

Buffalo Sewer Authority



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2014

BUFFALO,
NEW YORK

**BUFFALO SEWER AUTHORITY
BUFFALO, NY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2014**

PREPARED BY:

**ADMINISTRATIVE DEPARTMENT
RONALD BROWN, EXECUTIVE SECRETARY**

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INTRODUCTORY SECTION



ADMINISTRATIVE OFFICES
1038 CITY HALL
65 NIAGARA SQUARE
BUFFALO, NY 14202-3378
PHONE: (716) 851-4664
FAX: (716) 856-5810

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



September 24, 2014

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, 2014, 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, 2014 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, 2014, 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 258,945. 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

With a focus on water quality of our natural assets, the Authority provides sewerage collection, treatment, and disposal services for the City of Buffalo and various neighboring communities. During the 2013-2014 fiscal year several sewer projects were initiated or completed which enables the Authority to improve the services described above.

The Authority received approval of its Combined Sewer Overflow Long Term Control Plan on March 18, 2014 from the US Environmental Protection Agency and NYS Department of Environmental Conservation. The Authority continues to complete projects as identified in the

Long Term Control Plan. This plan is a system-wide analysis that assesses and prioritizes improvements necessary to comply with the Clean Water Act.

This fiscal year, 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. A \$0.5 million project involving flow redirection and weir modification at sewer patrol points (SPP) 36, connected to CSO 015, was substantially completed during this period. In the Swan Trunk system, the Authority has begun construction on a \$1.1 million, 100,000 gallon storage facility for SPP 206A and 206B associated with CSO 015. In addition, the Authority has begun a weir raising project within the Cornelius Creek intercepting chamber at CSO 55 that will allow significant flows to be redirected to the WWTP.

As part of an in-system storage initiative, the Authority has begun construction of two in-line computer controlled storage projects on Bird Avenue and Lang Avenue. These projects will use real time computer controlled 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 \$18 million Hamburg Drain Floatables Control Facility, which collects and processes floatables from twenty sewer regulators within the Hamburg drain system which discharge combined sewage to the Buffalo River during wet weather events. This facility began operation in February 2014.

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 is 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 2013-14 totals \$28,670,000. Of his amount, \$15,270,000 is for treatment plant rehabilitation projects and \$13,400,000 is estimated for the installation of new storm sewers and renovations to the current collection system.

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, 2013. 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-seven 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, 2013

Executive Director/CEO

BUFFALO SEWER AUTHORITY
Officials
Year Ended June 30, 2014

Board Members

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

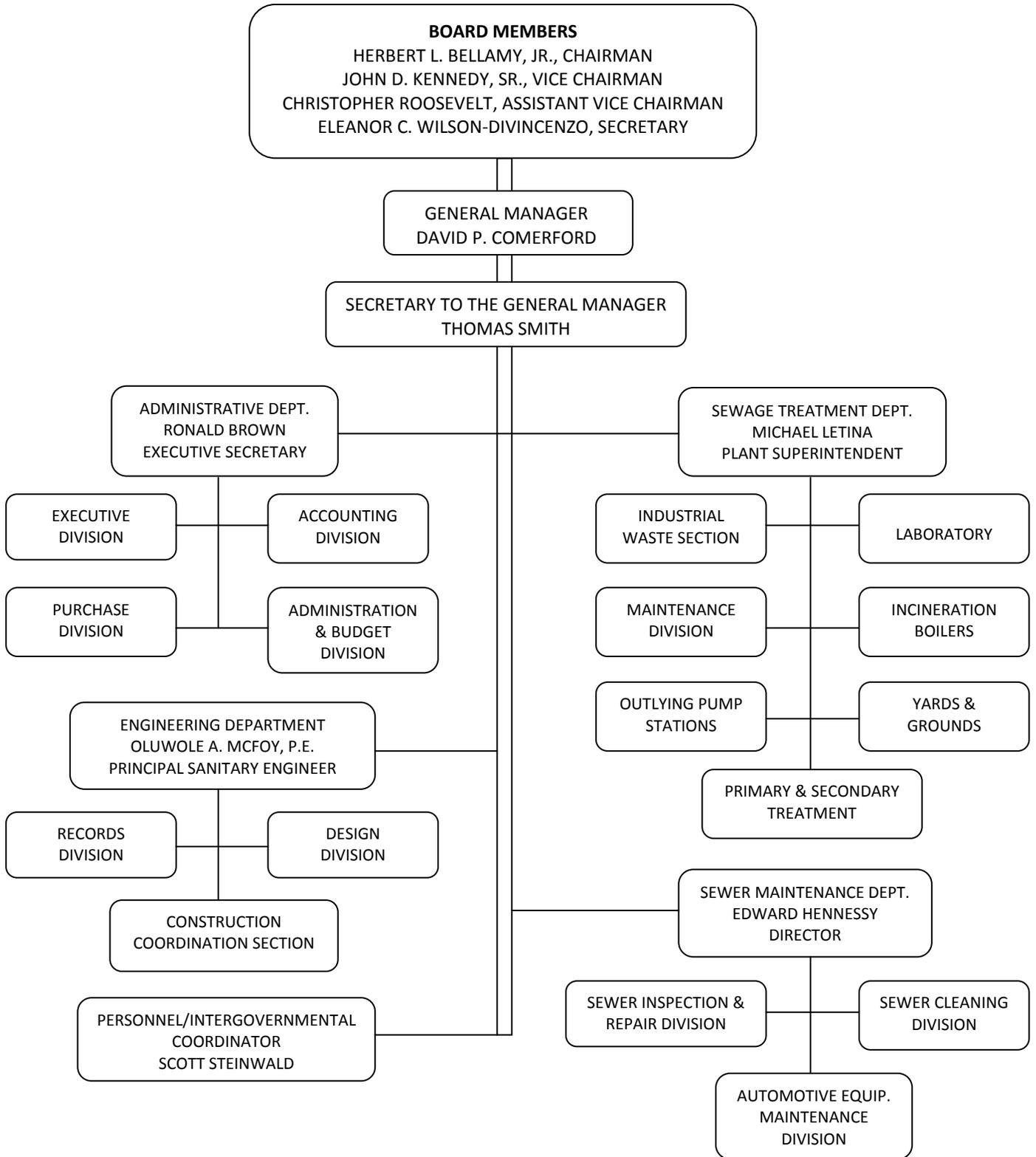
Professional Staff

David P. Comerford, General Manager
Thomas Smith, Secretary to the General Manager
Ronald Brown, Executive Secretary
Michael Letina, Treatment Plant Superintendent
Oluwole A. McFoy, Principal Sanitary Engineer
Ed Hennessy, Director of Sewer Maintenance
Scott Steinwald, Intergovernmental Coordinator

