds will be available only in book-entry form in Authorized Denominations. DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued in the principal amount of each maturity of each Series of Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in nor have the right to receive Series 2017 Bonds, and will not be or be considered to be Bondholders thereof under the Indenture, except as specifically provided in the Indenture in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017 Bonds in definitive form are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry–only transfers through DTC (or a successor securities depository). In that event, Series 2017 Bonds in definitive form will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE NOR THE UNDERWRITER (OTHER THAN IN THEIR CAPACITY, IF ANY, AS DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE BONDS.

APPENDIX F

MAP OF THE AUTHORITY'S SERVICE AREA

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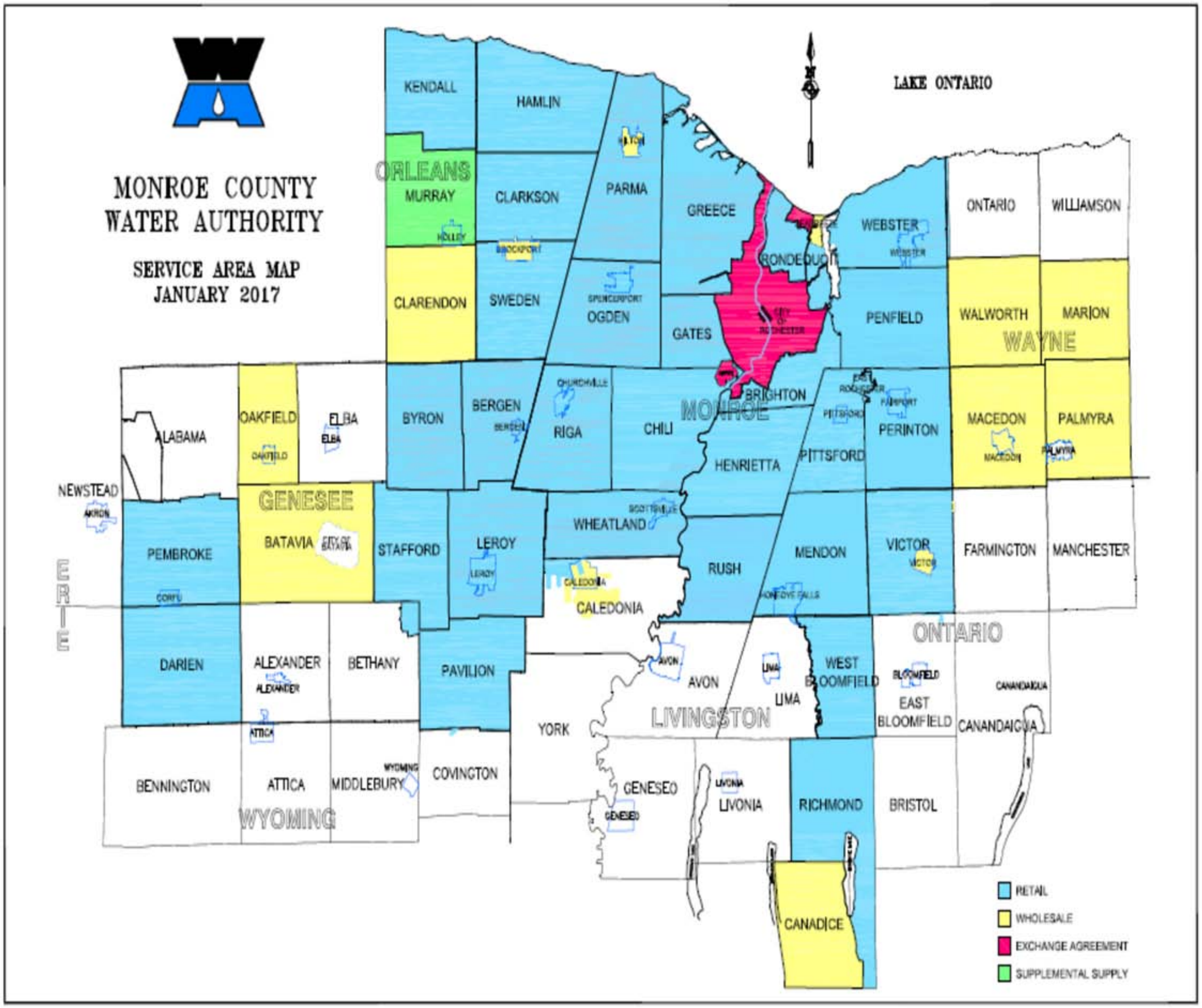
MONROE COUNTY
WATER AUTHORITY
SERVICE AREA MAP
JANUARY 2017
LAKE ONTARIO
KENDALL
HAMLIN
ORLEANS
MURRAY
CLARKSON
PARMA
GREECE
IRONDEQUOIT
WEBSTER
ONTARIO
WILLIAMSON
CLARENDON
SWEDEN
OGDEN
SPENCERPORT
GATES
PENFIELD
WALWORTH
MARION
WAYNE
ALABAMA
OAKFIELD
ELBA
BYRON
BERGEN
RIGA
CHILI
MONROE
BRIGHTON
PERINTON
MACEDON
PALMYRA
HENRIETTA
PITTSFORD
NEWSTEAD
GENESEE
WHEATLAND
PEMBROKE
BATAVIA
STAFFORD
LEROY
RUSH
MENDON
VICTOR
FARMINGTON
MANCHESTER
ERIE
CALEDONIA
ONTARIO
DARIEN
ALEXANDER
BETHANY
PAVILION
AVON
LIMA
WEST BLOOMFIELD
EAST BLOOMFIELD
CANANDAIGUA
YORK
LIVINGSTON
BENNINGTON
ATTICA
MIDDLEBURY
COVINGTON
GENESEO
LIVONIA
RICHMOND
BRISTOL
WYOMING
CANADICE
RETAIL
WHOLESALE
EXCHANGE AGREEMENT
SUPPLEMENTAL SUPPLY

