
Buffalo Sewer Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

BUFFALO, NEW YORK

BUFFALO SEWER AUTHORITY
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INTRODUCTORY SECTION



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FAX: (716) 856-5810

WASTEWATER TREATMENT PLANT
FOOT OF WEST FERRY
90 WEST FERRY STREET
BUFFALO, NY 14213-1799
PHONE: (716) 883-1820



October 9, 2013

To the Citizens of the City of Buffalo and Erie County:

The comprehensive annual financial report of the Buffalo Sewer Authority (the “Authority”) for the fiscal year ended June 30, 2013, is hereby submitted. This report consists of management’s representation concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”). Because the cost of internal controls should not outweigh their benefits, the Authority’s framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Drescher & Malecki LLP, a firm of licensed certified public accountants, has audited the Authority’s financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority’s financial statements for the fiscal year ended June 30, 2013, are fairly stated. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority’s MD&A can be found immediately following the independent auditor’s report.

Profile of the Authority

The Authority was created in 1935, by an Act of the State Legislature, as a public benefit corporation that is legally and financially independent of the City of Buffalo. The Authority is managed by a five-member board appointed by the Mayor of the City of Buffalo, subject to confirmation by the Common Council, and is regulated by the Public Authorities Law. The Authority's powers include fixing and collecting rates, borrowing money and issuing negotiable bonds, and acquiring, holding and disposing of personal property for its corporate purpose.

The Authority provides sewage collection, treatment and disposal services for the City of Buffalo and neighboring communities.

All activities and functions performed by the Authority are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The budgetary and fiscal operations of the Authority are comparable to that of a governmental rather than a proprietary unit and, therefore, the Board has opted to record such activity in a governmental fund type (General Fund) rather than in a proprietary fund type (Enterprise Fund).

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

Local Economic Condition and Outlook

The City of Buffalo is located on the western border of New York State and the eastern shore of Lake Erie. Buffalo is the second largest city in the State and serves as the seat of Erie County government. The City boundaries cover 52.5 square miles and the population is estimated at 261,310 according to the 2010 census data. The Peace Bridge, which connects downtown Buffalo with the Province of Ontario, serves as a major link between the United States and Canada.

The Buffalo-Niagara region has been in a constant struggle to rebuild its economic strength that existed prior to the diminishment of its manufacturing sector throughout the 1980s. To promote economic advancement, many municipalities have been working relentlessly to pursue and attract high-tech, specialty manufacturing and service industries. Such economic diversification has allowed the area to manage national economic downturns.

Major Initiatives

The Authority provides sewerage collection, treatment, and disposal services for the City of Buffalo and various neighboring communities. During the 2012-2013 fiscal year several sewer projects were initiated or completed which enables the Authority to improve the services described above.

The Authority continues to complete projects as identified in the Combined Sewer Overflow (CSO) Long Term Control Plan. This plan is a system-wide study that assesses and prioritizes improvements necessary to comply with EPA and NYSDEC Policy and conditions of our

operating permit. The Authority has substantially completed the over \$2.7M Green Infrastructure project for CSO 060 which consists of the installation of multiple rain gardens and two complete pervious pavement streets to significantly reduce stormwater concerns. The BSA, in conjunction with the Buffalo Riverkeeper, was awarded a \$750,000 New York State Green Initiatives grant for this green infrastructure project.

The Authority has completed several CSO reduction projects involving our City's environmentally sensitive areas. These projects specifically target CSO 016, 015, and 014 basins and consist of diversion structures, underflow pipes, weir raising and system storage. Over \$0.6M in crucial projects focused on Swan Trunk Interceptor and CSO 016 were substantially completed during this period. The Authority has bid and begun construction on a \$1.2M, 50,000 gallon storage facility for CSO 015 as well as progressed design on the over \$0.6M CSO 015 diversion structure project at sewer patrol points (SPP) 36. The Authority has also progressed design on a \$1.5M, 100,000 gallon storage facility for SPP 206A and 206B.

As part of an in-system storage initiative, the Authority has completed design and bid the installation of two in-line computer controlled storage projects on Bird Avenue and Lang Avenue. These projects will use real time computer control gates and existing system capacity to store flows before sending to the WWTP for treatment following wet weather events.

As part of the redevelopment of Buffalo's Inner Harbor, the Authority was awarded \$8.6 million in funding through the American Recovery and Reinvestment Act, allowing for the construction of the Hamburg Drain Floatables Control Facility, which will collect and process floatables from twenty sewer regulators within the Hamburg drain system which discharge combined sewage to the Buffalo River during wet weather events. Construction is 90% complete and should be finished by the end of 2013.

The Authority, through a system wide sewer-cleaning program, attempts to prevent potential problems through regular maintenance and inspection of the sewer system. This program cleaned and evaluated approximately 200,000 linear feet of combined and storm sewers for defects. This careful attention proves to be most effective in that no major breaks in sewers have occurred.

The Authority continues its commitment to its long term capital plan for the treatment plant. BSA is spending over \$10 million on the following projects: Rehabilitation of Incinerator #2, 2nd phase of pipe replacement, sludge cake receiving system to handle sludge from other municipalities, upgrades to the HVAC systems that include energy saving measures and various other projects, in the design stage now, aimed at reducing our energy costs.

Five Year Capital Plan

According to the Supplemental Bond Resolution, adopted by the Authority on May 3, 1993, a five-year capital plan will be adopted as a part of the annual budget. Funding for each capital project is based on the most cost effective method available. A bond sale, lease purchase or the use of reserve funds for capital projects may be used to fund these projects. The capital plan for 2012-13 totals \$20,505,000. Of this amount, \$14,955,000 is for treatment plant rehabilitation projects and \$5,550,000 is estimated for the installation of new storm sewers and renovations to the current collection system.

Homeland Security

The Authority is continually striving to reduce risk and liability while maintaining safety at its treatment plant. A Port Security Grant has been awarded to the Authority by the New York State Division of Homeland Security and Emergency Services, Office of Counter Terrorism. This grant is being utilized to increase the treatment plant's security through the purchase and installation of CCTV and Access Control Security System. It is anticipated that this system should be completed in the coming year.

New York State Energy Research and Development Authority (NYSERDA)

The Authority applied and received NYSERDA incentives in connection with the Protected Water Pump and Variable speed drive project for its South Buffalo Treatment facility. The \$38,286 award supported the energy efficient advances undertaken by the Authority to maintain its sub-station performance.

Awards and Acknowledgements

Awards—The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Buffalo Sewer Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports.

In order to be awarded a Certificate of Achievement, the Authority published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual finance reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Buffalo Sewer Authority has received a Certificate of Achievement for the last twenty-six consecutive years. We believe that our current report continues to conform to the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements—In submitting this Comprehensive Annual Financial Report, I wish to express my thanks and appreciation to my staff who have diligently and faithfully contributed to the continued improvement of the Authority's accounting and reporting function. I would also like to thank our independent auditors, Drescher & Malecki LLP.

Respectfully submitted,



David P. Comerford
General Manager



Government Finance Officers Association

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

Presented to

**Buffalo Sewer Authority
New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

BUFFALO SEWER AUTHORITY
Officials
Year Ended June 30, 2013

Board Members

Herbert L. Bellamy, Jr., Chairman
John D. Kennedy, Sr., Vice Chairman
Christopher Roosevelt, Assistant Vice Chairman
Eleanor C. Wilson-Divincenzo, Secretary
Assistant Secretary - Vacant

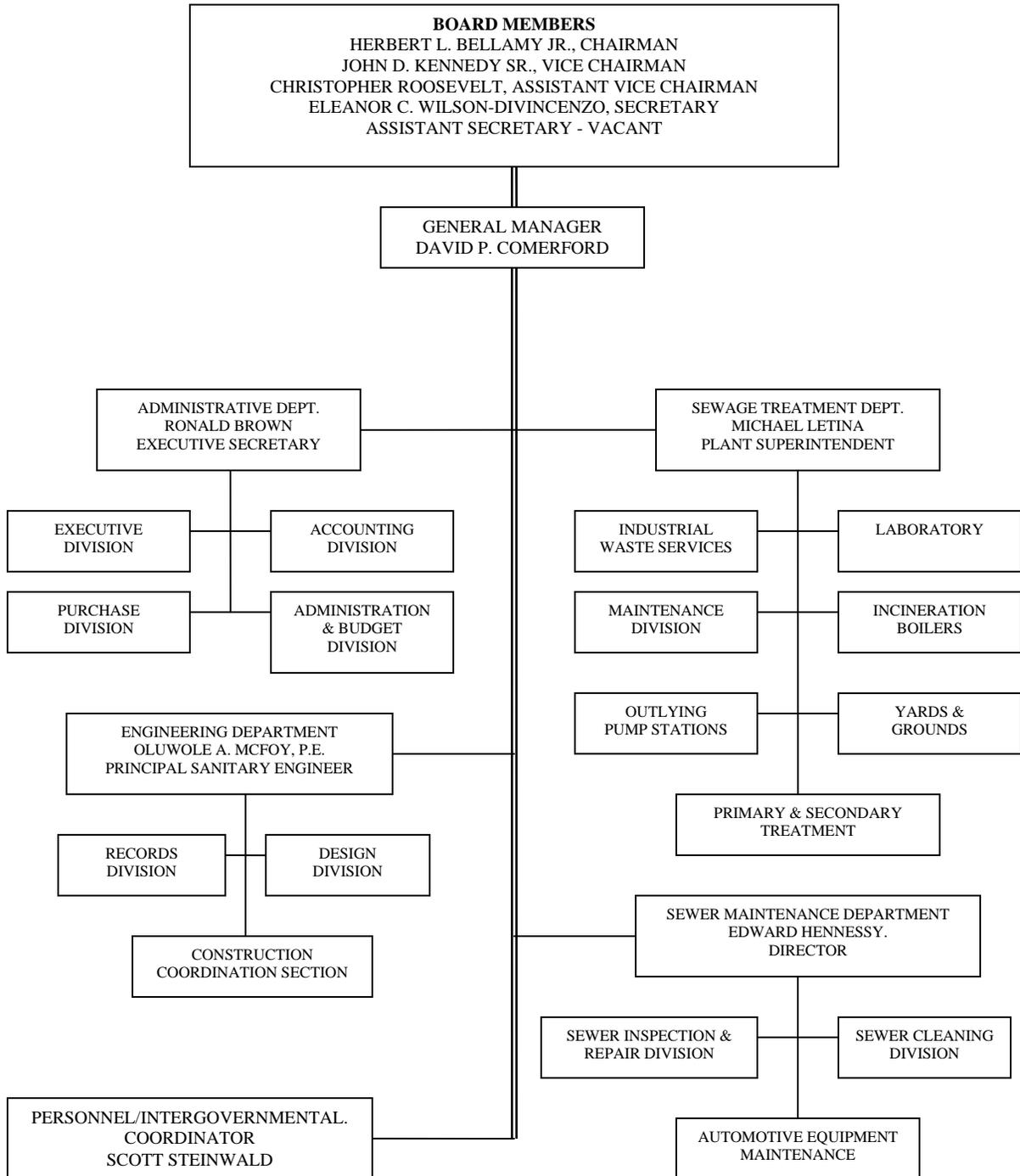
Professional Staff

David P. Comerford, General Manager
Ronald Brown, Executive Secretary
Michael Letina, Treatment Plant Superintendent
Oluwole A. McFoy, Principal Sanitary Engineer
Ed Hennessy, Director of Sewer Maintenance

Address of the Authority

Room 1038
Buffalo, New York 14202

BUFFALO SEWER AUTHORITY
Organization Chart
Year Ended June 30, 2013



FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The General Manager and Members
of the Buffalo Sewer Authority Board
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buffalo Sewer Authority, New York (the "Authority"), as of and for the year ended June 30, 2013, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 10 through 17 and Schedule of Funding Progress—Other Post Employment Benefit Plans on page 47 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 inquires 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The supplemental schedules and introductory and statistical sections listed in the foregoing table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



October 9, 2013

BUFFALO SEWER AUTHORITY
Management's Discussion and Analysis
Year Ended June 30, 2013

As management of the Buffalo Sewer Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2013. This document should be read in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

- ◆ The Authority's net position increased \$9,495,808 as a result of this year's activity.
- ◆ The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$283,988,022 (net position). Of this amount, \$65,257,721 (unrestricted net position) may be used to meet the Authority's ongoing operations.
- ◆ At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$72,410,804, an increase of \$6,340,647 in comparison with the prior year. Approximately 11.0 percent of this amount, \$8,000,000, is available for spending at the government's discretion (unassigned fund balance).
- ◆ The General Fund reported a net increase in fund balance this year of \$9,108,980. At June 30, 2013, unassigned fund balance for the General Fund was \$8,000,000, or 17.1 percent of the total of General Fund expenditures and transfers out.
- ◆ The Authority paid \$3,488,436 on its bonded indebtedness during the year ended June 30, 2013.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the Authority:

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the Authority's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Authority's financial status as a whole.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected charges and earned but unused vacation leave).

The government-wide financial statements can be found on pages 18-19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has two kinds of funds:

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, general projects, and debt service funds, all of which are considered to be major funds, information is also presented separately for the capital improvements fund, which management has chosen to present as a major fund.

The Authority adopts an annual appropriated budget for the General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20-24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Authority's own programs.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-46 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$283,988,022 at the close of the year ended June 30, 2013, as compared to \$274,492,214 at the close of the year ended June 30, 2012.

Table 1—Condensed Statement of Net Position

	June 30,	
	2013	2012
Current assets	\$ 96,873,284	\$ 94,330,424
Capital assets	<u>258,273,921</u>	<u>256,610,260</u>
Total assets	<u>355,147,205</u>	<u>350,940,684</u>
Current liabilities	24,755,017	28,680,141
Long-term liabilities	<u>46,404,166</u>	<u>47,768,329</u>
Total liabilities	<u>71,159,183</u>	<u>76,448,470</u>
Net investment in capital assets	218,730,301	211,769,730
Unrestricted	<u>65,257,721</u>	<u>62,722,484</u>
Total net position	<u>\$ 283,988,022</u>	<u>\$ 274,492,214</u>

By far the largest portion of the Authority's net position (77.0 percent) reflects its investment in capital assets (such as land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the Authority's net position represents unrestricted net position (23.0 percent), which may be used to meet the Authority's ongoing obligations to citizens and creditors.

Total net position increased \$9,495,808 over the prior year. The increase in net position can be primarily attributed to favorable cost controlling techniques, including procedures that are keeping utility and facility operating costs under budget.

At June 30, 2013, total assets of the Authority are \$355,147,205. The largest portion of total assets is its capital assets, net of accumulated depreciation in the amount of \$258,273,921.