Address of the Authority

Room 1038
Buffalo, New York 14202

BUFFALO SEWER AUTHORITY
Organization Chart
Year Ended June 30, 2014



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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 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, 2014, and the respective changes in financial position thereof 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 and other Required Supplementary Information, as listed in the table of contents, 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 statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



September 24, 2014

BUFFALO SEWER AUTHORITY
Management's Discussion and Analysis
Year Ended June 30, 2014

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, 2014. 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 \$14,389,487 as a result of this year's activity.
- ◆ The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$298,377,509 (net position). Of this amount, \$73,592,123 (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 \$86,874,560, an increase of \$14,463,756 in comparison with the prior year. Approximately 11.5 percent of this amount, \$10,000,000, 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 \$12,421,032 primarily because \$11,431,189 was transferred from the Debt Service Fund to the General Fund. At June 30, 2014, unassigned fund balance for the General Fund was \$10,000,000, or 19.1 percent of the total of General Fund expenditures and transfers out.
- ◆ During the year ended June 30, 2014 the Authority converted EFC loans payable of \$15,159,256 to long-term debt as short-term debt expected to be refinanced as long-term debt. The Authority paid \$1,737,732 of principal on its bonded indebtedness during the year and recognized a \$9,031,991 principal payment on the converted EFC loans payable.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The District's basic financial statements comprise of 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.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a matter similar to private-sector business.

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).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Authority include general administration, wastewater treatment facilities, industrial waste, engineering, sewer maintenance and interest and fiscal charges. The Authority does not engage in any business-type activities.

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. All of the funds of the Authority can be divided into two categories: governmental funds and fiduciary 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 Fund, General Projects Fund, 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 basic governmental fund financial statements can be found on pages 20-23 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the Authority. 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

Authority is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Authority maintains one fiduciary fund, the Agency Fund.

The fiduciary fund statement can be found on page 24 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 25-48 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Authority’s progress in funding its obligation to provide post-employment benefits to its employees and the Authority’s budgetary comparison for the General Fund. Required Supplementary Information can be found on pages 49-50 of this report.

The Supplementary Information, as listed in the table of contents, can be found on pages 51-59 of this report.

Finally, the Statistical Section of this report can be found on pages 60-78.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the Authority, assets exceeded liabilities by \$298,377,509 at the close of the most recent fiscal year, as compared to \$283,988,022 at the close of the fiscal year ended June 30, 2014.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

	June 30,	
	2014	2013
Current assets	\$ 103,074,423	\$ 96,873,284
Capital assets	263,095,438	258,273,921
Total assets	<u>366,169,861</u>	<u>355,147,205</u>
Current liabilities	7,524,031	24,755,017
Noncurrent liabilities	51,236,330	46,404,166
Total liabilities	<u>58,760,361</u>	<u>71,159,183</u>
Deferred inflows of resources	<u>9,031,991</u>	<u>-</u>
Net Position:		
Net investment in capital assets	224,785,386	218,730,301
Unrestricted	73,592,123	65,257,721
Total net position	<u>\$ 298,377,509</u>	<u>\$ 283,988,022</u>

The largest portion of the Authority’s net position reflects its investment in capital assets (such as land, buildings, machinery and equipment, etc.), less any related outstanding debt used to acquire those assets.

The Authority uses these capital assets to provide services to citizens. Accordingly, 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, \$73,592,123, which may be used to meet the Authority's ongoing obligations to citizens and creditors.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2014 and June 30, 2013.

Table 2—Condensed Statement of Changes in Net Position

	Year Ended June 30,	
	2014	2013
Program revenues:		
Charges for services	\$ 52,022,482	\$ 53,688,824
Capital grants and contributions	9,031,991	-
General revenues	2,149,080	2,191,715
Total revenues	<u>63,203,553</u>	<u>55,880,539</u>
Program expenses	<u>48,814,066</u>	<u>46,384,731</u>
Change in net position	14,389,487	9,495,808
Net position - beginning of year	<u>283,988,022</u>	<u>274,492,214</u>
Net position - end of year	<u>\$ 298,377,509</u>	<u>\$ 283,988,022</u>

Overall revenues increased 13.1 percent from the prior year due to the Authority recognizing one-time grant revenue in the current year. Total expenses increased by 5.2 percent from the year ended June 30, 2014, which can be largely attributed to increased expenditures on sewer maintenance, due to heightened non-capitalizable repairs and maintenance expenditures required on aging infrastructure.

A summary of sources of revenues for the years ended June 30, 2014 and June 30, 2013 is presented below in Table 3.