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APPENDIX G

FORM OF OPINION OF BOND COUNSEL

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December 21, 2017

Monroe County Water Authority
475 Norris Drive
Rochester, New York 14610

Re: $3,950,000 Monroe County Water Authority
Water System Revenue Refunding Bonds, Series 2017

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the $3,950,000 aggregate principal amount of Water System Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") of the Monroe County Water Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"). The Series 2017 Bonds are authorized under and pursuant to the Monroe County Water Authority Act, as amended, constituting Title 5 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State (the "Act"), and under and pursuant to a Trust Indenture, dated as of October 1, 1991, by and between the Authority and The Bank of New York Mellon, as successor to The Chase Manhattan Bank (as successor to Chase Lincoln First Bank, N.A.), as trustee (the "Trustee"), as amended and supplemented by the First through Thirteenth Supplemental Trust Indentures and a Fourteenth Supplemental Trust Indenture, dated as of December 1, 2017 (the "Fourteenth Supplemental Indenture") (collectively, the "Indenture") and bond resolutions adopted by the Authority on December 7, 2017 (the "Bond Resolution"). All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Indenture.

The Series 2017 Bonds are being issued for the purpose of (a) refunding a portion of the outstanding principal balance of the Authority's Series 2010 Bonds, and (b) paying costs of issuance of the Series 2017 Bonds.

We have examined certified copies of the proceedings of the Authority authorizing the Fourteenth Supplemental Indenture and the Purchase Contract, dated December 14, 2017 (the "Purchase Contract"), by and between the Authority and Piper Jaffray & Co., Inc., as the underwriter. We have further examined the Resolutions of the Legislature of Monroe County approving the issuance of the Series 2017 Bonds.

We have also examined such matters of law, such documents, including an executed counterpart of the Purchase Contract, the Indenture, the Series 2017 Bonds, the Escrow Agreement, the Preliminary Official Statement of the Authority dated December 8, 2017, the Official Statement of the Authority dated December 14, 2017, and the Bond Resolution (collectively, the "Transaction Documents"), and such other statutes, resolutions, certificates and records as we have considered necessary to reach the opinions set forth below.

As to certain matters of fact material to the opinions set forth below, we have relied upon representations made in the Transaction Documents, certificates of public officials and officers of the Authority, and information received from searches of public records. We have not independently established such facts.

Based upon and in reliance on the foregoing, and subject to the assumptions and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York created and validly existing under the Act.

2. The Authority has the power to adopt the Bond Resolution, to execute, deliver and perform its obligations under the Fourteenth Supplemental Indenture, and to issue and sell the Series 2017 Bonds.