The Authority's liabilities totaled \$71,159,183 at June 30, 2013. The largest portion of the liabilities is outstanding debt and other long-term liabilities of \$46,404,166.

The Authority had favorable current ratios of 3.91 at June 30, 2013 and 3.29 at June 30, 2012. Such a ratio implies that the Authority has sufficient current assets on hand to cover its current liabilities that will come due in the coming year. Table 2, below, presents the current ratio for the Authority at June 30, 2013 and June 30, 2012.

Table 2—Current Assets and Current Liabilities

	June 30,	
	2013	2012
Current assets	\$96,873,284	\$ 94,330,424
Current liabilities	24,755,017	28,680,141
Ratio of current assets to current liabilities	3.91	3.29

Table 3, below, shows the changes in net position for the years ended June 30, 2013 and June 30, 2012.

Table 3—Condensed Statement of Activities

	Year ended June 30,	
	2013	2012
Program revenues:		
Charges for services	\$ 53,688,824	\$ 53,531,965
General revenues	2,191,715	2,283,863
Total revenues	55,880,539	55,815,828
Program expenses	46,384,731	45,938,787
Change in net position	9,495,808	9,877,041
Net position - beginning of year	274,492,214	264,615,173
Net position - end of year	<u>\$ 283,988,022</u>	<u>\$ 274,492,214</u>

A summary of sources of revenues for the years ended June 30, 2013 and June 30, 2012 is presented below in Table 4.

Table 4—Summary of Sources of Revenues

	June 30,		Increase/(decrease)	
	2013	2012	Dollars	Percent
Charges for services	\$53,688,824	\$53,531,965	\$ 156,859	0.3
Unrestricted investment earnings	357,126	507,775	(150,649)	-29.7
Miscellaneous	1,834,589	1,776,088	58,501	3.3
Total revenues, net	<u>\$55,880,539</u>	<u>\$55,815,828</u>	<u>\$ 64,711</u>	0.1

Total revenues increased by 0.1 percent from the year ended June 30, 2012, primarily due to an increase in charges for services resulting from an incline in outside billings relating to cost sharing and other services provided to outside entities combined with a decrease in unrestricted investment earnings.

The most significant source of revenues is charges for services, which accounts for \$53,688,824, or 96.1 percent of total revenues, for the year ended June 30, 2013. The next largest source of revenue is classified as miscellaneous, which consists mostly of interest cost subsidies and comprises 3.3 percent of total revenues for the year ended June 30, 2013. For the year ended June 30, 2012, the most significant source of revenues was for charges for services, which accounted for \$53,531,965, or 95.9 percent of total revenues, for the year ended June 30, 2012. The next largest source of revenue was classified as miscellaneous, which consists mostly of interest cost subsidies and comprised 3.2 percent of total revenues for the year ended June 30, 2012.

A summary of program expenses for the years ended June 30, 2013 and June 30, 2012 is presented below in Table 5.

Table 5—Summary of Program Expenses

	June 30,		Increase/(decrease)	
	2013	2012	Dollars	Percent
General administration	\$ 2,206,256	\$ 2,293,974	\$ (87,718)	-3.8
Wastewater treatment facilities	33,773,830	33,681,046	92,784	0.3
Industrial waste	909,499	908,867	632	0.1
Engineering	1,379,289	1,152,899	226,390	19.6
Sewer maintenance	5,671,375	5,646,550	24,825	0.4
Interest and other fiscal charges	2,444,482	2,255,451	189,031	8.4
Total program expenses	<u>\$ 46,384,731</u>	<u>\$ 45,938,787</u>	<u>\$ 445,944</u>	1.0

Total program expenses increased 1.0 percent from the year ended June 30, 2012, primarily due to increases in engineering costs related to capital projects.

The Authority's significant expense items for the year ended June 30, 2013 were wastewater treatment facilities of \$33,773,830, or 72.8 percent of total expenses (primarily sewer, water, and sanitation services), sewer maintenance costs of \$5,671,375, or 12.2 percent of total expenses, and interest and other fiscal charges of \$2,444,482 or 5.3 percent of total expenses. For the year ended June 30, 2012 significant expense items were wastewater treatment facilities of \$33,681,046, or 73.3 percent of total expenses (primarily sewer, water, and sanitation services), sewer maintenance costs of \$5,646,550 or 12.3 percent of total expenses, and general administration expenses of \$2,293,974, or 5.0 percent of total expenses.

Financial Analysis of the Authority's Funds

Governmental funds. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$72,410,804 an increase of \$6,340,647 in comparison with the prior year. Approximately 11.0 percent of this total amount, \$8,000,000 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted or committed* to indicate that it is not available for new spending because it has been set aside for prepaid items, to liquidate contracts and purchase orders (fulfill encumbrances), for self-insurance, to finance capital projects or to pay debt service.

The Authority's General Fund ending fund balance was \$28,396,081. Approximately 28.2 percent, \$8,000,000, of this amount is unassigned fund balance. The General Fund fund balance increased \$9,108,980 as a result of this year's activity. Overall, General Fund revenues for the year ended June 30, 2013 remained stable, increasing \$156,676 in comparison to the year ended June 30, 2012. This increase was largely the result of increased interest on delinquent sewer rents received within the fund of \$253,434, offset by decreases in sewer rents – general consumers and unrestricted investment earnings. Total expenditures for the year ended June 30, 2013 decreased \$302,379 from the year ended June 30, 2012 due to efficiencies gained within the wastewater treatment facilities and sewer maintenance. Additionally, during the year ended June 30, 2013, transfers out of the General Fund were \$13,137,483 as compared to \$20,193,273 at June 30, 2012.

The General Projects Fund has a total fund balance of \$27,636,672, a decrease of \$2,187,455 from the prior year. During the year ended June 30, 2013, the Authority transferred \$8,349,774 to the General Projects Fund to support ongoing capital projects. During the year ended June 30, 2013, the Authority spent \$10,067,659 from the General Projects Fund for capital outlay. A portion of fund balance, \$632,207 represents amounts restricted for debt, while the remaining \$27,004,465 has been committed to fund future capital projects.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Miscellaneous expenditures were decreased by \$270,440, specifically related to the decrease within the contingencies appropriations of \$252,440.
- Overall wastewater treatment facilities appropriations increased by \$1,177,904 due to the expectation of higher than initially budgeted repair expenditures.
- Sewer maintenance expenditures increased by \$349,050 to support the purchase of new vehicles.

Differences between the final amended budget and actual results can be briefly summarized as follows.

- General consumer sewer rent revenues exceed their forecasted revenues by \$798,700.
- Transfers out exceeded the final amended budget by \$5,393,062 due to unbudgeted transfers out to the capital fund to support the 5-year capital plan.
- Wastewater treatment facilities expenditures were \$8,467,389 below the final amended budget due to lower than anticipated operating expenditures related to the blower building and incineration.
- Actual expenditures related to employee benefits fell \$1,970,977 below the final amended budget primarily due to conservatively budgeted state retirement and insurance expenses.

- Sewer maintenance expenditures were \$2,036,882 below the final budget. This was related to sewer operator salaries expenditures, which fell below budget due to vacancies and retirements during the year. Additionally, the budget provided for new vehicles that were not purchased by year end.

Capital Asset and Debt Administration

Capital Assets. The Authority’s investment in capital assets for its governmental activities as of June 30, 2013, amounted to \$258,273,921 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, infrastructure, buildings and improvements, vehicles and equipment. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Authority’s capital asset policy.

Capital assets net of depreciation for the governmental activities at the years ended June 30, 2013 and 2012 are presented below:

Table 6—Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	June 30,	
	2013	2012
Land	\$ 10,586,171	\$ 10,586,171
Construction in progress	35,713,065	41,573,458
Buildings	117,218,090	118,555,504
Building improvements	4,355,343	3,986,404
Machinery & equipment	1,862,328	1,909,781
Sanitary & storm relief system	88,538,924	79,998,942
Total	<u>\$ 258,273,921</u>	<u>\$ 256,610,260</u>

The Authority’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. The Authority has elected to depreciate their infrastructure assets. Additional information on the Authority’s capital assets can be found in Note 4 of this report.

Debt. At June 30, 2013, the Authority had total bonded debt outstanding of \$38,631,564 as compared to \$42,120,000 in the prior year. During the fiscal year ended June 30, 2013, the Authority paid \$3,488,436 of its outstanding debt. Table 7, below, presents outstanding debt by issuance at June 30, 2013 and June 30, 2012.

Table 7—Outstanding Debt

	Principal Outstanding	
	June 30,	
	2013	2012
Series F	\$ -	\$ 1,530,000
Series J	5,825,000	6,030,000
Series K	3,890,000	4,015,000
Series L	7,990,000	8,215,000
Series N	20,926,564	22,330,000
	<u>\$ 38,631,564</u>	<u>\$ 42,120,000</u>

Additional information on the Authority’s long-term debt can be found in Note 10 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate, not seasonally adjusted, for the Buffalo, New York is currently 7.4 percent, which is a decrease from a rate of 8.8 percent a year ago. This compares to New York State's average unemployment rate of 7.5 and the national average of 7.6 percent. Additionally over the past two decades, the region has experienced a steady decline in population and business.

Despite the economic hardships, considering the condition of the General and General Projects Funds, respectively, the Authority's overall financial position increased during the fiscal year ended June 30, 2013.

Total appropriations within the 2013-2014 adopted budget were \$54,100,000, an increase of 0.65 percent from the 2012-2013 adopted budget, and are projected to be funded solely by revenues. Consequently, the Authority is not required to designate any of the unassigned General Fund fund balance for spending in the subsequent year.

Additionally, the Authority's five-year capital plan requires \$159 million of future appropriations. Management anticipates financing the aforementioned plan through the current designation, future contributions from operations and/or debt financing.

The Authority's primary source of revenues is derived from sewer rents. There are two types of sewer rents. Sewer rents based on assessed valuation of real estate and the other based on the use of water. All real property, both developed and undeveloped, must pay the sewer rent based on assessed valuation.

The levy of Sewer Rents based on assessed value will be \$12,050,000 for the 2013-2014 budget. This represents the amount of Sewer Rent that the Authority will collect from all real property in the City of Buffalo except those properties exempt by law. This amount, when spread over the total estimated assessment for sewer purposes from the Department of Assessment, will result in an annual sewer rent of \$1.70565896 for each for each \$1,000 of assessed valuation.

Sewer rents based on water use are billed as flat rate or metered accounts. Flat rate sewer rents continue to be charged based on property characteristics (i.e. number of stories, front footage, etc.). There will be no increases to those charges. The sewer rent meter charges will continue at the same rate of \$11.09 per 1,000 cubic feet. All flat and meter accounts will continue to be assessed a capacity/drainage charge at a minimum of \$6.00 per month

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, ratepayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability. Questions concerning this report or requests for additional financial information should be directed toward the Buffalo Sewer Authority, General Manager, 1038 City Hall, Buffalo, New York 14202.

BASIC FINANCIAL STATEMENTS

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BUFFALO SEWER AUTHORITY
Statement of Net Position
June 30, 2013

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 12,866,704
Restricted cash and cash equivalents	58,172,661
Investments	15,878,051
Accounts receivable (net of allowances for uncollectible receivables)	5,587,237
Due from other governments	4,142,799
Prepaid items	225,832
Capital assets, not being depreciated	46,299,236
Capital assets, net of accumulated depreciation	<u>211,974,685</u>
Total assets	<u>355,147,205</u>
LIABILITIES	
Accounts payable	4,623,219
Interest payable	292,537
Accrued liabilities	422,830
Due to retirement system	493,447
Due to other governments	15,892,314
Matured bonds payable	1,530,000
Matured interest payable	45,900
Retainages payable	1,186,323
Unearned revenues	268,447
Noncurrent liabilities:	
Due within one year	1,480,811
Due within more than one year	<u>44,923,355</u>
Total liabilities	<u>71,159,183</u>
NET POSITION	
Net investment in capital assets	218,730,301
Unrestricted	<u>65,257,721</u>
Total net position	<u>\$ 283,988,022</u>

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

BUFFALO SEWER AUTHORITY
Balance Sheet—Governmental Funds
June 30, 2013

	<u>General</u>	<u>General Projects</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 12,366,645	\$ -	\$ 500,059	\$ -	\$ 12,866,704
Restricted cash and cash equivalents	16,729,266	39,867,495	-	1,575,900	58,172,661
Investments	-	-	-	15,878,051	15,878,051
Accounts receivable (net of allowance for uncollectibles)	5,586,782	451	4	-	5,587,237
Due from other governments	-	4,142,799	-	-	4,142,799
Prepaid items	225,832	-	-	-	225,832
Due from other funds	5,994	3,000,000	-	-	3,005,994
Total assets	<u>\$ 34,914,519</u>	<u>\$ 47,010,745</u>	<u>\$ 500,063</u>	<u>\$ 17,453,951</u>	<u>\$ 99,879,278</u>
LIABILITIES					
Accounts payable	\$ 2,333,714	\$ 2,289,505	\$ -	\$ -	\$ 4,623,219
Accrued liabilities	422,830	-	-	-	422,830
Due to other funds	3,000,000	5,931	63	-	3,005,994
Due to NYS retirement system	493,447	-	-	-	493,447
Due to other governments	-	15,892,314	-	-	15,892,314
Accrued bonds payable	-	-	-	1,530,000	1,530,000
Accrued interest payable	-	-	-	45,900	45,900
Retainages payable	-	1,186,323	-	-	1,186,323
Unearned revenue	268,447	-	-	-	268,447
Total liabilities	<u>6,518,438</u>	<u>19,374,073</u>	<u>63</u>	<u>1,575,900</u>	<u>27,468,474</u>
FUND BALANCES					
Nonspendable	225,832	-	-	-	225,832
Restricted	-	632,207	-	15,878,051	16,510,258
Committed	20,170,249	27,004,465	500,000	-	47,674,714
Unassigned	8,000,000	-	-	-	8,000,000
Total fund balances	<u>28,396,081</u>	<u>27,636,672</u>	<u>500,000</u>	<u>15,878,051</u>	<u>72,410,804</u>
Total liabilities and fund balances	<u>\$ 34,914,519</u>	<u>\$ 47,010,745</u>	<u>\$ 500,063</u>	<u>\$ 17,453,951</u>	<u>\$ 99,879,278</u>

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

BUFFALO SEWER AUTHORITY
Reconciliation of the Balance Sheet—
Governmental Funds to the Statement of Net Position
June 30, 2013

Amounts reported for governmental activities in the statement of net position (page 18) are different because:

Total fund balances—governmental funds (page 20)		\$ 72,410,804
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$484,114,919 and the accumulated depreciation is \$225,840,998.		258,273,921
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (38,631,564)	
Compensated absences	(1,662,708)	
Other postemployment benefits obligation	(4,756,368)	
Judgments and claims	<u>(1,353,526)</u>	(46,404,166)
Net accrued interest expense for bonds, notes and special program bonds not reported in the fund.		<u>(292,537)</u>
Net position of governmental activities		<u><u>\$ 283,988,022</u></u>

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

BUFFALO SEWER AUTHORITY
Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds
Year Ended June 30, 2013

	<u>General</u>	<u>General Projects</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
REVENUES					
Sewer rents—general consumers	\$ 52,734,300	\$ -	\$ -	\$ -	\$ 52,734,300
Interest on delinquent sewer rents	954,524	-	-	-	954,524
Interest on investments	131,731	-	-	225,395	357,126
Miscellaneous	1,834,589	-	-	-	1,834,589
Total revenues	<u>55,655,144</u>	<u>-</u>	<u>-</u>	<u>225,395</u>	<u>55,880,539</u>
EXPENDITURES					
Current:					
General administration	1,133,203	-	-	-	1,133,203
Wastewater treatment facilities	16,912,279	-	-	-	16,912,279
Industrial waste	513,905	-	-	-	513,905
Engineering	664,940	-	-	-	664,940
Sewer maintenance	2,870,418	244,570	-	-	3,114,988
Miscellaneous	4,180,866	-	-	-	4,180,866
Employee benefits	7,505,907	-	-	-	7,505,907
Capital outlay	-	10,067,659	-	-	10,067,659
Debt service:					
Principal	-	-	-	3,488,436	3,488,436
Interest and fiscal charges	-	-	-	1,957,709	1,957,709
Total expenditures	<u>33,781,518</u>	<u>10,312,229</u>	<u>-</u>	<u>5,446,145</u>	<u>49,539,892</u>
Excess (deficiency) of revenues over expenditures	<u>21,873,626</u>	<u>(10,312,229)</u>	<u>-</u>	<u>(5,220,750)</u>	<u>6,340,647</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	372,837	8,349,774	-	4,787,709	13,510,320
Transfers out	(13,137,483)	(225,000)	-	(147,837)	(13,510,320)
Proceeds of refunding debt	-	-	-	21,671,564	21,671,564
Payment to refunded debt escrow agent	-	-	-	(21,671,564)	(21,671,564)
Total other financing sources (uses)	<u>(12,764,646)</u>	<u>8,124,774</u>	<u>-</u>	<u>4,639,872</u>	<u>-</u>
Net change in fund balances	9,108,980	(2,187,455)	-	(580,878)	6,340,647
Fund balances—beginning	<u>19,287,101</u>	<u>29,824,127</u>	<u>500,000</u>	<u>16,458,929</u>	<u>66,070,157</u>
Fund balances—ending	<u>\$ 28,396,081</u>	<u>\$ 27,636,672</u>	<u>\$ 500,000</u>	<u>\$ 15,878,051</u>	<u>\$ 72,410,804</u>

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

BUFFALO SEWER AUTHORITY
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances—
Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities (page 19) are different because:

Net change in fund balances—total governmental funds (page 22) \$ 6,340,647

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.

Capital asset additions	\$ 10,067,659	
Depreciation expense	<u>(8,403,998)</u>	1,663,661

The governmental funds report the repayment of bond principal as an expenditure and the proceeds of new borrowings as a revenue. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. Bond issuance costs are expensed at the time of issuance in the funds and in the statement of activities while premium on bonds is recorded as a revenue in the governmental funds when it is received. In the statement of activities, the premium is recognized as it accrues, regardless of when it is received. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of serial bonds	\$ 3,488,436	
Interest and other fiscal charges	<u>(486,773)</u>	3,001,663

In the statement of activities, certain operating expenses—compensated absences (vacation & sick leave), other postemployment benefits and judgements and claims—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:

Compensated absences	\$ (11,560)	
Other postemployment benefits obligation	(972,264)	
Judgements and claims	<u>(526,339)</u>	<u>(1,510,163)</u>

Change in net position of governmental activities \$ 9,495,808

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

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BUFFALO SEWER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Amounts</u>
REVENUES				
Sewer rents—general consumers	\$ 51,935,600	\$ 51,935,600	\$ 52,734,300	\$ 798,700
Interest on delinquent sewer rents	669,500	669,500	954,524	285,024
Interest on investments	201,400	201,400	131,731	(69,669)
Miscellaneous	943,500	943,500	1,834,589	891,089
Total revenues	<u>53,750,000</u>	<u>53,750,000</u>	<u>55,655,144</u>	<u>1,905,144</u>
EXPENDITURES				
Current:				
General administration	1,409,444	1,443,358	1,135,585	307,773
Wastewater treatment facilities	25,389,110	26,567,014	18,099,625	8,467,389
Industrial waste	564,305	589,236	517,862	71,374
Engineering	839,337	841,338	665,617	175,721
Sewer maintenance	4,797,301	5,146,351	3,109,469	2,036,882
Miscellaneous	5,078,690	4,808,250	4,180,866	627,384
Employee benefits	9,463,539	9,484,454	7,513,477	1,970,977
Total expenditures	<u>47,541,726</u>	<u>48,880,001</u>	<u>35,222,501</u>	<u>13,657,500</u>
Excess of revenues over expenditures	<u>6,208,274</u>	<u>4,869,999</u>	<u>20,432,643</u>	<u>15,562,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	372,837	372,837
Transfers out	<u>(7,744,421)</u>	<u>(7,744,421)</u>	<u>(13,137,483)</u>	<u>(5,393,062)</u>
Total other financing sources (uses)	<u>(7,744,421)</u>	<u>(7,744,421)</u>	<u>(12,764,646)</u>	<u>(5,020,225)</u>
Net change in fund balances*	(1,536,147)	(2,874,422)	7,667,997	10,542,419
Fund balances—beginning	<u>19,287,101</u>	<u>19,287,101</u>	<u>19,287,101</u>	<u>-</u>
Fund balances—ending	<u>\$ 17,750,954</u>	<u>\$ 16,412,679</u>	<u>\$ 26,955,098</u>	<u>\$ 10,542,419</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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

BUFFALO SEWER AUTHORITY
Statement of Net Position—Agency Fund
June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 31,875
Total assets	<u>\$ 31,875</u>
LIABILITIES	
Temporary withholding liabilities	\$ 31,875
Total liabilities	<u>\$ 31,875</u>

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

BUFFALO SEWER AUTHORITY
Notes to the Financial Statements
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Description of government-wide financial statements*—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority.
- b. Reporting entity*—The Authority, a public benefit corporation, was created in 1935, by an Act of the State Legislature. The Authority is managed by a five-member board appointed by the Mayor of the City of Buffalo, subject to confirmation by the Common Council, and is regulated by the Public Authorities Law. It has such powers as to fix and collect rates, to borrow money and to issue negotiable bonds, to sue and be sued, and to acquire, hold and dispose of personal property for its corporate purpose. The bonds and other obligations of the Authority are not a debt of the City and are payable only from the funds of the Authority. The Authority is legally and financially independent of the City of Buffalo. There are no other entities covered in this report.

The Authority provides sewage collection, treatment and disposal services for the City of Buffalo and neighboring communities.

All activities and functions performed by the Authority are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The budgetary and fiscal operations of the Authority are comparable to that of a governmental rather than a proprietary unit and, therefore, the Board has opted to record such activity in a governmental fund type (General Fund) rather than in a proprietary fund type (Enterprise Fund).

- c. Basis of presentation – government-wide financial statements*—While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column in corporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to the general rule is the chargeback for services, such as printing and computer services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

- d. Basis of presentation – fund financial statements*—The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *General Projects Fund* was established to account for the acquisition and construction of major capital facilities and capital assets financed primarily with proceeds of both long and short-term debt.

The *Capital Improvements Fund* was established to account for general sewer system improvements financed primarily with proceeds of both long and short-term debt.

The *Debt Service Fund* was established to maintain a debt service reserve required under the sewer system bond resolution of 1977 and related amendments. The debt service fund also accounts for payments made for principal and interest on long-term general obligation debt of governmental funds. Investment earnings are considered revenues of the General Fund.

Additionally, the Authority reports the following fund type:

A fiduciary fund, the *Agency Fund*, is used to account for assets held by the Authority as an agent for individuals, private organizations, other governments or other funds. The Agency Fund is custodial in nature and does not involve measurement of results of operations. It does not have a measurement focus. The Authority's Agency Fund accounts are reported as liabilities and represent amounts held from bankruptcies.

During the course of operations the Authority has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

- e. ***Measurement focus and basis of accounting***—The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measures such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The Authority considers revenues to be available if the Authority has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. For this

purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due, except for the Series F July 1st debt service payment, as explained in Note 10. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sewer rents and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency Fund has no measurement focus but utilizes the *accrual basis of accounting* for measuring its assets and liabilities.

f. Budgetary information

The Authority follows these procedures in establishing most of the budgetary data reflected in the financial statements:

1. In accordance with the 1977 Bond Resolution and related amendments, prior to the forty-fifth day before the beginning of the next fiscal year, the Authority files an adopted budget with the Trustee for the fiscal year to commence July 1. This budget includes appropriations, estimated revenues and amounts necessary for the payment of subordinated indebtedness incurred by the Authority.
2. On or before July 1 of each fiscal year, the Authority adopts the annual budget for such fiscal year. The budget is adopted at the activity level.
3. During the fiscal year, management can transfer appropriations within the activity level without the approval of the Authority Board. The Authority Board can legally amend the operating budget and is empowered to implement supplemental appropriations. Budget amendments beyond the activity level of control require Board approval.
4. Formal annual budgetary accounts are employed as a management control device for the General Fund. This budget is adopted on a budgetary basis which takes into consideration encumbrances. The budgeted funds of the General Fund lapse at the end of the fiscal year. However, a five-year plan does exist for capital projects.
5. The Authority's legal level of budgetary control is at the activity level. Total expenditures for each department may not legally exceed the total appropriations at the activity level. Encumbrances outstanding at year end are accounted for by a reservation of fund balance. All encumbered appropriations lapse and revert to fund balance at the end of the fiscal year.

Encumbrances—Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the General and General Projects Funds. Under this method, encumbrances outstanding at year-end are reported as commitments of fund balances since they do not constitute expenditures or liabilities. A reconciliation of General Fund fund balance on the GAAP basis to the non-GAAP budgetary basis is shown on the following page.

General Fund fund balance—GAAP basis	\$ 28,396,081
Less: Encumbrances	<u>(1,440,983)</u>
General Fund fund balance—non-GAAP budgetary basis	<u>\$ 26,955,098</u>

During the year ended June 30, 2013, actual transfers out exceeded the final budgeted amount by \$5,393,062. This negative variance was largely due to an increased transfer to the General Projects Fund which was made to help finance the Authority’s five-year capital plan.

g. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balances

Cash and cash equivalents—Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority.

Restricted cash and cash equivalents—Restricted cash and cash equivalents represents cash set aside for future capital projects and debt payments.

Investments—Temporary investments are carried at fair value and include Money Market Funds, Certificates of Deposit, Repurchase Agreements, Treasury Bills and Treasury Notes. Certain interest earned on investments in the Debt Service Fund is transferred to the General Fund in accordance with Authority policy.

Prepaid items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets—The Authority’s capitalization policy requires the Authority to record capital assets purchased or constructed having a useful life of two or more years and a cost in excess of \$10,000. Capital assets are reported in the government-wide financial statements at cost (or estimated historical cost). Donated capital assets are valued at their estimated fair market value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend to an asset’s life is not capitalized.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Land improvements	20
Buildings	40
Building improvements	20
Machinery & equipment	3-10
Sanitary & storm relief system	20-50

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period in the government-wide statements.

Unearned revenue—Unearned revenues are recorded for any sewer rents collected in advance of the fiscal year for which they are levied.

Deferred outflows/inflows of resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category.

Net position flow assumption—Sometimes, the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions—Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a fund flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purposes, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the Authority’s highest level of decision-making authority. The Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as committed. The Board has by resolution authorized the General Manager to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not

normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

h. Revenues and expenditures/expenses

Program revenues—Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. General revenues are those that cannot be associated directly with program activities.

The Authority raises revenues from sewer rents from a variety of sources including assessed valuation of real property, water use, industrial waste charges and sewer connection agreements with neighboring communities.

The City of Buffalo Department of Assessment bills sewer rents based on assessed valuation for the Authority in the same manner as that used for billing of city taxes.

The Authority contracts with an outside agency to act as the managers of the City of Buffalo's Division of Water. The agency bills sewer rents based on water use for the Authority as a separate item on each water bill. Such sewer rents are based on water consumption for metered accounts or a percent of water billings for unmetered accounts.

Agreements between neighboring communities and the Authority provide for charges based on the actual cost of receiving and treating sewage discharged into the Authority's facilities or based upon the rated capacity of the respective connections as apportioned to the total capacity of the Sewage Treatment Plant.

Compensated absences—The Authority's two labor agreements provide for sick leave, vacations and miscellaneous other paid absences.

Upon retirement certain eligible employees qualify for payment for unused vacation and fractional values of unused sick leave. Compensated absences for governmental fund type employees are reported as a fund liability and expenditure in the government-wide financial statements.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

i. Other

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

Pensions—Nearly all Authority employees are members of the New York State and Local Employees Retirement System. The Authority is invoiced annually by the system for its share of the costs.

j. *Stewardship, Compliance and Accountability*

Adoption of New Accounting Pronouncements—During the year ended June 30, 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Authority also elected to early implement the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement Nos. 63 and 65 did not have a material impact on the Authority’s financial position or results from operations. As a result of adopting GASB Statement No. 65, the Authority recognized unamortized bond issuance costs of \$614,111.

Additionally, during the year ended June 30, 2013, the Authority completed the process of evaluating the impact that will result from adopting GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement Nos. 60, 61, and 62 did not have a material impact on the Authority’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 66, *Technical Corrections-2013—an amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2014; and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending June 30, 2015. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 66, 67, 68, 69 and 70 will have on its financial position and results of operations.