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(decrease)	
	2014	2013	Dollars	Percent (%)
Charges for services	\$ 52,022,482	\$ 53,688,824	\$ (1,666,342)	-3.1
Capital grants and contributions	9,031,991	-	9,031,991	100.0
Unrestricted investment earnings	374,859	357,126	17,733	5.0
Miscellaneous	1,774,221	1,834,589	(60,368)	-3.3
Total revenues, net	<u>\$ 63,203,553</u>	<u>\$ 55,880,539</u>	<u>\$ 7,323,014</u>	13.1

The most significant source of revenues is charges for services, which accounts for \$52,022,482, or 82.3 percent of total revenues, for the year ended June 30, 2014. The next largest source of revenue is capital

grants and contributions of \$9,031,991, or 14.3 percent of total revenues, which represents one-time grant revenue recognized in the current year. For the year ended June 30, 2013, the most significant source of revenues was for charges for services, which accounted for \$53,688,824, or 96.1 percent of total revenues, for the year ended June 30, 2013. The next largest source of revenue was classified as miscellaneous, which comprised \$1,834,589, or 3.3 percent of total revenues for the year ended June 30, 2013.

A summary of program expenses for the years ended June 30, 2014 and June 30, 2013 is presented below in Table 4.

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(decrease)	
	2014	2013	Dollars	Percent (%)
General administration	\$ 2,261,187	\$ 2,206,256	\$ 54,931	2.5
Wastewater treatment facilities	33,457,338	33,773,830	(316,492)	-0.9
Industrial waste	879,550	909,499	(29,949)	-3.3
Engineering	1,569,317	1,379,289	190,028	13.8
Sewer maintenance	8,782,754	5,671,375	3,111,379	54.9
Interest and other fiscal charges	1,863,920	2,444,482	(580,562)	-23.7
Total program expenses	<u>\$ 48,814,066</u>	<u>\$ 46,384,731</u>	<u>\$ 2,429,335</u>	5.2

The Authority's significant expense items for the year ended June 30, 2014 were wastewater treatment facilities of \$33,457,338, or 68.5 percent of total expenses (primarily sewer, water, and sanitation services) and sewer maintenance costs of \$8,782,754, or 18.0 percent of total expenses. For the year ended June 30, 2013 significant expense items were wastewater treatment facilities of \$33,773,830, or 72.8 percent of total expenses (primarily sewer, water, and sanitation services) and sewer maintenance costs of \$5,671,375 or 12.2 percent of total expenses.

Financial Analysis of the Authority's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the Authority itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board.

At June 30, 2014, the Authority's governmental funds reported combined ending fund balances of \$86,874,560, an increase of \$14,463,756 from the prior year. Approximately 11.5 percent of this amount (\$10,000,000), constitutes *unassigned fund balance*, which is available for spending at the Authority's discretion. The remainder of fund balance is either *nonspendable, restricted or committed* to indicate that it is 1) not in spendable form (\$283,064), 2) restricted for particular purposes (\$4,711,045), or 3) committed for particular purposes (\$71,880,451).

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,000,000, while the total fund balance increased to

\$40,817,113. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 19.1 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 77.9 percent of that same amount.

The Authority’s total fund balance in the General fund increased by \$12,421,032 during the current year. The Authority anticipated using \$1,440,983 of fund balance from funds re-appropriated by prior year’s encumbrances. As a result of significant savings in expenditures related to wastewater treatment facilities and sewer maintenance, coupled with the release of certain debt reserves, the Authority saw an increase in fund balance.

The General Projects Fund has a total fund balance of \$41,748,609, an increase of \$14,111,937 from the prior year. During the year ended June 30, 2014, the Authority’s General Fund transferred \$14,463,519 to the General Projects Fund to support ongoing capital projects. In addition to spending nearly \$3 million on sewer maintenance during the year, the Authority spent \$13,546,682 from the General Projects Fund for capital outlay. Additionally, during the year ended June 30, 2014, the Authority has taken the legal steps to refinance the short-term EFC loans payable to long-term loans payable. As a result, the Authority has recognized the long-term conversion of EFC loans payable as an other financing source in the General Projects Fund, thereby increasing fund balance by \$15,159,256. Of the total fund balance, \$402,207 represents amounts restricted for debt, while the remaining \$41,346,402 has been committed to fund future capital projects.

Fund balance in the Debt Service Fund at June 30, 2014 was \$4,308,838, a decrease of \$11,569,213 from the prior year. The primary reason for this decrease was due to a transfer out of the Debt Service Fund to the General Fund to release certain debt reserves. All of the fund balance within the Debt Service Fund is restricted for future debt payments.

General Fund Budgetary Highlights

The Authority adopts an annual appropriated budget for the General Fund. Budgetary comparison schedules within the required supplementary information section of this report has been provided to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended June 30, 2014 is presented in Table 5 below:

Table 5—Summary of General Fund Results of Operations for the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 54,100,000	\$ 54,100,000	\$ 64,850,543	\$ 10,750,543
Expenditures and other financing uses	55,540,983	56,059,783	54,050,986	2,008,797
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (1,440,983)	\$ (1,959,783)	\$ 10,799,557	\$ 12,759,340

Original budget compared to final budget—During the fiscal year, budgeted appropriations increased through budget amendments by \$518,800. Appropriations were increased primarily due to anticipated increases in wastewater treatment facilities related expenditures that were not foreseen when the budget was adopted.

Final budget compared to actual results—Actual revenues during the year were significantly higher as a result of transfers in from the Debt Service Fund in the amount of \$11,661,189 related to the release of certain debt reserves that were not included in the budget.

Capital Asset and Debt Administration

Capital Assets—The Authority’s investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$263,095,438 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements, machinery and equipment, and sanitary and storm relief systems.

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, 2014 and 2013 are presented in Table 6 below.

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

	June 30,	
	2014	2013
Land	\$ 10,586,171	\$ 10,586,171
Construction in progress	41,875,410	35,713,065
Buildings	117,473,847	117,218,090
Building improvements	4,061,802	4,355,343
Machinery & equipment	2,621,653	1,862,328
Sanitary & storm relief systems	<u>86,476,555</u>	<u>88,538,924</u>
Total	<u>\$ 263,095,438</u>	<u>\$ 258,273,921</u>

Additional information on the Authority’s capital assets can be found in Note 4 of this report.