3. The Bond Resolution has been duly and lawfully adopted by the Authority and is presently in full force and effect. The Indenture, including the Fourteenth Supplemental Indenture, has been duly authorized, executed and delivered by the Authority, is valid and binding upon the Authority and is enforceable against the Authority in accordance with its terms.

4. The Series 2017 Bonds are valid and legally binding obligations of the Authority as provided in the Indenture, enforceable against the Authority in accordance with their terms and the terms of the Indenture and have been duly and validly authorized and issued in accordance with the Act and the Indenture.

5. The Series 2017 Bonds are payable solely from the sources described in the Indenture and do not constitute a debt or liability of the State, the County of Monroe, New York or any other political subdivision of the State.

Each of the foregoing opinions is subject to (x) bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar laws affecting the rights and remedies of creditors generally, (y) constitutional and public policy limitations and general principles of equity and (z) applicable usury laws.

In addition, we express no opinion as to: (i) the right to collect any payment to the extent that such payment constitutes a penalty, premium, forfeiture or late payment charge; (ii) the enforceability of the governing law and forum selection provisions contained in any of the Transaction Documents; (iii) the enforceability of provisions to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some particular right or remedy does not preclude recourse to one or more other rights or remedies; (iv) waivers by the Authority of broad or vague rights, or commercial reasonableness or good faith and fair dealing; (v) the creation, attachment perfection or priority of any security interest purportedly created by the Transaction Documents; (vi) provisions that purport to specify which party bears the burden of proof; (vii) the availability of the appointment of a receiver; (viii) any provision relating to any right of set off; (ix) waiver by the Authority with respect to the right to trial by jury; and (x) provisions that purport to indemnify a party for its own negligence or misconduct. Finally, none of the remedies created by the Transaction Documents may be judicially enforceable unless a court deems that there has occurred a material default under such Transaction Document(s).

This opinion letter has been prepared in accordance with the customary practice of lawyers who regularly give, and lawyers who regularly advise opinion recipients concerning, opinions of the type contained herein.

Very truly yours,

APPENDIX H

FORM OF OPINION OF SPECIAL TAX COUNSEL

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TRESPASZ & MARQUARDT, LLP
ATTORNEYS AND COUNSELORS AT LAW

December 21, 2017

Monroe County Water Authority
475 Norris Drive
Rochester, New York 14610

Re: Monroe County Water Authority
$3,950,000 Water System Revenue Refunding Bonds, Series 2017
CUSIP No: 610763 ___

Ladies and Gentlemen:

We have acted as special tax counsel in connection with the issuance of the $3,950,000 aggregate principal amount of Water System Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") of the Monroe County Water Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"). The Series 2017 Bonds are authorized under and pursuant to the Monroe County Water Authority Act, as amended, constituting Title 5 of Article 5 of the Public Authorities Law, Chapter 43 A of the Consolidated Laws of the State (the "Act"), and under and pursuant to a Trust Indenture, dated as of October 1, 1991, by and between the Authority and The Bank of New York Mellon, as successor to The Chase Manhattan Bank (as successor to Chase Lincoln First Bank, N.A.), as trustee (the "Trustee"), as amended and supplemented by the First through Thirteenth Supplemental Trust Indentures and a Fourteenth Supplemental Trust Indenture, dated as of December 1, 2017 (the "Fourteenth Supplemental Indenture") (collectively, the "Indenture") and bond resolutions adopted by the Authority on December 7, 2017 (the "Bond Resolution"). All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Indenture.

The Series 2017 Bonds are being issued for the purpose of (a) refunding a portion of the outstanding principal balance of the Authority's Series 2010 Bonds (the "Refunding Bonds") and (b) paying costs of issuance of the Series 2017 Bonds.

We have examined certified copies of the proceedings of the Authority authorizing the Fourteenth Supplemental Indenture and the Purchase Contract, dated December 14, 2017 (the "Purchase Contract"), by and between the Authority and Piper Jaffray & Co., Inc., as the underwriter. We have further examined the Resolutions of the Legislature of Monroe County approving the issuance of the Series 2017 Bonds.

251 West Fayette Street · Syracuse, New York 13202
T: 315.466.4444 F: 315.466.5555

We have also examined such matters of law, such documents, including an executed counterpart of the Purchase Contract, the Indenture, the Series 2017 Bonds, the Escrow Agreement, the Preliminary Official Statement of the Authority dated December 8, 2017, the Official Statement of the Authority dated December 14, 2017, and the Bond Resolution (collectively, the "Transaction Documents"), and such other statutes, resolutions, certificates and records as we have considered necessary to reach the opinions set forth below.