2. CASH AND INVESTMENTS

The Authority has its own written investment policy in accordance with Title 7, Section 2925 of the Public Authorities Law. Monies in any fund held by a Trustee, or the Authority provide reasonable liquidity in the highest yield investment securities. Permissible investments include:

- a. Direct obligations of or obligations insured or guaranteed by the United States of America;
- b. Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Export-Import Bank of the United States; Federal Home Loan Bank System; Federal

Housing Administration; Federal National Mortgage Association; General Services Administration; Government National Mortgage Association; Small Business Administration; Student Loan Marketing Association; U.S. Department of Housing of Urban Development; U.S. Maritime Administration; the Resolution Funding Corporation; Federal Land Banks; the Government National Mortgage Association; the Tennessee Value Authority or the Washington Metropolitan Area Transit Authority;

- c. Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that fully and timely payment of such deposit or similar obligation is enforceable against the principle office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's Investor Service and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's Corporation;
- d. Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.
- e. Investments in money-market funds rated "AAAm" or "AAAM-G" by Standard and Poor's Corporation;
- f. Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided a master repurchase agreement or specific written repurchase agreement governs the transaction;
- g. Direct and general obligations of any State of the United States, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, but only if, at the time of their purchase here under, such obligations are rated in either of the two highest rating categories by either Standard and Poor's Corporation or Moody's Investors Services.

Cash and investments at June 30, 2013 were partially covered by federal depository insurance or by collateral held in the Authority's name. They consisted of:

	Governmental Activities	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 2,250	\$ -	\$ 2,250
Cash deposits	49,135,296	31,875	49,167,171
Total deposits and petty cash	<u>49,137,546</u>	<u>31,875</u>	<u>49,169,421</u>
Cash and cash equivalents - held by trustee	21,901,819	-	21,901,819
Total cash and cash equivalents - held by trustee	<u>21,901,819</u>	<u>-</u>	<u>21,901,819</u>
Total cash and cash equivalents	<u>\$ 71,039,365</u>	<u>\$ 31,875</u>	<u>\$ 71,071,240</u>

Cash and cash equivalents	\$ 12,866,704
Restricted cash and cash equivalents	58,172,661
Cash held in Agency Fund	<u>31,875</u>
Total cash and cash equivalents	<u>\$ 71,071,240</u>

Deposits: All deposits including cash in bank and certificates of deposit are carried at fair value.

	<u>Bank Amount</u>	<u>Carrying Amount</u>
Deposits:		
Insured (FDIC):	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's trust department in Authority's name	<u>49,016,297</u>	<u>48,667,171</u>
Total deposits:	<u>\$ 49,516,297</u>	<u>\$ 49,167,171</u>

Short-term Investments: All short-term investments are held as U.S. Treasury money market investments at their market value of \$20,325,919.

Investments—held by Trustee—These investments are carried at fair value and are as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Par or Face Value</u>	<u>Fair Value</u>
US Money Market Funds	0.01%	n/a	\$ 1,123,892	\$ 1,123,892
US Money Market Funds	0.01%	n/a	1,814,958	1,814,958
Certificate of Deposits	0.03%	Various	245,000	244,277
Government note - FHLB	3.97%	9/6/2013	8,240,878	8,302,385
U.S. Treasury note	2.42%	4/15/2032	2,167,157	2,167,157
U.S. Treasury note	4.63%	2/15/2033	498,654	498,654
U.S. Treasury note	3.82%	11/15/2033	774,061	774,061
U.S. Treasury note	4.52%	10/1/2035	<u>952,666</u>	<u>952,666</u>
Total Debt Service Fund			<u>\$15,817,266</u>	<u>\$15,878,051</u>

Credit ratings—The Authority has government notes with FHLB maturing September 6, 2013; and U.S. Treasury notes maturing April 15, 2032, November 15, 2033, February 15, 2033 and October 1, 2035. All of these investments have an S&P credit rating of A-1+ and a Moody's credit rating of P-1.

Interest rate risk—In the case of investments, this is the risk that potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. There is the prospect of a loss should those securities be sold prior to maturity. The Authority follows a policy to specifically identify the maturity for each individual investment and evaluate risk accordingly. There are no requirements limiting maturity of investments.

Credit risk – investments—In compliance with State law, the Authority's investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of

America, obligations of the State, time deposit accounts, and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint ventures or cooperative investment programs.

Custodial credit risk—deposits—Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of June 30, 2013, the Authority’s deposits were FDIC insured or collateralized.

3. DUE FROM OTHER GOVERNMENTS

The Authority has an amount due from the New York State Environmental Facilities Corporation (“NYS EFC”) of \$4,142,799, which represents eligible project expenditures reimbursable from the NYS EFC in accordance with a short term loan agreement with the Authority.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 10,586,171	\$ -	\$ -	\$ 10,586,171
Construction in progress	<u>41,573,458</u>	<u>9,041,203</u>	<u>(14,901,596)</u>	<u>35,713,065</u>
Total capital assets, not being depreciated	<u>52,159,629</u>	<u>9,041,203</u>	<u>(14,901,596)</u>	<u>46,299,236</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	455,703	-	-	455,703
Buildings	232,177,610	3,326,024	-	235,503,634
Building improvements	9,178,270	634,974	-	9,813,244
Machinery & equipment	28,918,852	403,928	-	29,322,780
Sanitary & storm relief system	<u>151,157,196</u>	<u>11,563,126</u>	<u>-</u>	<u>162,720,322</u>
Total capital assets, being depreciated	<u>421,887,631</u>	<u>15,928,052</u>	<u>-</u>	<u>437,815,683</u>
Less accumulated depreciation for:				
Land improvements	(455,703)	-	-	(455,703)
Buildings	(113,622,106)	(4,663,438)	-	(118,285,544)
Building improvements	(5,191,866)	(266,035)	-	(5,457,901)
Machinery & equipment	(27,009,071)	(451,381)	-	(27,460,452)
Sanitary & storm relief system	<u>(71,158,254)</u>	<u>(3,023,144)</u>	<u>-</u>	<u>(74,181,398)</u>
Total accumulated depreciation	<u>(217,437,000)</u>	<u>(8,403,998)</u>	<u>-</u>	<u>(225,840,998)</u>
Total capital assets, being depreciated, net	<u>204,450,631</u>	<u>7,524,054</u>	<u>-</u>	<u>211,974,685</u>
Governmental activities capital assets, net	<u>\$ 256,610,260</u>	<u>\$ 16,565,257</u>	<u>\$ (14,901,596)</u>	<u>\$ 258,273,921</u>

Depreciation expense totaling \$8,403,998 is reported within the government-wide statements and has been allocated to wastewater treatment plant, \$8,137,612, and sewer maintenance, \$266,386, expenses.

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental fund at June 30, 2013, were as follows:

	General Fund
	<u> </u>
Salary and other employee benefits	\$ 422,830
Total accrued liabilities	<u>\$ 422,830</u>

6. PENSION OBLIGATIONS

Plan Description – The Authority participates in the New York State and Local Employee’s Retirement System (“ERS”) and the Public Employee’s Group Life Insurance Plan (the “System”). This is a cost-sharing multiple-employer retirement system. The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (the “NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for custody and control of its funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy— The NYSERS is noncontributory except for employees who joined the NYSERS after July 27, 1976 who contribute 3% of their salary. The State Legislature passed legislation in 2000 that suspends the 3% contribution for employees who have ten years of service or more of credited service. Additionally members who meet certain eligibility requirements will receive one month additional service credit for each completed year of service up to a maximum of two additional years of service credit. Employees who joined the System after January 1, 2010 are required to contribute three percent (3.0%) for the duration of membership. Those joining after April 1, 2012 (Tier 6) are required to contribute three and one-half percent (3.5%) until March 31, 2013, after which the contribution percentage will be based on annual salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

	Year Ended
	<u>June 30,</u>
2013	\$ 1,820,461
2012	1,607,500
2011	1,277,325

Legislation requires participating employers to make payments on a current basis. The Authority's contributions made to the ERS were equal to 100% of the contributions required for each year.

7. OTHER POST EMPLOYMENT BENEFIT (“OPEB”) OBLIGATIONS

Plan Description—The Authority provides health care benefits for retirees, spouses, and their covered dependents at no cost to the retirees under a single-employer postemployment benefit plan. There is no separate, audit GAAP-basis postemployment benefit plan report available for the plan. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Authority provides one traditional indemnity plan option for its retirees under 65. In addition, the Authority provides a Medicare Supplement plan option for their Medicare eligible retirees over 65. Retirees who have alternate insurance and desire to waive medical insurance through the Authority will receive an in-lieu payment from the Authority each year. These payments total \$1,100, \$1,800, and \$2,400, to waive single coverage, two-person coverage, and family coverage, respectively. However, the Authority does not cover surviving spouses. There were 165 retirees receiving health care benefits at June 30, 2013. The General Fund of the Authority is typically used to liquidate the net OPEB obligation.

Funding Policy—Authorization for the Authority to pay all of retiree health insurance premiums was enacted by resolution of the Authority Board or through union contracts, which are ratified by the Authority Board. For an employee to be eligible for the Authority's postemployment health plan they must have been employed by the Authority for a minimum of five consecutive years prior to retirement and qualify for retirement as a member of the New York State retirement system. All current retirees, receive full health care coverage with no contribution requirements for themselves, dependents, and spouses.

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

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 2,742,662	\$ 2,086,406
Interest on net OPEB obligation	151,365	135,499
Adjustment to annual required contribution	<u>(156,751)</u>	<u>(124,604)</u>
Annual OPEB costs (expense)	2,737,276	2,097,301
Contributions made	<u>(1,765,012)</u>	<u>(1,324,274)</u>
Increase in net OPEB obligation	972,264	773,027
Net OPEB obligation—beginning of year	<u>3,784,104</u>	<u>3,011,077</u>
Net OPEB obligation—end of year	<u>\$ 4,756,368</u>	<u>\$ 3,784,104</u>

Funding Status and Funding Progress—As of June 30, 2013, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$49,430,275.

The Authority’s schedule of contributions follows:

Year Ended June 30,	Annual OPEB Costs	Contributions Made	Percentage Contributed
2013	\$ 2,742,662	\$ 1,765,012	64.4%
2012	2,086,406	1,324,274	63.5%
2011	2,086,406	1,343,319	64.4%

Actuarial valuations of an ongoing plan involve 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 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.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 30, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation and measurement date of June 30, 2013. The discount rate, salary scale and inflation rate used are 4.0%, 4.0% and 2.5%, respectively. The RP-2000 Mortality Table separate for males and females is used for mortality rates. The rates of termination are based on 2003 Society of Actuaries small plan withdrawal. Upon retirement it is assumed that 100% of eligible employees and their spouses will elect for post-employment health care benefits, while it is assumed that 70% of retirees will be married at the time of their retirement. At June 30, 2013, healthcare costs are expected to increase at a rate of 5.7%. The unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay, open group basis, therefore the remaining amortization period at June 30, 2013 was twenty-five years.

8. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority currently reports all of its risk management activities in its General Fund. The Authority assumes the liability for most risk including, but not limited to, workers' compensation and general liability. The Authority maintains insurance for claims in excess of \$250,000. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability incurred and the amount of the loss can be reasonably estimated. Estimated current contingent loss liabilities (i.e., those to be liquidated with available financial resources in the ensuing fiscal year) of governmental fund types are recorded in the General Fund.

Settled claims have not significantly exceeded commercial coverage in any of the past three fiscal years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Total claims and judgments expenditures of \$408,978 and \$327,997 were recorded in the General Fund for the years ended June 30, 2013 and 2012, respectively.

Changes in the reported liability since June 30, 2011 resulted from the following:

	Beginning of Year Liability	Claims and Changes in Estimates	Payments and Changes in Estimates	Balance at Fiscal Year-End
2012	\$ 1,062,031	\$ 477,577	\$ (712,421)	\$ 827,187
2013	827,187	572,950	(46,611)	1,353,526

At June 30, 2013, \$3,000,000 of the General Fund fund balance was committed to loss contingencies for the purpose of funding the Authority's future claims liabilities.

9. SHORT TERM DEBT

Short-term debt of the Authority represents a short term loan from the Environmental Facilities Corporation ("EFC"). These notes are reported as a fund liability in the fund receiving the proceeds in accordance with the criteria set forth in FASB Accountings Standards Codification 470-10, *Debt*, because the legal steps have not been taken to refinance the notes on a long-term basis. This short-term loan is recorded as due to other governments. The Authority intends to exercise an option to convert this loan to long-term debt; however, it has not yet exercised such.

The following is a summary of short-term debt for the fiscal year ended June 30, 2013:

Description	Issue Date	Interest Rate	Principal Outstanding July 1, 2012	Additions	Deductions	Principal Outstanding June 30, 2013
EFC loan payable	various	n/a	\$ 15,665,776	\$ 226,538	-	\$ 15,892,314

10. LONG TERM DEBT

Sewer System Revenue Bonds

Series F—On July 24, 1991 the Authority issued \$16,927,540 in Sewer System Revenue Bonds, Series F, dated July 1, 1991, with an average interest rate of 4.90% to 6.85% to advance refund a portion of the Sewer System Revenue Bonds, Series C. The net proceeds of \$14,617,238 (after the deduction of \$599,314 in original issue discount; the payment of \$480,920 in underwriter's fees, bond insurance and other costs of issuance and the deposit of \$1,230,068 into the Debt Service Fund to fund the debt service reserve requirements) plus an additional \$1,232,333 of funds available in the Debt Service Fund were used to purchase Federal Securities. Those securities were deposited in an irrevocable trust to provide for future debt service payments on the Series C Bonds after July 1, 1996.

As a result, \$14,495,000 of Series C Bonds were considered defeased and the liability for those bonds has been removed from the Authority's long term debt liability on the Government-wide financial statements.

Series J—On March 3, 2004 the Authority issued \$7,740,611 in Sewer System Revenue bonds, Series J, dated March 4, 2004, with an interest range of 1.018% to 4.625%, to refund the short-term notes payable to the New York State Environment Facilities Corporation ("EFC"). The net proceeds of \$6,587,531 (after \$255,422 deposited to Project Construction fund, \$123,777 in direct expense and \$774,061 deposited to the Debt Service Fund to fund the debt service reserve requirements) were deposited for EFC short-term refinancing. Federal Grants and State at Match Funds (44.919% of the loan) of \$3,476,986 were used to establish an EFC Reserve.

Series K—On July 22, 2004 the Authority issued \$4,986,541 of Sewer System Revenue bonds, Series K dated July 22, 2004, with an interest range of 1.201%-5.150%, for the purpose of refunding the short-term debt due to the EFC and to support construction costs. The net proceeds of \$4,415,000 (after \$72,887 in direct expenses and \$498,654 deposited to the Debt Service Fund to fund the debt service reserve requirements) were deposited for EFC short-term financing and to support construction costs. Such short-term debt was utilized to finance improvements to the municipal sewer system of the City of Buffalo. These bonds mature on February 15, 2033.

Series L—On July 13, 2007, the Authority issued \$9,526,664 of State Clean Water and Drinking Water Revolving Funds Revenue Bonds, Series 2007C ("L") dated July 27, 2007 with an interest range of 3.601%-4.861%. The proceeds, after \$133,774 of issuance costs, were used to refinance short-term EFC debt, \$5,551,594, as a deposit to the Project Construction Fund held by EFC, \$2,888,630 and the remainder deposited in the Debt Service reserve, \$952,666. The bonds mature on October 1, 2035.