Long-term debt—At June 30, 2014, the Authority had total bonded debt outstanding of \$36,893,832 as compared to \$38,631,564 in the prior year. The Authority converted short-term EFC loans payable of \$15,159,256 to long-term debt during the year ended June 30, 2014. The Authority paid \$1,737,732 of principal on its bonded indebtedness during the year and recognized a \$9,031,991 principal payment on the converted EFC loans payable.

A summary of the District’s long-term liabilities at June 30, 2014 and June 30, 2013 is presented below in Table 7.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2014	2013
Bonds payable	\$ 36,893,832	\$ 38,631,564
EFC loans payable	6,127,265	-
Compensated absences	1,627,655	1,662,708
OPEB obligation	5,397,828	4,756,368
Judgments and claims	<u>1,189,750</u>	<u>1,353,526</u>
	<u>\$ 51,236,330</u>	<u>\$ 46,404,166</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 6.1 percent, which is a decrease from a rate of 7.4 percent a year ago. This compares to New York State's average unemployment rate of 6.6 and the national average of 6.2 percent.

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, 2014. Total appropriations within the 2014-2015 adopted budget were \$53,038,000, a decrease of 1.96 percent from the 2013-2014 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 \$122 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 2014-2015 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 \$1.71536492 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, 2014

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 8,202,733
Designated cash and cash equivalents	68,838,527
Restricted cash and cash equivalents	402,207
Investments	4,308,838
Receivables (net of allowances for uncollectible receivables)	11,604,856
Intergovernmental receivables	9,434,198
Prepaid items	283,064
Capital assets not being depreciated	52,461,581
Capital assets, net of accumulated depreciation	<u>210,633,857</u>
Total assets	<u>366,169,861</u>
LIABILITIES	
Accounts payable	4,832,908
Interest payable	356,159
Accrued liabilities	296,588
Due to retirement system	446,230
Retainages payable	1,337,639
Unearned revenues	254,507
Noncurrent liabilities:	
Due within one year	1,659,961
Due within more than one year	<u>49,576,369</u>
Total liabilities	<u>58,760,361</u>
DEFERRED INFLOW OF RESOURCES	
Unmatured EFC loans payable principal	<u>9,031,991</u>
Total deferred inflow of resources	<u>9,031,991</u>
NET POSITION	
Net investment in capital assets	224,785,386
Unrestricted	<u>73,592,123</u>
Total net position	<u>\$ 298,377,509</u>

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

BUFFALO SEWER AUTHORITY
Statement of Activities
Year Ended June 30, 2014

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Governmental activities:				
General administration	\$ 2,261,187	\$ 3,054,760	\$ -	\$ 793,573
Wastewater treatment facilities	33,457,338	34,288,270	-	830,932
Industrial waste	879,550	1,192,139	-	312,589
Engineering	1,569,317	2,116,116	-	546,799
Sewer maintenance	8,782,754	11,371,197	9,031,991	11,620,434
Interest and fiscal charges	1,863,920	-	-	(1,863,920)
Total governmental activities	<u>\$ 48,814,066</u>	<u>\$ 52,022,482</u>	<u>\$ 9,031,991</u>	<u>12,240,407</u>
	General revenues:			
	Unrestricted investment earnings			374,859
	Unallocable aid			<u>1,774,221</u>
	Total general revenues			<u>2,149,080</u>
	Change in net position			14,389,487
	Net position—beginning			<u>283,988,022</u>
	Net position—ending			<u>\$ 298,377,509</u>

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

BUFFALO SEWER AUTHORITY
Balance Sheet—Governmental Funds
June 30, 2014

	<u>General</u>	<u>General Projects</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,202,733	\$ -	\$ -	\$ -	\$ 8,202,733
Designated cash and cash equivalents	23,912,574	44,925,953	-	-	68,838,527
Restricted cash and cash equivalents	-	402,207	-	-	402,207
Investments	-	-	-	4,308,838	4,308,838
Receivables (net of allowance for uncollectibles)	11,604,856	-	-	-	11,604,856
Due from other funds	-	141,327	-	-	141,327
Intergovernmental receivables	-	9,434,198	-	-	9,434,198
Prepaid items	283,064	-	-	-	283,064
Total assets	<u>\$ 44,003,227</u>	<u>\$ 54,903,685</u>	<u>\$ -</u>	<u>\$ 4,308,838</u>	<u>\$ 103,215,750</u>
LIABILITIES					
Accounts payable	\$ 2,047,462	\$ 2,785,446	\$ -	\$ -	\$ 4,832,908
Accrued liabilities	296,588	-	-	-	296,588
Due to other funds	141,327	-	-	-	141,327
Due to retirement system	446,230	-	-	-	446,230
Retainages payable	-	1,337,639	-	-	1,337,639
Unearned revenue	254,507	-	-	-	254,507
Total liabilities	<u>3,186,114</u>	<u>4,123,085</u>	<u>-</u>	<u>-</u>	<u>7,309,199</u>
DEFERRED INFLOWS OF RESOURCES					
Unmatured EFC loans payable principal	-	9,031,991	-	-	9,031,991
Total deferred inflows of resources	<u>-</u>	<u>9,031,991</u>	<u>-</u>	<u>-</u>	<u>9,031,991</u>
FUND BALANCES					
Nonspendable	283,064	-	-	-	283,064
Restricted	-	402,207	-	4,308,838	4,711,045
Committed	30,534,049	41,346,402	-	-	71,880,451
Unassigned	10,000,000	-	-	-	10,000,000
Total fund balances	<u>40,817,113</u>	<u>41,748,609</u>	<u>-</u>	<u>4,308,838</u>	<u>86,874,560</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 44,003,227</u>	<u>\$ 54,903,685</u>	<u>\$ -</u>	<u>\$ 4,308,838</u>	<u>\$ 103,215,750</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 Government-wide Statement of Net Position
June 30, 2014