As to certain matters of fact material to the opinions set forth below, we have relied upon representations made in the Transaction Documents, certificates of public officials and officers of the Authority, and information received from searches of public records. We have not independently established such facts.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2017 Bonds in order that interest on the Series 2017 Bonds be and remain excluded from gross income under Section 103 of the Code. The Executive Director of the Authority, in executing the Tax Agreement, has certified to the effect that the Authority will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Series 2017 Bonds is excluded from gross income under Section 103 of the Code. We have examined the Tax Agreement of the Authority delivered concurrently with the delivery of the Series 2017 Bonds, and, in our opinion, the Tax Agreement contains provisions and procedures under which such requirements can be met.

Based upon and in reliance on the foregoing, and subject to the assumptions and qualifications hereinafter set forth, we are of the opinion that interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds.

We are further of the opinion that upon making the deposits described in the Escrow Agreement with the trustee for the Refunded Bonds, which Escrow Agreement contains certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the documents pursuant to which they were issued, be deemed to have been paid and will no longer be outstanding under said documents, and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by the applicable documents shall be discharged and satisfied.

We are further of the opinion that, assuming the proper creation, funding and operation of the Escrow Fund in accordance with the terms of the Escrow Agreement, the Escrow Fund, as of the date hereof, will be in compliance with all federal and New York State laws regarding arbitrage.

Certain agreements, requirements and procedures contained or referred to in the Tax Agreement and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2017 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Tax Agreement, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes or adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. We call attention to the fact that the rights and obligations under the Series 2017 Bonds and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases.

The scope of our engagement in relation to the issuance of the Series 2017 Bonds has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. The opinions expressed herein are not intended and should not be construed to express or imply any conclusion that the amount of legally available sources of revenue of the Authority will be sufficient to enable the Authority to pay the principal of or interest on the Series 2017 Bonds as the same respectively become due and payable. Reference should be made to the Official Statement for factual information which, in the judgment of the Authority would materially affect the ability of the Authority to pay such principal and interest. We have not verified the accuracy, completeness or fairness of the factual information contained in the Official Statement and, accordingly, no opinion is expressed by us as to whether the Authority, in connection with the sale of the Series 2017 Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in light of the circumstances under which they were made, not misleading.

Very truly yours,

TRESPASZ & MARQUARDT, LLP

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APPENDIX I

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT, dated as of December 1, 2017 (this "*Agreement*"), is executed and delivered by the Monroe County Water Authority (the "*Authority*") and The Bank of New York Mellon, as trustee (the "*Trustee*"), in connection with the issuance of the Authority's $3,950,000 principal amount of Water System Revenue Refunding Bonds, Series 2017 (the "*Bonds*"). The Bonds are being issued pursuant to that certain Trust Indenture, dated as of October 1, 1991, from the Authority to the Trustee, as amended and supplemented from time to time (the "*Indenture*"). In connection therewith, the Authority and the Trustee hereby covenant and agree as follows:

Section 1. Purpose of This Agreement. This Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (as defined herein) in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Disclosure Representative*" shall mean the Director of Finance & Business Services of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Trustee from time to time.

"*Dissemination Agent*" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

"*Holder*" shall mean the registered owner of any Bond or Bonds or such holder's duly authorized attorney-in-fact, representative or assign.

"*Listed Event*" shall mean any of the events listed in Section 5(a) of this Agreement and Section 5(b) of this Agreement.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at http://emma msrb org.

"*Official Statement*" shall mean the Official Statement, dated December 14, 2017, relating to the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds listed on the cover page of the Official Statement required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*SEC*" shall mean the United States Securities and Exchange Commission.

Section 3. Provision of Annual Reports. (a) The Authority shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the Authority's Fiscal Year (presently December 31), commencing with the report for the Fiscal Year ending December 31, 2017, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement; *provided*, that if the audited financial statements of the Authority are not available by the date required above for the filing of the Annual Report, the Authority shall submit the audited financial statements as soon as available. If the Authority's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Authority shall direct the Dissemination Agent to send to the MSRB a notice in substantially the form attached hereto as *Exhibit A*.

(c) If by thirty (30) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a) above.

(d) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), above, the Dissemination Agent shall send a notice to the MSRB and the Authority in substantially the form attached hereto as *Exhibit A*.