Series N—On November 15, 2012, through EFC, the Authority issued a replacement note for the outstanding EFC Sewer System Revenue Bonds, Series H bonds with EFC Sewer System Revenue Bonds, Series N in the amount of \$21,671,564. Prior to issuing the replacement note, the Authority paid \$658,436 in Series H principal payments in the current year. Interest on the Series N bond ranges from 3.85%-4.90% and the bonds mature on April 15, 2032. As a result, \$21,671,564 of Series H Bonds were considered defeased and the liability for those bonds has been removed from the Authority's financial statements. The refund resulted in an estimated net present benefit of \$772,721.

Rate Covenant—The Authority has covenanted that from time to time and as often as it shall appear necessary, the rates, charges, rents, sewer rents, fees and assessments established for the Sewer System will be adjusted whenever necessary to cause the revenues collected in each fiscal year from the Sewer System to be at least equal to the Minimum Revenue Requirement, which shall be equal to the sum of (i) the amount estimated to be required in the current fiscal year to pay operating expenses and to meet the debt service reserve requirement and the Renewal and Extension Requirement, plus (ii) 115% of debt service for such fiscal year.

During the year ended June 30, 2013, the Authority transferred cash from the General Fund to the Debt Service Fund for payments due July 1st of the ensuing year. Consistent with Governmental Accounting Standards Board Interpretation No. 6, the Authority has accrued the interest and debt in the Debt Service Fund as an expenditure in the year the transfer is made.

The following is a summary of bond transactions of the Authority for the year ended June 30, 2013:

Debt	Interest Rate	Issue Date	Principal			Principal Outstanding June 30, 2013
			Outstanding July 1, 2012	Additions	Deletions	
Sewer System Revenue Bonds:						
Series F	4.90-6.85	7/01/1991	\$ 1,530,000	\$ -	\$ (1,530,000)	\$ -
Series H	1.14-4.90	3/13/2003	22,330,000	-	(22,330,000)	-
Series J	1.018-4.625	3/04/2004	6,030,000	-	(205,000)	5,825,000
Series K	1.201-5.15	7/22/2004	4,015,000	-	(125,000)	3,890,000
Series L	3.601-4.861	7/13/2007	8,215,000	-	(225,000)	7,990,000
Series N	3.85-4.90	11/15/2012	-	21,671,564	(745,000)	20,926,564
Total bonds payable			<u>\$ 42,120,000</u>	<u>\$ 21,671,564</u>	<u>\$ (25,160,000)</u>	<u>\$ 38,631,564</u>

Compensated Absences—As explained in Note 1, the Authority records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2013 for governmental activities is \$1,662,708. Management estimates \$83,135 is a current liability. The remainder has been recorded as a non-current liability due within more than one year since payment of compensated absences are dependent upon many factors, therefore, timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, the Authority provides health care benefits for retirees, spouses, and their covered dependents at no cost to the retirees. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Authority’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Authority’s long-term OPEB obligation is estimated to be \$4,756,368 at June 30, 2013.

Judgments and Claims—As explained in Note 8, judgments and claims represents workers’ compensation and general liability claims incurred.

Annual maturities of long-term debt (by debt type):

Year Ending June 30,	Bond Principal	Compensated Absences*	OPEB Obligation	Judgments and Claims*	Total
2014	\$ 1,330,000	\$ 83,135	\$ -	\$ 67,676	\$ 1,480,811
2015	1,365,000	-	-	-	1,365,000
2016	1,390,000	-	-	-	1,390,000
2017	1,425,000	-	-	-	1,425,000
2018	1,465,000	-	-	-	1,465,000
2019-2023	7,920,000	-	-	-	7,920,000
2024-2028	9,155,000	-	-	-	9,155,000
2029-2033	11,611,564	-	-	-	11,611,564
2034-2036	2,970,000	-	-	-	2,970,000
Various	-	1,579,573	4,756,368	1,285,850	7,621,791
	<u>\$ 38,631,564</u>	<u>\$ 1,662,708</u>	<u>\$ 4,756,368</u>	<u>\$ 1,353,526</u>	<u>\$ 46,404,166</u>

The General Fund typically has been used in prior years to liquidate the liability for compensated absences, retirement liability, judgments and claims, and capital leases.

* Payment of compensated absences and judgements and claims are dependent upon many factors therefore, timing of future payments is not readily determinable. However, management has estimated its current portion of such liabilities.

Annual interest requirements of bonds payable:

June 30,	
2014	\$ 1,769,662
2015	1,715,405
2016	1,658,432
2017	1,598,939
2018	1,535,990
2019-2023	6,635,712
2024-2028	4,610,096
2029-2033	2,056,982
2034-2036	223,611
	<u>\$ 21,804,829</u>

Summary of Changes in Long-Term Debt—The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Bonds payable	\$ 42,120,000	\$ -	\$ (3,488,436)	\$ 38,631,564	\$ 1,330,000
Add (subtract) deferred amounts	(614,111)	-	614,111	-	-
Total bonds payable	41,505,889	-	(2,874,325)	38,631,564	1,330,000
Compensated absences	1,651,148	883,310	(871,750)	1,662,708	83,135
OPEB obligation	3,784,104	2,894,027	(1,921,763)	4,756,368	-
Judgments and claims	827,187	572,950	(46,611)	1,353,526	67,676
Total	<u>\$ 47,768,328</u>	<u>\$ 4,350,287</u>	<u>\$ (5,714,449)</u>	<u>\$ 46,404,166</u>	<u>\$ 1,480,811</u>

Defeased Debt—During 2013, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. Principal balances of bonds outstanding at June 30, 2013 that are considered defeased are \$21,671,564.

11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. A reconciliation is provided:

- ◆ **Net investment in capital assets**—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct or improvement of these assets reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), net of total bonded indebtedness to net assets invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation	\$ 258,273,921
Less: Outstanding debt issued for capital acquisition	(38,631,564)
Matured bonds payable	(1,530,000)
Short-term due to other governments	(15,892,314)
Add: Remaining debt reserve from issuance not used for capital asset acquisition	<u>16,510,258</u>
Invested in capital assets, net of related debt	<u>\$ 218,730,301</u>

- ◆ **Unrestricted Net Position**—This category represents net position of the Authority not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by Authority at June 30, 2013 include:

Prepaid items—Represents fund balance (\$225,832) allocated for expenditures paid in the current year that applied the subsequent year.

In the fund financial statements, restrictions are amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balance are amounts as approved by the Board that will be placed in legal reserves (and thereby restricted), but at the end of the fiscal year the dollar amount is unknown. As such, the General Manager is authorized by the Board to establish a funding plan with specific dollar amounts to be determined subsequent to the Authority's fiscal year end. The amounts must be approved by the majority vote of the Board prior to the release of the audited financial statements.

Restrictions of the Authority at June 30, 2013, and include:

Restricted for debt—Representing resources (\$16,510,258) that have been legally restricted for principal payments that will be made in future periods.

Commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Authority's highest level of decision-making authority. Fund balances are committed by the Chair of the Board and approved by the Board; however, at the end of the fiscal year the dollar amount is unknown. As such, with the exception of committed to encumbrances, the amounts are to be determined by the General Manager based upon the amounts available, the planned projects and other financing sources. Commitments of the Authority at June 30, 2013 include:

Committed to encumbrances—Representing amounts to cover the amount of outstanding purchase orders or encumbrances related to unperformed (executory) contracts for goods and services. At June 30, 2013, the Authority has \$1,440,983 and \$13,166,432 of fund balance committed to encumbrances within its General Fund and General Projects Fund, respectively.

Significant encumbrances are amounts encumbered in excess of \$400,000. As of June 30, 2013, there were no significant encumbrances within the General Fund and within the General Projects Fund the Authority reported the following significant encumbrances:

Installation of distribution control system	\$ 2,543,506
Bird island furnace & emission control project	2,289,409
Hamburg drain flotables control facility	1,737,263
Bird Island sewage treatment plant	1,160,137
Professional services for CSO	573,400
Fine screen unit 2 reconstruction	527,935
Swan truck flow diversion	555,950

Committed to loss contingencies—Representing funds (\$5,000,000) accumulated for noninsured liability and casualty losses within the General Fund.

Committed to capital projects—Representing funds set aside for the centrifuge project, incinerator rehabilitation, sewer relining and various other improvements. The Authority's five-year capital plan requires future financing. Management anticipates financing the aforementioned plan through the current designation, future contributions from operations and/or debt financing. At June 30, 2013, the Authority has \$13,729,266, \$13,838,033, and \$500,000 of fund balance

committed to capital projects within its General Fund, General Projects Fund and Capital Improvements Fund, respectively.

In the fund financial statements, assignments are amounts that are subject to a purpose constraint that represents an intended use established by the Board, or by their designated body or official. The Board has authorized the General Manager to make a determination of the assigned amounts of fund balance. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of June 30, 2013, the Authority did not report any assigned fund balance.

Unassigned fund balance represents General Fund amounts that are available for any purpose. The Authority’s target is to maintain an unassigned fund balance of not less than 15% of annual operating expenditures for the fiscal year.

The Authority will spend the most restricted dollars before less restricted in the following order: nonspendable (if funds become spendable), restricted, committed, assigned, unassigned.

12. INTERFUND RECEIVABLES AND PAYABLES

From time to time, the Authority’s funds make temporary advances to other funds or payments on behalf of other funds. These receivables and payables are short-term in nature and temporary.

The following is a breakdown of the interfund receivable and payable balances at June 30, 2013.

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 5,994	\$ 3,000,000
General Projects Fund	3,000,000	5,931
Capital Improvements Fund	<u>-</u>	<u>63</u>
Total governmental funds	<u>\$ 3,005,994</u>	<u>\$ 3,005,994</u>

These outstanding interfund balances result from payments made on behalf of other funds, interest accruals within certain funds that are payable to other funds, or temporary advances. Additionally, the \$3,000,000 interfund balance represents the General Fund’s 2013 transfer to the General Projects Fund to help finance the costs of the Authority’s future capital projects. All of these balances are expected to be collected/paid within the subsequent year.

The Authority made the following operating transfers during 2013:

	Transfers In			Total
	General Fund	General Projects Fund	Debt Service Fund	
Transfers Out:				
General Fund	\$ -	\$ 8,349,774	\$ 4,787,709	\$ 13,137,483
General Projects Fund	225,000	-	-	225,000
Debt Service Fund	147,837	-	-	147,837
Total	<u>\$ 372,837</u>	<u>\$ 8,349,774</u>	<u>\$ 4,787,709</u>	<u>\$ 13,510,320</u>

Transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification.

13. LABOR RELATIONS

Authority employees are represented by two bargaining units. Both the White-collar contract and the Blue-collar contract are settled through June 30, 2014.

14. CONTINGENCIES

The Authority is involved in various litigation arising in the ordinary course of its operations. Based on consultation with its Law Department and Counsel, it is the opinion of the Authority that the settlement of such pending litigation, if any, is adequately provided for with amounts accumulated in the designation for loss contingencies. No provision has been made in the financial statements for contingent liabilities where the criterion of Financial Accounting Standards Board Accounting Standards Codification No. 450, *Accounting for Contingencies* has not been met.

Pollution Remediation Obligations: The Authority is in ongoing negotiations with the New York State Department of Environmental Conservation, the United States Environmental Protection Agency and other state and federal agencies. As negotiations continue, management believes it is probable that the Authority will be required to fund future pollution remediation projects arising from Combined Sewer Overflows (CSO) in its jurisdictional area. However, as of June 30, 2013, the Authority is unable to determine the range or likelihood of any potential liability.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2013 the date that the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

BUFFALO SEWER AUTHORITY
Schedule of Funding Progress –
Other Postemployment Benefit Plans
Year Ended June 30, 2013

<u>Fiscal</u> <u>Year</u> <u>Beginning</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>("AAL")</u>	<u>Unfunded</u> <u>AAL</u> <u>("UAAL")</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>Ratio of</u> <u>UAAL to</u> <u>Budget</u> <u>Covered</u> <u>Payroll</u>
7/1/2012	6/30/2013	\$ -	\$ 49,430,275	\$49,430,275	-	\$9,220,610	5.36
7/1/2010	6/30/2011	-	39,701,868	39,701,868	-	9,302,030	4.27
7/1/2009	7/1/2008	-	37,470,367	37,470,367	-	9,275,935	4.04

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SUPPLEMENTAL SCHEDULES

BUFFALO SEWER AUTHORITY
Schedule of Revenues and Other Financing Sources—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
SEWER RENTS—GENERAL CONSUMERS				
Assessed sewer rent	\$ 12,082,600	\$ 12,082,600	\$ 12,097,746	\$ 15,146
Water sewer rent	27,580,500	27,580,500	27,285,139	(295,361)
Industrial waste	1,772,500	1,772,500	1,850,214	77,714
Connection privileges outside city	10,500,000	10,500,000	11,501,201	1,001,201
Total sewer rents—general consumers	<u>51,935,600</u>	<u>51,935,600</u>	<u>52,734,300</u>	<u>798,700</u>
INTEREST ON DELINQUENT SEWER RENTS				
Interest and penalties on delinquent assessed sewer rent	170,000	170,000	244,666	74,666
Interest and penalties on delinquent sewer rents	<u>499,500</u>	<u>499,500</u>	<u>709,858</u>	<u>210,358</u>
Total interest on delinquent sewer rents	<u>669,500</u>	<u>669,500</u>	<u>954,524</u>	<u>285,024</u>
INTEREST ON INVESTMENTS				
	<u>201,400</u>	<u>201,400</u>	<u>131,731</u>	<u>(69,669)</u>
MISCELLANEOUS				
	<u>943,500</u>	<u>943,500</u>	<u>1,834,589</u>	<u>891,089</u>
TOTAL REVENUES				
	<u>53,750,000</u>	<u>53,750,000</u>	<u>55,655,144</u>	<u>1,905,144</u>
OTHER FINANCING SOURCES:				
Transfers in	-	-	372,837	372,837
Total other financing sources	<u>-</u>	<u>-</u>	<u>372,837</u>	<u>372,837</u>
TOTAL REVENUES AND AND OTHER FINANCING SOURCES				
	<u>\$ 53,750,000</u>	<u>\$ 53,750,000</u>	<u>\$ 56,027,981</u>	<u>\$ 2,277,981</u>