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

Total fund balances—governmental funds (page 20)		\$ 86,874,560
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$497,661,601 and the accumulated depreciation is \$234,566,163.		263,095,438
Net accrued interest expense for bonds, notes and special program bonds not reported in the fund.		(356,159)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:		
Bonds payable	\$ (36,893,832)	
EFC loans payable	(6,127,265)	
Compensated absences	(1,627,655)	
Other postemployment benefits obligation	(5,397,828)	
Judgments and claims	<u>(1,189,750)</u>	<u>(51,236,330)</u>
Net position of governmental activities		<u>\$ 298,377,509</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, 2014

	<u>General</u>	<u>General Projects</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES					
Sewer rents—general consumers	\$ 50,957,991	\$ -	\$ -	\$ -	\$ 50,957,991
Interest on delinquent sewer rents	1,064,491	-	-	-	1,064,491
Interest on investments	105,151	-	-	269,708	374,859
Miscellaneous	1,061,721	712,500	-	-	1,774,221
Federal aid	-	9,031,991	-	-	9,031,991
Total revenues	<u>53,189,354</u>	<u>9,744,491</u>	<u>-</u>	<u>269,708</u>	<u>63,203,553</u>
EXPENDITURES					
Current:					
General administration	1,165,918	-	-	-	1,165,918
Wastewater treatment facilities	16,921,866	-	-	-	16,921,866
Industrial waste	508,944	-	-	-	508,944
Engineering	753,015	-	-	-	753,015
Sewer maintenance	2,837,577	2,946,656	-	-	5,784,233
Miscellaneous	4,391,943	-	-	-	4,391,943
Employee benefits	8,256,431	-	-	-	8,256,431
Debt service:					
Principal	-	-	-	10,769,723	10,769,723
Interest and fiscal charges	-	-	-	1,800,298	1,800,298
Capital outlay	-	13,546,682	-	-	13,546,682
Total expenditures	<u>34,835,694</u>	<u>16,493,338</u>	<u>-</u>	<u>12,570,021</u>	<u>63,899,053</u>
Excess (deficiency) of revenues over expenditures	<u>18,353,660</u>	<u>(6,748,847)</u>	<u>-</u>	<u>(12,300,313)</u>	<u>(695,500)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,661,189	14,963,519	-	12,162,289	38,786,997
Transfers out	(17,593,817)	(9,261,991)	(500,000)	(11,431,189)	(38,786,997)
Long-term conversion of EFC loans payable expected to be refinanced	-	15,159,256	-	-	15,159,256
Total other financing sources (uses)	<u>(5,932,628)</u>	<u>20,860,784</u>	<u>(500,000)</u>	<u>731,100</u>	<u>15,159,256</u>
Net change in fund balances	12,421,032	14,111,937	(500,000)	(11,569,213)	14,463,756
Fund balances—beginning	<u>28,396,081</u>	<u>27,636,672</u>	<u>500,000</u>	<u>15,878,051</u>	<u>72,410,804</u>
Fund balances—ending	<u>\$ 40,817,113</u>	<u>\$ 41,748,609</u>	<u>\$ -</u>	<u>\$ 4,308,838</u>	<u>\$ 86,874,560</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 Government-wide Statement of Activities
Year Ended June 30, 2014

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) \$ 14,463,756

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$ 13,546,682	
Depreciation expense	<u>(8,725,165)</u>	4,821,517

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (63,622)

The issuance of long-term debt (e.g. serial bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, in the statement of activities, certain operating expenses 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 in the treatment of long-term debt and the related items is as follows:

Conversion of EFC loans payable expected to be refinanced	\$ (15,159,256)	
Repayment of serial bonds	1,737,732	
Principal reduction of EFC loans payable	9,031,991	
Changes in compensated absences	35,053	
Changes in other postemployment benefits obligation	(641,460)	
Changes in judgments and claims	<u>163,776</u>	<u>(4,832,164)</u>

Change in net position of governmental activities \$ 14,389,487

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

BUFFALO SEWER AUTHORITY
Statement of Net Position—Agency Fund
June 30, 2014

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 33,538
Total assets	<u>\$ 33,538</u>
LIABILITIES	
Bankruptcy funds held	\$ 33,538
Total liabilities	<u>\$ 33,538</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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Buffalo Sewer Authority, New York (the “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by sewer rents and taxes, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate *component units* for which the primary government is financially accountable. The Authority reports no business-type activities or component units.

Financial 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, New York (the “City”) 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. There are no other entities covered in this report.

The Authority provides sewage collection, treatment and disposal services for the City 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).

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. Exception to this general rule are 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.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Authority's 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:

- ◆ *General Fund*—This is the principal operating fund of the Authority and accounts for all financial resources of the general government, except those accounted for in another fund.
- ◆ *General Projects Fund*—This fund accounts for the acquisition and construction of major capital facilities and capital assets financed primarily with proceeds of both long and short-term debt.
- ◆ *Capital Improvements Fund*—This fund accounts for general sewer system improvements financed primarily with proceeds of both long and short-term debt.
- ◆ *Debt Service Fund*—This fund is used 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:

- ◆ *Fiduciary Fund*—The *Agency Fund* is used to account for assets held by the Authority as an agent for individuals, private organizations, and/or other governmental units. The Agency Fund accounts for amounts held from bankruptcies until the funds collected are able to be used to pay off existing balances.

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, certain eliminations are made in the preparation of the government-wide 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.

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 financial 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter 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, and claims and judgment, are recorded only when payment is due. 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 Authority.

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

Budgetary Information

Budgetary Basis of Accounting—An annual budget is adopted on a basis of consistent with generally accepted accounting principles for the General Fund. The General Projects Fund and Capital Improvements Fund are appropriated on a project-length basis. No formal annual budget is adopted for the Debt Service Fund. Appropriation limits, where applicable, for the Debt Service Fund are maintained based on debt schedules.

The appropriated budget is prepared by fund, function, department, and object. The Authority's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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 below.