(e) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) file a report with the Authority (and if the Dissemination Agent is not the Trustee, the Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following categories or similar categories of information updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Bonds):

(a) the audited financial statements of the Authority for the prior Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updated information comparable to the information contained under the following headings in the Official Statement:

(i) "The Authority—Operating and Financial Statements 2013 - 2016"; and

(ii) "The Authority—Water Rates and Water Customers."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB or the SEC. If any document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

The Authority's Annual Report to the New York State Authorities Budget Office may be provided to the Dissemination Agent for submission to the MSRB and shall be deemed to meet the requirements for the Annual Report as defined under this Section.

Section 5. Reporting of Significant Events. (a) Pursuant to the provisions of this section, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the occurrence of such event:

(i) principal and interest payment delinquencies;

(ii) defeasances;

(iii) tender offers;

(iv) rating changes;

(v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds;

(vi) unscheduled draws on the debt service reserves reflecting financial difficulties;

(vii) unscheduled draws on the credit enhancements, if any, reflecting financial difficulties;

(viii) substitution of the credit or liquidity providers, if any, or their failure to perform; or

(ix) bankruptcy, insolvency, receivership or similar proceedings.

For these purposes, any event described in the immediately preceding clause (ix) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) Pursuant to the provisions of this section, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) mergers, consolidations or acquisitions, or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any of such actions, other than pursuant to its terms;

(ii) appointment of a successor or additional Trustee or the change of the name of a Trustee;

(iii) non-payment related defaults;

(iv) modifications to the rights of the Holders;

(v) notices of prepayment; or

(vi) release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) of this Agreement, the Authority shall as soon as possible determine if knowledge of such event would be material under applicable federal securities laws.

(d) If the Authority determines that knowledge of the occurrence of a Listed Event described in Section 5(b) of this Agreement would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence pursuant to Section 5(e) in a timely manner not more than ten (10) business days after the occurrence of the Listed Event.

(e) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

Section 6. Termination of Reporting Obligation. The Authority's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee, upon notice from the Authority, shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Agreement. The Dissemination Agent shall receive compensation for the services provided pursuant to this Agreement. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Authority and the Dissemination Agent may amend this Agreement (and, to the extent that any such amendment does not affect, change or increase its obligations hereunder, the Dissemination Agent shall agree to any amendment so requested by the Authority) and any provision of this Agreement may be waived; *provided*, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, Section 5(a) or Section 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Authority shall be responsible for providing such information, operating data, financial statements, notices and other documents to the Dissemination Agent.

Section 10. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds and upon provision of indemnification satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Dissemination Agent, as the case may be, to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with this Agreement shall be an action to compel performance hereunder.

Section 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations on liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction). The obligations of the Authority under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

(a) if to the Authority:

Monroe County Water Authority
475 Norris Drive
Rochester, New York 14610-0999
Attention: Director of Finance & Business Services
Phone: (585) 442-2000
Facsimile: (585) 442-0220

(b) if to the Dissemination Agent:

The Bank of New York Mellon
101 Barclay, Floor 21 West
New York, New York 10286
Attention: Shannon L. Soxman
Phone: 412-234-3151
Facsimile: 412-234-8377

Section 14. Beneficiaries. This Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[This space intentionally left blank; signature page immediately follows.]

IN WITNESS WHEREOF, this Agreement has been executed on behalf of the Authority and the Trustee by their duly authorized representatives as of the date first written above.

MONROE COUNTY WATER AUTHORITY

By: ____________________________________

Nicholas A. Noce
Executive Director

THE BANK OF NEW YORK MELLON, as Trustee

By: ____________________________________

Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Monroe County Water Authority
Name of Issue:	$3,950,000 Monroe County Water Authority (New York) Water System Revenue Refunding Bonds, Series 2017
Date of Issuance:	December 21, 2017

NOTICE IS HEREBY GIVEN that the Monroe County Water Authority (the "*Authority*") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated as of December 1, 2017, by and between the Authority and The Bank of New York Mellon, as trustee. The Authority anticipates that the Annual Report will be filed by _____________ ___, 20__.

Dated: ___________ ___, 20__

THE BANK OF NEW YORK MELLON, as Trustee on behalf of the Authority

By: ____
Authorized Officer

cc: Monroe County Water Authority

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Monroe County
Water Authority

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