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BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
<u>GENERAL ADMINISTRATION</u>				
Authority Board Members:				
Personal services - Executive	\$ 13,500	\$ 13,500	\$ 11,865	\$ 1,635
Operating expenditures	3,050	3,050	835	2,215
Total Authority Board Members	<u>16,550</u>	<u>16,550</u>	<u>12,700</u>	<u>3,850</u>
Administrative Offices:				
Personal services - Executive	397,931	373,931	313,220	60,711
Personal services - Clerical	611,055	635,055	620,407	14,648
Operating expenditures	<u>375,980</u>	<u>417,822</u>	<u>189,258</u>	<u>228,564</u>
Total Administrative Offices	<u>1,384,966</u>	<u>1,426,808</u>	<u>1,122,885</u>	<u>303,923</u>
GENERAL ADMINISTRATION TOTAL	<u>1,401,516</u>	<u>1,443,358</u>	<u>1,135,585</u>	<u>307,773</u>
<u>WASTEWATER TREATMENT FACILITIES</u>				
Plant Administration:				
Personal services - Executive	437,217	367,788	363,959	3,829
Personal services - Clerical	485,823	517,167	517,167	-
Personal services - Supervision	707,609	689,852	685,127	4,725
Operating expenditures	<u>1,043,039</u>	<u>1,285,253</u>	<u>1,000,732</u>	<u>284,521</u>
Total Plant Administration	<u>2,673,688</u>	<u>2,860,060</u>	<u>2,566,985</u>	<u>293,075</u>
Raw Wastewater Pump Station:				
Personal services - Operators	307,100	687,408	58,563	628,845
Operating expenditures	<u>48,477</u>	<u>58,663</u>	<u>306,464</u>	<u>(247,801)</u>
Total Raw Wastewater Pump Station	<u>355,577</u>	<u>746,071</u>	<u>365,027</u>	<u>381,044</u>
Screen Room:				
Operating expenditures	<u>78,000</u>	<u>37,122</u>	<u>29,516</u>	<u>7,606</u>
Total Screen Room	<u>78,000</u>	<u>37,122</u>	<u>29,516</u>	<u>7,606</u>
Grit Room:				
Personal services - Operators	86,668	92,380	88,460	3,920
Operating expenditures	<u>86,367</u>	<u>134,666</u>	<u>115,691</u>	<u>18,975</u>
Total Grit Room	<u>173,035</u>	<u>227,046</u>	<u>204,151</u>	<u>22,895</u>

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Primary Sedimentation:				
Personal services - Operators	85,008	33,390	30,516	2,874
Operating expenditures	<u>131,000</u>	<u>117,943</u>	<u>93,584</u>	<u>24,359</u>
Total Primary Sedimentation	<u>216,008</u>	<u>151,333</u>	<u>124,100</u>	<u>27,233</u>
Secondary Control:				
Personal services - Operators	86,518	91,938	86,533	5,405
Operating expenditures	<u>11,500</u>	<u>11,500</u>	<u>6,898</u>	<u>4,602</u>
Total Secondary Control	<u>98,018</u>	<u>103,438</u>	<u>93,431</u>	<u>10,007</u>
Primary Control:				
Personal services - Operators	142,605	160,679	160,679	-
Operating expenditures	<u>37,700</u>	<u>37,700</u>	<u>19,113</u>	<u>18,587</u>
Total Primary Control	<u>180,305</u>	<u>198,379</u>	<u>179,792</u>	<u>18,587</u>
Gas Compressor Building:				
Operating expenditures	<u>74,050</u>	<u>139,050</u>	<u>130,620</u>	<u>8,430</u>
Settled Wastewater Pump Station:				
Personal services - Operators	86,442	86,819	29,646	57,173
Operating expenditures	<u>235,200</u>	<u>486,392</u>	<u>130,504</u>	<u>355,888</u>
Total Settled Wastewater Pump Station	<u>321,642</u>	<u>573,211</u>	<u>160,150</u>	<u>413,061</u>
Aeration:				
Personal services - Operators	520,533	566,140	523,070	43,070
Operating expenditures	<u>374,020</u>	<u>523,288</u>	<u>385,318</u>	<u>137,970</u>
Total Aeration	<u>894,553</u>	<u>1,089,428</u>	<u>908,388</u>	<u>181,040</u>
Blower Building:				
Operating expenditures	<u>6,601,700</u>	<u>6,470,199</u>	<u>3,801,434</u>	<u>2,668,765</u>
Total Blower Building	<u>6,601,700</u>	<u>6,470,199</u>	<u>3,801,434</u>	<u>2,668,765</u>
Chemical Handling Building:				
Operating expenditures	<u>16,000</u>	<u>22,724</u>	<u>21,852</u>	<u>872</u>
Total Chemical Handling Building	<u>16,000</u>	<u>22,724</u>	<u>21,852</u>	<u>872</u>
Final Effluent Building:				
Personal services - Operators	51,851	57,061	57,061	-
Operating expenditures	<u>622,827</u>	<u>632,896</u>	<u>526,077</u>	<u>106,819</u>
Total Final Effluent Building	<u>674,678</u>	<u>689,957</u>	<u>583,138</u>	<u>106,819</u>

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Thickener Area:				
Operating expenditures	319,000	348,436	336,325	12,111
Total Thickener Area	<u>319,000</u>	<u>348,436</u>	<u>336,325</u>	<u>12,111</u>
Filter Feed Area:				
Operating expenditures	21,700	21,700	7,930	13,770
Total Filter Feed Area	<u>21,700</u>	<u>21,700</u>	<u>7,930</u>	<u>13,770</u>
Sludge Disposal:				
Personal services - Operators	542,504	423,439	418,128	5,311
Operating expenditures	<u>1,502,300</u>	<u>1,694,308</u>	<u>1,478,869</u>	<u>215,439</u>
Total Sludge Disposal	<u>2,044,804</u>	<u>2,117,747</u>	<u>1,896,997</u>	<u>220,750</u>
Centrifuge:				
Operating expenditures	<u>129,200</u>	<u>160,826</u>	<u>91,630</u>	<u>69,196</u>
Incineration:				
Personal services - Supervision	79,865	83,814	82,406	1,408
Personal services - Operators	765,668	774,340	739,590	34,750
Operating expenditures	<u>4,443,207</u>	<u>4,815,359</u>	<u>2,566,938</u>	<u>2,248,421</u>
Total Incineration	<u>5,288,740</u>	<u>5,673,513</u>	<u>3,388,934</u>	<u>2,284,579</u>
South Buffalo:				
Personal services - Operators	53,559	53,559	2,874	50,685
Operating expenditures	<u>118,150</u>	<u>138,713</u>	<u>90,471</u>	<u>48,242</u>
Total South Buffalo	<u>171,709</u>	<u>192,272</u>	<u>93,345</u>	<u>98,927</u>
Hamburg Street:				
Operating expenditures	<u>47,650</u>	<u>70,602</u>	<u>55,497</u>	<u>15,105</u>
Amherst Quarry:				
Operating expenditures	<u>46,150</u>	<u>45,150</u>	<u>27,802</u>	<u>17,348</u>
Babcock Street:				
Operating expenditures	<u>11,850</u>	<u>11,933</u>	<u>9,908</u>	<u>2,025</u>
Kelly Island (S):				
Operating expenditures	<u>16,000</u>	<u>16,000</u>	<u>11,210</u>	<u>4,790</u>

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Kelly Island (F):				
Operating expenditures	3,350	3,350	2,320	1,030
Kelly Island (X):				
Operating expenditures	7,850	7,850	4,460	3,390
Waterfront Village:				
Operating expenditures	2,150	9,223	8,410	813
Tiftt Street:				
Operating expenditures	2,050	2,050	1,299	751
Niagara Metering:				
Operating expenditures	7,450	9,845	7,330	2,515
Walden Heights				
Operating expenditures	3,800	4,300	2,881	1,419
Laboratory:				
Personal Services - Technical	352,925	372,003	270,485	101,518
Personal services - Operators	92,081	93,819	78,302	15,517
Operating expenditures	117,003	157,329	61,150	96,179
Total Laboratory	562,009	623,151	409,937	213,214
Maintenance:				
Personal services - Supervision	186,055	188,040	139,323	48,717
Personal services - Operators	267,246	269,109	192,851	76,258
Personal services - Repair Mechanics	1,433,359	1,459,362	1,126,926	332,436
Operating expenditures	505,035	1,119,811	409,868	709,943
Total Maintenance	2,391,695	3,036,322	1,868,968	1,167,354
Yards and Grounds:				
Personal services - Supervision	65,019	71,006	70,237	769
Personal services - Operators	708,943	775,611	593,145	182,466
Operating expenditures	48,000	58,109	42,476	15,633
Total Yards and Grounds	821,962	904,726	705,858	198,868
WASTEWATER TREATMENT FACILITIES TOTAL	24,256,373	26,567,014	18,099,625	8,467,389

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
<u>INDUSTRIAL WASTE</u>				
Industrial Waste Section:				
Personal services - Clerical	44,836	45,736	45,736	-
Personal services - Tech and Professional	92,217	94,434	94,362	72
Personal services - Operators	247,365	244,247	194,542	49,705
Operating expenditures	<u>165,302</u>	<u>204,819</u>	<u>183,222</u>	<u>21,597</u>
Total Industrial Waste Section	<u>549,720</u>	<u>589,236</u>	<u>517,862</u>	<u>71,374</u>
INDUSTRIAL WASTE TOTAL	<u>549,720</u>	<u>589,236</u>	<u>517,862</u>	<u>71,374</u>
<u>ENGINEERING</u>				
Engineering Department:				
Personal services - Executive	107,866	92,624	80,447	12,177
Personal services - Clerical	46,836	48,233	35,228	13,005
Personal services - Operators	627,058	640,904	526,712	114,192
Operating expenditures	<u>57,200</u>	<u>59,577</u>	<u>23,230</u>	<u>36,347</u>
Total Engineering Department	<u>838,960</u>	<u>841,338</u>	<u>665,617</u>	<u>175,721</u>
ENGINEERING TOTAL	<u>838,960</u>	<u>841,338</u>	<u>665,617</u>	<u>175,721</u>
<u>SEWER MAINTENANCE DEPARTMENT</u>				
Sewer Maintenance Office:				
Personal services - Clerical	56,806	58,516	58,440	76
Personal services - Supervision	130,721	133,794	128,657	5,137
Operating expenditures	<u>195,420</u>	<u>212,171</u>	<u>137,680</u>	<u>74,491</u>
Total Sewer Maintenance Office	<u>382,947</u>	<u>404,481</u>	<u>324,777</u>	<u>79,704</u>
Sewer - Repairs:				
Personal services - Supervision	167,133	328,089	327,966	123
Personal services - Repair Mechanics	405,616	225,490	112,177	113,313
Operating expenditures	<u>353,500</u>	<u>352,080</u>	<u>290,338</u>	<u>61,742</u>
Total Sewer - Repairs	<u>926,249</u>	<u>905,659</u>	<u>730,481</u>	<u>175,178</u>
Sewer - Cleaning:				
Personal services - Supervision	441,108	447,773	273,607	174,166
Personal services - Operators	1,481,952	1,488,364	901,628	586,736
Operating expenditures	<u>55,000</u>	<u>54,012</u>	<u>37,287</u>	<u>16,725</u>
Total Sewer - Cleaning	<u>1,978,060</u>	<u>1,990,149</u>	<u>1,212,522</u>	<u>777,627</u>

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Automotive Equipment Service - Garage:				
Personal services - Repairman	117,190	118,500	114,383	4,117
Operating expenditures	<u>1,024,100</u>	<u>1,727,562</u>	<u>727,306</u>	<u>1,000,256</u>
Total Auto Equipment Service - Garage	<u>1,141,290</u>	<u>1,846,062</u>	<u>841,689</u>	<u>1,004,373</u>
SEWER MAINTENANCE				
DEPARTMENT TOTAL	<u>4,428,546</u>	<u>5,146,351</u>	<u>3,109,469</u>	<u>2,036,882</u>
<u>MISCELLANEOUS</u>				
Financial and Accounting Services				
City of Buffalo services	3,899,690	3,899,690	3,899,690	-
Fiscal agent expense	104,000	110,045	110,045	-
Sewer rent adjustment fund	200,000	200,000	160,377	39,623
Judgments and claims	100,000	82,000	10,754	71,246
Bond sale expense	25,000	18,955	-	18,955
Contingency	<u>750,000</u>	<u>497,560</u>	<u>-</u>	<u>497,560</u>
MISCELLANEOUS TOTAL	<u>5,078,690</u>	<u>4,808,250</u>	<u>4,180,866</u>	<u>627,384</u>
<u>EMPLOYEE BENEFITS</u>				
Hospital and surgical insurance - retirees	1,770,500	1,770,500	1,765,012	5,488
Hospital and surgical insurance - active	3,129,500	3,129,500	2,432,004	697,496
Group life insurance	29,000	29,000	20,751	8,249
Group dental insurance	238,574	238,574	110,409	128,165
Payments in lieu of health insurance	73,000	73,000	47,120	25,880
Health and welfare plan	70,000	84,680	54,498	30,182
Education, licenses and training	-	18,000	11,350	6,650
Social security	835,000	835,000	784,376	50,624
State retirement system	2,500,000	2,430,000	1,820,461	609,539
Unemployment insurance	10,000	10,000	6,962	3,038
Workers' compensation and death awards	350,000	420,000	398,224	21,776
Plan Administration	1,200	1,200	432	768
Reserve pay for unused sick leave	175,000	175,000	61,878	113,122
Rx Copay	5,000	5,000	-	5,000
Medical services	15,000	15,000	-	15,000
Salary adjustment	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
EMPLOYEE BENEFITS TOTAL	<u>9,451,774</u>	<u>9,484,454</u>	<u>7,513,477</u>	<u>1,970,977</u>
TOTAL OPERATING EXPENDITURES	<u>46,005,579</u>	<u>48,880,001</u>	<u>35,222,501</u>	<u>13,657,500</u>

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2013

(concluded)

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
<u>OPERATING TRANSFERS</u>				
Transfers to construction	-	-	8,349,774	(8,349,774)
Transfers to debt service fund	7,594,421	7,594,421	4,787,709	2,806,712
Transfers to capital	150,000	150,000	-	150,000
TOTAL OPERATING TRANSFERS	<u>7,744,421</u>	<u>7,744,421</u>	<u>13,137,483</u>	<u>(5,393,062)</u>
TOTAL EXPENDITURES AND OPERATING TRANSFERS	<u>\$53,750,000</u>	<u>\$56,624,422</u>	<u>\$48,359,984</u>	<u>\$ 8,264,438</u>