General Fund fund balance—GAAP basis	\$ 40,817,113
Less: Encumbrances	(1,621,475)
General Fund fund balance—Non-GAAP budgetary basis	<u>\$ 39,195,638</u>

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash, Cash Equivalents and Investments—The Authority’s cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the Authority’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The Authority has two investments at June 30, 2014; it is the Authority’s policy to state investments at fair value when applicable. Temporary investments are carried at fair value and include Money Market Funds and Treasury Notes. Certain interest earned on investments in the Debt Service Fund is transferred to the General Fund in accordance with Authority policy.

Designated Cash and Cash Equivalents—Designated cash and cash equivalents represents cash set aside for future capital projects.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents unspent proceeds of debt and amounts to support restricted fund balances.

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—Capital assets, which include land, construction in progress, land improvements, buildings, building improvements, machinery and equipment and sanitary and storm relief systems, are reported in the government-wide financial statements. 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). 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.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the estimated useful lives as shown on the following page.

	Capitalization Threshold	Estimated Useful Life
Land	\$ 10,000	n/a
Land improvements	10,000	20
Buildings	10,000	40
Building improvements	10,000	20
Machinery & equipment	10,000	3-10
Sanitary & storm relief system	10,000	20-50

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. At June 30, 2014 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. At June 30, 2014, the Authority has one item that qualifies for reporting in this category. The Authority reports unmatured EFC loans payable principal of \$9,031,991 as a deferred inflow of resources since the resources, Federal aid, to be used for the principal payment are an intergovernmental receivable at June 30, 2014 and will represent an acquisition of net position at the time of their receipt.

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 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.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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.

City's 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'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.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2014, the Authority reported \$254,507 of unearned revenues in the General Fund. The Authority has collected sewer rent money in advance, but has not performed the services and therefore recognizes a liability.

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. 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.

Other

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

Adoption of New Accounting Pronouncements—During the year ended June 30, 2014, the District implemented GASB Statements No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 67 improves accounting and financial reporting for pension plans that are administered through trusts or similar arrangements. This Statement replaces GASB Statement No. 25 and builds upon the existing framework for financial reporting of defined benefit pension plans. GASB Statement No. 70 enhances comparability among governments and information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. GASB Statements No. 66, 67 and 70 did not have a material impact on the District's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the year ending June 30, 2015. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 68, 69 and 71 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

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

- ◆ 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.
- ◆ 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.
- ◆ 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.

- ◆ 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.
- ◆ 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.

Excess of Expenditures over Appropriations—During the year ended June 30, 2014, actual transfers out exceeded the final budgeted amount by \$9,622,269. 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.

2. CASH, CASH EQUIVALENTS, 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:

- ◆ Direct obligations of or obligations insured or guaranteed by the United States of America;
- ◆ 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;
- ◆ 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;
- ◆ 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.

- ◆ Investments in money-market funds rated “AAAm” or “AAAM-G” by Standard and Poor’s Corporation;
- ◆ Repurchase agreements collateralized by Direct Obligations, GNMA’s, FNMA’s or FHLMA’s with any registered broker/dealer subject to the Securities Investor’s 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;
- ◆ 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.

Collateral is required for demand deposit accounts, time deposit accounts and certificate of deposit at 100% of all deposits not covered by Federal deposit insurance. The Authority has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2014 are shown below.

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 2,250	\$ -	\$ 2,250
Deposits	49,760,117	33,538	49,793,655
Other cash and cash equivalents	27,681,100	-	27,681,100
Total	<u>\$ 77,443,467</u>	<u>\$ 33,538</u>	<u>\$ 77,477,005</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2014 as shown below.

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the Authority's name	<u>49,468,065</u>	<u>49,293,655</u>
Total	<u>\$ 49,968,065</u>	<u>\$ 49,793,655</u>

Other cash and cash equivalents—Other cash and cash equivalents are held as U.S. Treasury money market investments, cash equivalents, savings, certificates of deposits and time deposits at their market value of \$27,681,100.

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

	Interest Rate	Maturity Date	Par or Face Value	Fair Value
US Money Market Funds	0.01%	n/a	\$ 311,721	\$ 311,721
U.S. Treasury note	2.42%	4/15/2032	2,167,157	2,167,157
U.S. Treasury note	4.63%	2/15/2033	361,415	361,415
U.S. Treasury note	3.82%	11/15/2033	515,879	515,879
U.S. Treasury note	4.52%	10/1/2035	952,666	952,666
Total Debt Service Fund			<u>\$ 4,308,838</u>	<u>\$ 4,308,838</u>

Credit Ratings—The Authority has government notes with 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.

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, 2014, the Authority’s deposits were FDIC insured or collateralized.

Restricted Cash and Cash Equivalents—At June 30, 2014, the Authority reported \$402,207 of restricted cash and cash equivalents to support restricted fund balances in the General Projects Fund.

Designated Cash and Cash Equivalents—The Authority reports amounts as designated cash and cash equivalents to support fund balances committed to capital projects. At June 30, 2014, the Authority reported \$23,912,574 and \$44,925,953 of designated cash and cash equivalents within the General Fund and General Projects Fund, respectively.

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.

3. RECEIVABLES

Receivables—Primarily represents amounts due from customers and outside districts. A summary of receivables follows:

Flat rate receivables	\$ 2,841,124	
Allowance: flat rate receivables	<u>(2,344,146)</u>	\$ 496,978
Metered receivables	8,722,261	
Allowance: metered receivables	<u>(4,703,247)</u>	4,019,014
Industrial waste receivables	676,895	
Allowance: industrial waste receivables	<u>(413,299)</u>	263,596
Outside district receivables	6,453,373	
Allowance: outside district receivables	<u>(432,109)</u>	6,021,264
Other miscellaneous receivables		<u>804,004</u>
		<u>\$ 11,604,856</u>

Intergovernmental Receivables—The Authority has a one-time Federal reimbursement grant receivable related to the planning, design and construction of the Hamburg Drain Floatable Control Facility totaling \$9,031,991. Additionally, it has an amount due from the New York State Environmental Facilities Corporation (“NYS EFC”) of \$402,207, which represents eligible project expenditures reimbursable from the NYS EFC.

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/14
Capital assets, not being depreciated:				
Land	\$ 10,586,171	\$ -	\$ -	\$ 10,586,171
Construction in progress	<u>35,713,065</u>	<u>12,344,341</u>	<u>(6,181,996)</u>	<u>41,875,410</u>
Total capital assets, not being depreciated	<u>46,299,236</u>	<u>12,344,341</u>	<u>(6,181,996)</u>	<u>52,461,581</u>
Capital assets, being depreciated:				
Land improvements	455,703	-	-	455,703
Buildings	235,503,634	4,985,716	-	240,489,350
Building improvements	9,813,244	4,243	-	9,817,487
Machinery & equipment	29,322,780	1,202,341	-	30,525,121
Sanitary & storm relief systems	<u>162,720,322</u>	<u>1,192,037</u>	<u>-</u>	<u>163,912,359</u>
Total capital assets, being depreciated	<u>437,815,683</u>	<u>7,384,337</u>	<u>-</u>	<u>445,200,020</u>
Less accumulated depreciation for:				
Land improvements	(455,703)	-	-	(455,703)
Buildings	(118,285,544)	(4,729,959)	-	(123,015,503)
Building improvements	(5,457,901)	(297,784)	-	(5,755,685)
Machinery & equipment	(27,460,452)	(443,016)	-	(27,903,468)
Sanitary & storm relief systems	<u>(74,181,398)</u>	<u>(3,254,406)</u>	<u>-</u>	<u>(77,435,804)</u>
Total accumulated depreciation	<u>(225,840,998)</u>	<u>(8,725,165)</u>	<u>-</u>	<u>(234,566,163)</u>
Total capital assets, being depreciated, net	<u>211,974,685</u>	<u>(1,340,828)</u>	<u>-</u>	<u>210,633,857</u>
Governmental activities capital assets, net	<u>\$ 258,273,921</u>	<u>\$ 11,003,513</u>	<u>\$ (6,181,996)</u>	<u>\$ 263,095,438</u>

Depreciation expense totaling \$8,725,165 is reported within the government-wide statements and has been allocated to wastewater treatment plant expenses of \$8,282,149 and sewer maintenance expenses of \$443,016.

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental fund at June 30, 2014, were as follows:

	General Fund
Salary and employee benefits	<u>\$ 296,588</u>

6. PENSION PLAN

The Authority participates in the New York State and Local Employee’s Retirement System (“NYSERS”) and the Public Employee’s Group Life Insurance Plan (the “System”). This is a cost-sharing multiple-employer retirement system compute contribution retirements based on the New York State Retirement and Local Security Law (“NYSRSSL”).

Plan Description—The Authority participates in the NYSERS and the Public Employees’ Group Life Insurance Plan (“Systems”). This is a cost-sharing multiple-employer retirement system. The Systems provide 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 (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the NYSERS and for custody and control of their funds. The NYSERS 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 System, 110 State Street, Albany, New York 12244.

Funding Policy—The System is noncontributory, except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%), based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement Systems fiscal year ending March 31.

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

<u>Year Ended June 30,</u>	<u>Contributions</u>
2014	\$ 1,973,788
2013	1,820,461
2012	1,607,500

Legislation requires participating employers to make payments on a current basis. The Authority’s contributions made to the system were equal to 100 percent of the contributions required for each year, and the Authority has not bonded or amortized any of the excess amounts.

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

Plan Description—In addition to pension benefits, 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 \$1,200, \$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 120 retirees receiving health care benefits at June 30, 2014. 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 other post-employment benefits (“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. 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 past two years, the amount actually contributed to the plan, and the changes in the Authority’s net OPEB obligation.

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Annual required contribution ("ARC")	\$ 2,742,662	\$ 2,742,662
Interest on net OPEB obligation	190,256	151,365
Adjustment to annual required contribution	<u>(197,025)</u>	<u>(156,751)</u>
Annual OPEB cost (expense)	2,735,893	2,737,276
Contributions made	<u>(2,094,433)</u>	<u>(1,765,012)</u>
Increase in net OPEB	641,460	972,264
Net OPEB obligation - beginning	<u>4,756,368</u>	<u>3,784,104</u>
Net OPEB obligation - ending	<u>\$ 5,397,828</u>	<u>\$ 4,756,368</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.

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.

The Authority's schedule of contributions for the most recent three years is shown below:

Year Ended June 30,	Annual Required Contribution	Contributions Made	Percentage Contributed
2014	\$ 2,742,662	\$ 2,094,433	76.4%
2013	2,742,662	1,765,012	64.4%
2012	2,086,406	1,324,274	63.5%

The funding status as of the most recent actuarial valuation follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
As of June 30, 2013	\$ -	\$ 49,430,275	\$ 49,430,275	-	\$ 9,220,610	5.36%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 employer 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, 2014 was twenty-four 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 \$850,164 and \$408,978 were recorded in the General Fund for the years ended June 30, 2014 and 2013, respectively.

Changes in the reported liability since June 30, 2012 resulted from the following:

Year Ended June 30,	Balance July 1, 2013	Claims and Changes in Estimates	Payments and Changes in Estimates	Balance June 30, 2014
2013	\$ 827,187	\$ 572,950	\$ (46,611)	\$ 1,353,526
2014	1,353,526	522,178	(685,954)	1,189,750

At June 30, 2014, \$5,000,000 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, interest-free loan from the Environmental Facilities Corporation ("EFC"). Previously, these notes were 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*. As of June 30, 2014, the Authority has taken the legal steps to refinance the short-term EFC loans payable to long-term debt. As a result, the short-term EFC loans payable expected to be refinanced to long-term debt have been presented as a long-term liability at June 30, 2014.