BUFFALO SEWER AUTHORITY
Statement of Changes in Assets and Liabilities—Agency Fund
June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 33,556	\$ 2,729	\$ 4,410	\$ 31,875
Total assets	<u>\$ 33,556</u>	<u>\$ 2,729</u>	<u>\$ 4,410</u>	<u>\$ 31,875</u>
LIABILITIES				
Temporary withholding liabilities	\$ 33,556	\$ 6,016	\$ 7,697	\$ 31,875
Total liabilities	<u>\$ 33,556</u>	<u>\$ 6,016</u>	<u>\$ 7,697</u>	<u>\$ 31,875</u>

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

BUFFALO SEWER AUTHORITY
General Fund
Schedule of Sewer Rents Receivable
June 30, 2013

	<u>Sewer Rents Receivable</u>	<u>Allowance for Uncollectible Receivables</u>	<u>Net Sewer Rents Receivable</u>
SEWER RENTS:			
Based on assessed value:			
General consumers - current year	\$ 570,167	\$ 174,003	\$ 396,164
General consumers - prior years	482,343	472,696	9,647
Other miscellaneous	15,748	13,320	2,428
Based on water consumption:			
Flat rate	2,729,642	2,228,975	500,667
Metered rates:			
Monthly	1,022,288	504,317	517,971
Quarterly - District W-E-S	7,191,288	3,666,766	3,524,522
Miscellaneous - current year	131,141	7,077	124,064
Outside connection privileges	432,109	432,109	-
Industrial waste treatment surcharge	733,182	382,361	350,821
Late payment penalties	<u>5,124,090</u>	<u>4,963,592</u>	<u>160,498</u>
TOTAL	<u><u>\$18,431,998</u></u>	<u><u>\$12,845,216</u></u>	<u><u>\$ 5,586,782</u></u>

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STATISTICAL SECTION

(UNAUDITED)

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

Contents	Page
Financial Trends	58
<i>These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	66
<i>These schedules contain information to help the reader assess the Authority’s most significant local revenue source, the charges for services.</i>	
Debt Capacity	71
<i>These schedules present information to help the reader assess the affordability of the Authority’s current levels of outstanding debt and the Authority’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	73
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place.</i>	
Operating Information	75
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.</i>	

BUFFALO SEWER AUTHORITY
Table I—Net Position by Component
Last Ten Fiscal Years
(Unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net position:										
Net investment in										
capital assets	\$ 158,997,824	\$ 179,063,827	\$ 182,056,452	\$ 185,702,185	\$ 189,585,231	\$ 199,570,027	\$ 191,369,143	\$ 201,331,335	\$ 211,769,730	\$ 218,730,301
Unrestricted	<u>33,306,209</u>	<u>23,158,476</u>	<u>32,028,562</u>	<u>41,051,768</u>	<u>46,960,490</u>	<u>45,103,136</u>	<u>65,320,945</u>	<u>63,283,838</u>	<u>62,722,484</u>	<u>65,257,721</u>
Total net position	<u>\$ 192,304,033</u>	<u>\$ 202,222,303</u>	<u>\$ 214,085,014</u>	<u>\$ 226,753,953</u>	<u>\$ 236,545,721</u>	<u>\$ 244,673,163</u>	<u>\$ 256,690,088</u>	<u>\$ 264,615,173</u>	<u>\$ 274,492,214</u>	<u>\$ 283,988,022</u>

Source: Buffalo Sewer Authority Annual Financial Statements

BUFFALO SEWER AUTHORITY
Table II—Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

	Year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program revenues:										
Charges for services	\$ 46,145,742	\$ 49,287,147	\$ 54,821,828	\$ 52,591,900	\$ 51,761,911	\$ 52,482,745	\$ 54,582,051	\$ 52,201,066	\$ 53,531,965	\$ 53,688,824
Program expenses										
Operating expenses	40,126,613	39,722,919	41,658,480	39,984,952	41,668,324	43,483,378	41,767,776	43,606,009	43,683,336	43,940,249
Non-operating expenses	4,000,727	2,554,988	4,257,350	4,393,071	4,427,571	4,105,633	2,922,952	2,526,003	2,255,451	2,444,482
Total program expenses	44,127,340	42,277,907	45,915,830	44,378,023	46,095,895	47,589,011	44,690,728	46,132,012	45,938,787	46,384,731
Total net program revenue	2,018,402	7,009,240	8,905,998	8,213,877	5,666,016	4,893,734	9,891,323	6,069,054	7,593,178	7,304,093
General revenues:										
Unrestricted investment earnings	869,275	1,267,081	1,740,690	2,665,991	2,667,752	1,808,526	748,172	348,572	507,775	357,126
Unallocated revenues	1,325,920	1,641,949	1,216,023	1,789,071	1,458,000	1,425,182	1,377,430	1,507,459	1,776,088	1,834,589
Total general revenues	2,195,195	2,909,030	2,956,713	4,455,062	4,125,752	3,233,708	2,125,602	1,856,031	2,283,863	2,191,715
Change in net position	4,213,597	9,918,270	11,862,711	12,668,939	9,791,768	8,127,442	12,016,925	7,925,085	9,877,041	9,495,808
Net position beginning of year	188,090,436	192,304,033	202,222,303	214,085,014	226,753,953	236,545,721	244,673,163	256,690,088	264,615,173	274,492,214
Net position end of year	<u>\$192,304,033</u>	<u>\$202,222,303</u>	<u>\$214,085,014</u>	<u>\$226,753,953</u>	<u>\$236,545,721</u>	<u>\$244,673,163</u>	<u>\$256,690,088</u>	<u>\$264,615,173</u>	<u>\$274,492,214</u>	<u>\$283,988,022</u>

Source: Buffalo Sewer Authority Annual Financial Statements

BUFFALO SEWER AUTHORITY
Table III—Operating Revenues—Charges for Services by Source
Last Ten Fiscal Years
(Unaudited)

Year Ended June 30,	Operating Revenue—Charges for Services						
	Total	Assessed Sewer Rent	Water Sewer Rent	Industrial Waste	Connection Privileges O/S City	Interest and Penalties	
						Delinquent Assessed Sewer Rent	Sewer Rent
2004	\$ 46,145,742	\$ 12,111,427	\$ 24,989,023	\$ 1,702,366	\$ 6,355,501	\$ 329,460	\$ 657,965
2005	49,287,147	12,114,409	24,326,204	1,431,484	10,358,147	274,131	782,772
2006	54,821,828	12,110,191	29,063,773	1,588,411	11,057,027	267,036	735,390
2007	52,591,900	12,113,115	29,006,882	1,310,393	9,024,341	325,807	811,362
2008	51,761,911	12,042,687	28,254,493	1,346,429	9,246,051	175,938	696,313
2009	52,482,745	12,043,868	27,369,921	1,930,133	10,239,645	146,284	752,894
2010	54,582,051	12,050,286	27,362,677	1,992,467	12,322,894	135,927	717,800
2011	52,201,066	12,053,431	27,212,053	2,050,716	10,322,482	127,925	434,459
2012	53,531,965	12,070,207	27,880,651	1,769,262	11,110,756	141,833	559,256
2013	53,688,824	12,097,746	27,285,139	1,850,214	11,501,201	244,666	709,858

Source: Buffalo Sewer Authority Annual Financial Statements

BUFFALO SEWER AUTHORITY
Table IV—Program Expenses
Last Ten Fiscal Years
(Unaudited)

Year Ended June 30,	Total	General Administration	Wastewater Treatment Facilities	Industrial Waste	Engineering	Sewer Maintenance
2004	\$ 40,126,613	\$ 1,584,590	\$ 31,857,084	\$ 914,034	\$ 1,388,774	\$ 4,382,131
2005	39,722,919	1,628,468	31,779,488	825,835	1,314,994	4,174,134
2006	41,658,480	1,777,837	33,764,890	824,139	1,243,164	4,048,450
2007	39,984,952	1,830,539	31,996,818	857,847	1,184,184	4,115,564
2008	41,668,324	1,773,364	33,922,290	833,874	1,044,499	4,094,297
2009	43,483,378	1,920,815	35,240,768	905,196	1,245,462	4,171,137
2010	41,767,776	1,959,820	32,787,165	939,501	1,350,303	4,730,987
2011	43,606,009	2,044,403	33,281,903	922,556	1,271,881	6,085,266
2012	43,683,336	2,293,974	33,681,046	908,867	1,152,899	5,646,550
2013	43,940,249	2,206,256	33,773,830	909,499	1,379,289	5,671,375

Source: Buffalo Sewer Authority Annual Financial Statements

BUFFALO SEWER AUTHORITY
Table V—Nonoperating Revenues and Expenses
Last Ten Fiscal Years
(Unaudited)

Year Ended June 30,	Nonoperating Revenues		Total Nonoperating Revenues	Nonoperating Expenses
	Interest Revenue	Other Revenue		Interest and Fiscal Charges
2004	\$ 869,275	\$ 1,325,920	\$ 2,195,195	\$ (4,000,727)
2005	1,267,081	1,641,949	2,909,030	(2,554,988)
2006	1,740,690	1,216,023	2,956,713	(4,257,350)
2007	2,665,991	1,789,071	4,455,062	(4,393,071)
2008	2,667,752	1,458,000	4,125,752	(4,427,571)
2009	1,808,526	1,425,182	3,233,708	(4,105,633)
2010	748,172	1,377,430	2,125,602	(2,922,951)
2011	348,572	1,507,459	1,856,031	(2,526,003)
2012	507,775	1,776,088	2,283,863	(2,265,947)
2013	357,126	1,834,589	2,191,715	(2,444,482)

Source: Buffalo Sewer Authority Annual Financial Statements

BUFFALO SEWER AUTHORITY
Table VI—Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011¹</u>	<u>2012</u>	<u>2013</u>
General Fund										
Reserved	\$ 2,102,748	\$ 2,184,311	\$ 782,610	\$ 828,424	\$ 511,483	\$ 552,475	\$ 810,446	n/a	n/a	n/a
Unreserved	<u>16,257,087</u>	<u>14,119,853</u>	<u>22,259,682</u>	<u>20,612,356</u>	<u>19,782,352</u>	<u>18,977,868</u>	<u>19,157,305</u>	n/a	n/a	n/a
Total General Fund	<u>\$18,359,835</u>	<u>\$16,304,164</u>	<u>\$23,042,292</u>	<u>\$21,440,780</u>	<u>\$20,293,835</u>	<u>\$19,530,343</u>	<u>\$19,967,751</u>	n/a	n/a	n/a
All other governmental funds:										
Reserved	\$17,335,511	\$23,227,313	\$17,140,919	\$17,891,018	\$19,057,169	\$22,250,147	\$34,121,128	n/a	n/a	n/a
Unreserved, reported in:										
General Projects	9,697,734	4,914,946	7,947,852	27,523,532	34,252,220	32,095,083	20,925,211	n/a	n/a	n/a
Capital Improvements	<u>500,000</u>	n/a	n/a	n/a						
Total all other governmental funds	<u>\$27,533,245</u>	<u>\$28,642,259</u>	<u>\$25,588,771</u>	<u>\$45,914,550</u>	<u>\$53,809,389</u>	<u>\$54,845,230</u>	<u>\$55,546,339</u>	n/a	n/a	n/a
General Fund										
Nonspendable	n/a	\$ 114,707	\$ 202,958	\$ 225,832						
Committed	n/a	11,631,026	13,084,147	20,170,249						
Unassigned	n/a	<u>6,144,693</u>	<u>6,000,000</u>	<u>8,000,000</u>						
Total General Fund	n/a	<u>\$17,890,426</u>	<u>\$ 19,287,105</u>	<u>\$ 28,396,081</u>						
All other governmental funds:										
Restricted	n/a	\$17,174,157	\$ 17,316,136	\$ 16,510,258						
Committed	n/a	<u>31,633,677</u>	<u>29,466,917</u>	<u>27,504,465</u>						
Total all other governmental funds	n/a	<u>\$48,807,834</u>	<u>\$ 46,783,053</u>	<u>\$ 44,014,723</u>						

Note: ¹ During the fiscal year ended June 30, 2011, the Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Source: Buffalo Sewer Authority Annual Financial Statements

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BUFFALO SEWER AUTHORITY
Table VII—Changes in Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
REVENUES										
Sewer rents—general consumers	\$45,158,317	\$48,230,244	\$53,819,402	\$51,454,731	\$50,889,660	\$51,583,567	\$53,728,324	\$51,638,682	\$52,830,876	\$52,734,300
Interest on delinquent sewer rents	987,425	1,056,903	1,002,426	1,137,169	872,251	899,178	853,727	562,384	701,090	954,524
Interest on investments	869,275	1,267,081	1,740,690	2,665,991	2,667,752	1,808,526	748,172	348,572	507,774	357,126
Miscellaneous	<u>1,883,024</u>	<u>1,641,949</u>	<u>1,355,883</u>	<u>1,789,071</u>	<u>1,458,000</u>	<u>1,425,182</u>	<u>1,377,430</u>	<u>1,507,459</u>	<u>1,776,088</u>	<u>1,834,589</u>
Total revenues	<u>48,898,041</u>	<u>52,196,177</u>	<u>57,918,401</u>	<u>57,046,962</u>	<u>55,887,663</u>	<u>55,716,453</u>	<u>56,707,653</u>	<u>54,057,097</u>	<u>55,815,828</u>	<u>55,880,539</u>
EXPENDITURES										
Current:										
General administration	1,018,771	950,030	1,037,273	1,057,909	1,061,521	1,188,235	1,140,518	1,161,674	1,300,917	1,133,203
Wastewater treatment facilities	16,428,321	16,657,396	19,037,330	16,777,862	19,008,811	19,980,132	18,018,680	18,027,494	17,683,807	16,912,279
Industrial waste	528,150	511,966	500,203	530,628	520,684	579,950	568,124	543,074	542,419	513,905
Engineering	712,808	750,005	692,584	673,809	594,109	728,026	737,214	683,679	596,009	664,940
Sewer maintenance	2,487,266	2,648,890	2,421,396	2,511,285	2,651,214	2,658,698	2,906,835	3,868,978	3,420,720	3,114,988
Miscellaneous	4,174,086	3,811,178	3,434,076	3,517,138	3,364,532	3,161,446	3,157,403	4,123,581	4,062,822	4,180,866
Employee benefits	6,217,070	6,095,402	5,896,000	5,829,954	5,753,945	5,355,330	5,946,912	6,478,895	7,091,923	7,505,907
Capital outlay	19,528,246	14,737,481	10,087,539	5,146,511	4,480,208	10,104,094	11,443,053	16,359,902	13,208,466	10,067,659
Debt service:										
Principal	6,411,813	6,541,604	6,674,414	7,069,915	7,202,295	7,410,932	8,566,664	8,945,000	6,270,000	3,488,436
Interest and fiscal charges	3,564,706	4,441,874	4,388,643	4,545,510	4,476,867	4,250,753	3,076,897	2,680,650	2,265,947	1,957,709
Bond issuance costs	939,949	72,887	-	133,774	-	-	-	-	-	-
Capital lease payment	<u>1,014,862</u>	<u>1,035,368</u>	<u>64,303</u>	<u>55,064</u>	<u>25,583</u>	<u>26,508</u>	<u>6,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>63,026,048</u>	<u>58,254,081</u>	<u>54,233,761</u>	<u>47,849,359</u>	<u>49,139,769</u>	<u>55,444,104</u>	<u>55,569,136</u>	<u>62,872,927</u>	<u>56,443,030</u>	<u>49,539,892</u>
Excess (deficiency) of revenues over expenditures	<u>(14,128,007)</u>	<u>(6,057,904)</u>	<u>3,684,640</u>	<u>9,197,603</u>	<u>6,747,894</u>	<u>272,349</u>	<u>1,138,517</u>	<u>(8,815,830)</u>	<u>(628,102)</u>	<u>6,340,647</u>

(continued)

BUFFALO SEWER AUTHORITY
Table VII—Changes in Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Unaudited)

(concluded)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	15,860,204	18,336,980	17,014,748	25,962,920	23,955,861	22,311,186	23,339,982	21,858,271	20,368,654	13,510,320
Transfers out	(15,860,204)	(18,336,980)	(17,014,748)	(25,962,920)	(23,955,861)	(22,311,186)	(23,339,982)	(21,858,271)	(20,368,654)	(13,510,320)
Proceeds from capital lease	-	124,706	-	-	-	-	-	-	-	-
Proceeds of issuance of debt	7,740,611	4,986,541	-	9,526,664	-	-	-	-	-	-
Proceeds of refunding bonds	48,375,000	-	-	-	-	-	-	-	-	21,671,564
Premium on refunding bonds	2,206,994	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(50,085,812)	-	-	-	-	-	-	-	-	(21,671,564)
Total other financing (uses) sources	<u>8,236,793</u>	<u>5,111,247</u>	<u>-</u>	<u>9,526,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (5,891,214)</u>	<u>\$ (946,657)</u>	<u>\$ 3,684,640</u>	<u>\$ 18,724,267</u>	<u>\$ 6,747,894</u>	<u>\$ 272,349</u>	<u>\$ 1,138,517</u>	<u>\$ (8,815,830)</u>	<u>\$ (628,102)</u>	<u>\$ 6,340,647</u>
Debt service as a percentage of noncapital expenditures	27.43%	27.79%	25.21%	27.64%	26.21%	25.78%	26.40%	24.99%	17.56%	13.80%

Source: Buffalo Sewer Authority Annual Financial Statements

BUFFALO SEWER AUTHORITY
Table VIII—Wastewater Treated
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Gallons of Wastewater Treated¹</u>
2004	53,509
2005	49,823
2006	48,144
2007	52,195
2008	49,604
2009	48,509
2010	48,691
2011	49,677
2012	45,457
2013	42,523

Note: ¹ In millions

Source: Buffalo Sewer Authority's internal records

BUFFALO SEWER AUTHORITY
Table IX—Sewer Tap Sales
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Sewer Taps Sold</u>
2004	88
2005	95
2006	111
2007	77
2008	55
2009	87
2010	70
2011	34
2012	39
2013	60

Source: Buffalo Sewer Authority's internal records

BUFFALO SEWER AUTHORITY
Table X—Number of Sewer Customers by Type
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Customers</u>	
	<u>Residential</u>	<u>Commercial</u>
2004	95,802	269
2005	96,581	327
2006	97,316	378
2007	98,043	379
2008	98,536	381
2009	99,586	377
2010	99,911	379
2011	100,613	515
2012	101,462	498
2013	102,628	555

Source: Buffalo Sewer Authority's internal records

BUFFALO SEWER AUTHORITY
Table XI—Combined, Authority, County and City Property Tax and
Sewer Rent Rates (Per \$1,000 of Assessed Valuation)
Last Ten Fiscal Years
(Unaudited)

		Buffalo Sewer Authority	City of Buffalo Exclusive of Buffalo Sewer Authority	Erie County¹	Total
2004	H	\$ 2.06	\$ 20.85	\$ 4.68	\$ 27.59
	NH	2.06	37.26	4.68	44.00
2005	H	2.06	21.69	4.59	28.34
	NH	2.06	38.56	4.59	45.21
2006	H	1.99	20.96	5.13	28.08
	NH	1.99	37.41	5.13	44.53
2007	H	1.94	20.75	5.13	27.82
	NH	1.94	36.08	5.13	43.15
2008	H	1.80	19.78	5.10	26.68
	NH	1.80	32.76	5.10	39.66
2009	H	1.77	18.83	5.19	25.79
	NH	1.77	32.76	5.19	39.72
2010	H	1.75	18.45	5.40	25.60
	NH	1.75	32.06	5.40	39.21
2011	H	1.70	17.95	5.40	25.05
	NH	1.70	32.06	5.40	39.16
2012	H	1.70	17.95	5.37	25.02
	NH	1.70	31.65	5.37	38.72
2013	H	1.70	17.95	5.49	25.14
	NH	1.70	28.97	5.49	36.16

Notes: ¹ For the calendar year beginning during Authority's fiscal year.

H Homestead

NH Non-homestead

Sources: City of Buffalo, Division of Accounting
County of Erie, Division of Real Property Tax
Buffalo Sewer Authority Annual Financial Statements

BUFFALO SEWER AUTHORITY
Table XII—Principal Customers
Years Ended June 30, 2013 and June 30, 2004
(Unaudited)

Year Ended June 30, 2013:

Customer	Type of Business	Sewer Rent on Assessed Valuation	Sewer Rent on Water Use	Industrial Waste Surcharge	Total Sewer Rent	Percentage of Total Sewer Rents (General Consumers)
BMHA	Municipal Housing	\$ 206,919	\$ 420,323	\$ -	\$ 627,242	1.70%
Aurubis FKA OAB	Copper Mill	11,081	566,021	-	577,102	1.88%
Sorrento	Consumer Foods	5,882	2,273	231,067	239,222	1.31%
ECMC	Hospital	-	205,571	-	205,571	0.70%
Niagara Mohawk	Electric Company	151,905	44,285	-	196,190	0.70%
Tyson Foods	Consumer Foods	10,454	131,426	45,924	187,804	0.80%
Roswell	Hospital	-	179,532	-	179,532	0.90%
Buffalo Board of Education	School District	-	176,608	-	176,608	0.55%
Veterans Administration	Hospital	-	147,371	-	147,371	0.49%
SUNYAB	University	-	137,368	-	137,368	0.53%

Year Ended June 30, 2004:

Customer	Type of Business	Sewer Rent on Assessed Valuation	Sewer Rent on Water Use	Industrial Waste Surcharge	Total Sewer Rent	Percentage of Total Sewer Rents (General Consumers)
BMHA	Municipal Housing	\$ 45,968	\$ 614,580	-	\$ 660,548	1.46%
Sorrento	Consumer Foods	6,924	324,674	317,416	649,014	1.44%
Outokumpu- American Brass	Copper Mill	18,873	564,764	-	583,637	1.29%
ECMC	Hospital	-	478,850	-	478,850	1.06%
Rich Products	Consumer Foods	19,326	123,017	238,985	381,328	0.84%
Russer Foods	Consumer Foods	12,615	207,938	44,228	264,781	0.59%
Niagara Mohawk	Utility Company	175,546	86,729	-	262,275	0.58%
General Mills	Consumer Foods	23,601	169,037	12,775	205,413	0.45%
SUNYAB	University	-	199,119	-	199,119	0.44%
Freezer Queen	Consumer Foods	2,230	77,151	14,465	93,846	0.21%

Source: Buffalo Sewer Authority's Internal Records

BUFFALO SEWER AUTHORITY
Table XIII—Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Revenue Bonds	Capital Lease Obligation	EFC Loan	Total Amount	Percentage of Personal Income	Debt per Capita¹
2004	\$ 86,287,619	\$ 1,037,359	\$ 2,086,135	\$ 89,411,113	0.25%	\$ 317
2005	84,732,556	157,071	1,191,890	86,081,517	0.24%	308
2006	78,058,142	110,605	6,627,407	84,796,154	0.22%	307
2007	80,514,891	58,866	-	80,573,757	0.20%	296
2008	73,312,596	33,283	-	73,345,879	0.17%	271
2009	65,901,664	6,775	-	65,908,439	0.16%	244
2010	57,335,000	-	4,198,923	61,533,923	0.14%	235
2011	48,390,000	-	12,361,291	60,751,291	0.13%	233
2012	42,120,000	-	15,665,776	57,785,776	0.12%	223
2013	38,631,564	-	15,892,314	54,523,878	n/a	209

Note: ¹ Based on most recent census data for Buffalo, New York

Sources: Buffalo Sewer Authority Annual Financial Statements
U.S. Bureau of the Census

BUFFALO SEWER AUTHORITY
Table XIV—Sewer Revenue Bond Coverage
Last Ten Fiscal Years
(Unaudited)

Year Ended June 30,	Total Revenues	Direct Operating Expenditures¹	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 48,340,937	\$ 34,765,942	\$ 13,574,995	\$ 6,411,813	\$ 3,564,706	\$ 9,976,519	1.36
2005	52,196,177	34,987,937	17,208,240	6,541,604	4,441,874	10,983,478	1.57
2006	57,778,541	34,256,718	23,521,823	6,674,414	4,388,643	11,063,057	2.13
2007	57,046,962	33,235,326	23,811,636	7,069,915	4,545,510	11,615,425	2.05
2008	55,887,663	33,546,514	22,341,149	7,202,295	4,475,105	11,677,400	1.91
2009	55,716,453	34,041,872	21,674,581	7,410,932	4,250,753	11,661,685	1.86
2010	56,707,653	32,475,686	24,231,967	8,566,664	3,076,897	11,643,561	2.08
2011	54,057,097	34,887,375	19,169,722	8,945,000	2,680,650	11,625,650	1.65
2012	55,815,828	34,698,617	21,117,211	6,270,000	2,265,947	8,535,947	2.47
2013	55,880,539	34,026,088	21,854,451	3,488,436	1,957,709	5,446,145	4.01

Note: ¹ Direct operating expenditures exclude all debt service requirements, capital outlay and other financing uses.

BUFFALO SEWER AUTHORITY
Table XV—Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

	<u>Population</u>		<u>Buffalo/Niagara Region</u>		<u>Buffalo, NY</u>	<u>New York State</u>
	<u>Buffalo²</u>	<u>Erie County²</u>	<u>Per Capita Income³</u>	<u>Labor Force¹</u>	<u>Unemployment Rate⁴</u>	<u>Unemployment Rate¹</u>
2004	282,403	934,653	\$ 30,912	589,389	7.3%	5.9%
2005	279,138	928,215	31,825	589,832	6.7%	4.8%
2006	276,059	921,390	33,803	591,139	6.3%	4.4%
2007	272,632	913,338	35,669	581,162	6.0%	4.5%
2008	270,919	909,845	36,408	589,229	6.9%	5.2%
2009	270,240	909,247	37,511	597,000	10.5%	9.0%
2010	261,310	919,040	38,529	591,053	10.3%	8.2%
2011	261,025	918,028	40,121	581,166	10.2%	8.0%
2012	259,384	919,086	42,788	579,800	8.8%	8.9%
2013	261,310	919,040	n/a	537,000	7.4%	7.5%

Sources: ¹ US Department of Labor - Bureau of Labor Statistics, at June 30 of year shown
² US Bureau of the Census
³ US Bureau of Economic Analysis
⁴ NYS Department of Labor – Labor Statistics, at June 30 of year shown

BUFFALO SEWER AUTHORITY
Table XVI—Principal Employers in the Buffalo Metropolitan Area
Years Ended June 30, 2013 and June 30, 2004
(Unaudited)

Employer	2013 ¹			2004 ²		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
State of New York	24,764	1	4.61%	16,989	1	2.88%
Federal Executive Board	10,000	2	1.86%	11,000	2	1.87%
Kaleida Health	8,030	3	1.50%	6,038	7	1.02%
University at Buffalo	7,106	4	1.32%	6,250	6	1.06%
Catholic Health System	6,709	5	1.25%	4,616	10	0.78%
Employer Services Corp.	6,559	6	1.22%			
Tops Markets LLC	5,058	7	0.94%	9,768	3	1.66%
Wegmans Food Market Inc.	5,000	8	0.93%			
M&T Bank	4,987	9	0.93%	5,141	8	0.87%
Buffalo City School District	4,949	10	0.92%	6,829	5	1.16%
Erie County				7,529	4	1.28%
HSBC Bank USA, N.A.				4,875	9	0.83%

Sources: ¹ From the "Business First Book of Lists 2012" Western New York's weekly business newspaper

² From the October 24, 2004 issue of "Business First"

BUFFALO SEWER AUTHORITY
Table XVII—Number of Employees by Identifiable Activity
Last Ten Fiscal Years
(Unaudited)

Year Ended June 30,	Full-time Equivalent Employees					Total
	Administration	Treatment Plant	Industrial Waste	Engineering	Sewer Maintenance	
2004	17	147	8	13	58	243
2005	17	147	8	13	53	238
2006	16	140	8	13	53	230
2007	16	133	8	12	51	220
2008	17	135	8	12	45	217
2009	18	143	8	11	40	220
2010	16	137	8	12	45	218
2011	16	128	7	12	38	201
2012	15	117	6	10	38	186
2013	13	116	6	11	38	184

Source: Buffalo Sewer Authority's internal records

BUFFALO SEWER AUTHORITY
Table XVIII—Operating and Capital Indicators
Last Ten Fiscal Years
(Unaudited)

Year Ended June 30,	Miles of Sewers	Number of Treatment Plants	Treatment Capacity (MGD)	Annual Engineering Maximum Plant Capacity¹	Amount Treated Annually¹	Unused Capacity¹	Percentage of Capacity Utilized
2004	850	1	600	219,000	53,509	165,491	24.4%
2005	850	1	600	219,000	49,823	169,177	22.8%
2006	850	1	600	219,000	48,144	170,856	22.0%
2007	850	1	600	219,000	52,195	166,805	23.8%
2008	850	1	600	219,000	49,604	169,396	22.7%
2009	850	1	600	219,000	48,509	170,491	22.2%
2010	850	1	600	219,000	48,691	170,309	22.2%
2011	850	1	600	219,000	49,677	169,323	22.7%
2012	850	1	600	219,000	45,457	173,543	20.8%
2013	850	1	600	219,000	42,523	176,477	19.4%

Note: ¹ Millions of gallons

Source: Buffalo Sewer Authority's internal records