The following is a summary of short-term debt for the fiscal year ended June 30, 2014:

Description	Balance 7/1/2013	Additions	Deletions and Conversion to Long-term	Balance 6/30/2014
EFC loan payable	\$ 15,892,314	\$ -	\$ 15,892,314	\$ -

10. LONG TERM DEBT

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Authority's outstanding long-term liabilities include bonds payable, compensated absences, other post-employment benefits obligation and judgments and claims. The bonds payable of the Authority are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District's long-term debt at June 30, 2014 follows:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
Bonds payable	\$ 38,631,564	\$ -	\$ (1,737,732)	\$ 36,893,832	\$ 1,365,000
EFC loans payable	-	15,159,256	(9,031,991)	6,127,265	154,090
Compensated absences	1,662,708	796,863	(831,916)	1,627,655	81,383
OPEB obligation	4,756,368	2,735,893	(2,094,433)	5,397,828	-
Judgments and claims	1,353,526	522,178	(685,954)	1,189,750	59,488
Total	<u>\$ 46,404,166</u>	<u>\$ 19,214,190</u>	<u>\$ (14,382,026)</u>	<u>\$ 51,236,330</u>	<u>\$ 1,659,961</u>

Bonds Payable

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.

EFC Loan Payable—As discussed in Note 9, the Authority has taken the legal steps to refinance the short-term debt. As a result the Authority has converted short-term EFC loans payable of \$15,159,256 that are expected to be refinanced to long-term EFC loans payable. Resources for a principal reduction payment of \$9,031,991 have been recognized as an intergovernmental receivable as of June 30, 2014. This receivable is considered to be available to make payment on the EFC loans payable in conjunction with the refinancing. Accordingly, a principal payment and a deferred inflow of resources, as discussed in Note 1, of \$9,031,991 have been recorded as of June 30, 2014.

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.

The following is a summary of Sewer System Revenue Bond transactions of the Authority for the year ended June 30, 2014:

Description	Orginal Issue	Interest Rate	Issue/ Maturity	Balance 7/1/2013	Additions	Payments	Balance 6/30/2014
Series J	\$ 7,740,611	1.02-4.63	2004/2014	\$ 5,825,000	\$ -	\$ 471,874	\$ 5,353,126
Series K	4,986,541	1.20-5.15	2004/2014	3,890,000	-	275,858	3,614,142
Series L	9,526,664	3.60-4.86	2007/2036	7,990,000	-	230,000	7,760,000
Series N	21,671,564	3.85-4.90	2012/2031	20,926,564	-	760,000	20,166,564
Total				\$ 38,631,564	\$ -	\$ 1,737,732	\$ 36,893,832

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, 2014 for governmental activities is \$1,627,655. Management estimates \$81,383 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. The Authority’s long-term OPEB obligation is estimated to be \$5,397,828 at June 30, 2014.

Judgments and Claims—As explained in Note 8, judgments and claims represents workers’ compensation and general liability claims incurred. The value of the liability within the government-wide statements at June 30, 2014 is \$1,189,750, with \$59,488 representing the estimated amount due within one year.

The following is a maturity schedule of the Authority's indebtedness:

Year Ending June 30,	Bond Principal	EFC Loans Payable	Compensated Absences*	OPEB Obligation	Judgments and Claims*	Total
2015	\$ 1,365,000	\$ 154,090	\$ 81,383	\$ -	\$ 59,488	\$ 1,659,961
2016	1,390,000	157,185	-	-	-	1,547,185
2017	1,425,000	157,673	-	-	-	1,582,673
2018	1,465,000	161,257	-	-	-	1,626,257
2019	1,495,000	164,840	-	-	-	1,659,840
2020-2024	8,145,000	860,036	-	-	-	9,005,036
2025-2029	9,440,000	910,204	-	-	-	10,350,204
2030-2034	10,403,832	974,707	-	-	-	11,378,539
2035-2039	1,765,000	1,035,626	-	-	-	2,800,626
2040 and beyond	-	1,551,647	-	-	-	1,551,647
Various	-	-	1,546,272	5,397,828	1,130,262	8,074,362
	<u>\$ 36,893,832</u>	<u>\$ 6,127,265</u>	<u>\$ 1,627,655</u>	<u>\$ 5,397,828</u>	<u>\$ 1,189,750</u>	<u>\$ 51,236,330</u>

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

* Payment of compensated absences and judgments 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.

Interest requirements on serial bonds payable are as follows:

Year Ending June 30,	Interest
2015	\$ 1,759,464
2016	1,729,867
2017	1,675,879
2018	1,616,939
2019	1,555,062
2020-2024	6,723,112
2025-2029	4,661,034
2030-2034	2,043,157
2035-2039	573,466
2035 and beyond	237,806
	<u>\$ 22,575,786</u>

Defeased Debt—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, 2014 that are considered defeased are \$20,825,000.

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.

- ◆ **Net investment in Capital Assets**—This category groups all capital assets, including infrastructure, 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	\$ 263,095,438
Less: Outstanding debt issued for capital acquisition	(36,893,832)
EFC loans payable	(6,127,265)
Add: Remaining debt reserve from issuance not used for capital asset acquisition	4,711,045
Net investment in capital assets	<u>\$ 224,785,386</u>

- ◆ **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Authority does not report restricted net position.
- ◆ **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, 2014 includes:

- ◆ **Prepaid Items**—Representing the portion of fund balance, \$283,064 composed of prepaid expenditures. This balance is nonspendable as the balance does not represent an available resource.

In the fund financial statements, restricted fund balance are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance amounts are 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, 2014 includes:

- ◆ **Restricted for Debt Service**—Represents resources, \$4,711,045, that have been legally restricted for principal and interest payments that will be made in future periods.

In the fund financial statements, 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, 2014 include:

- ◆ ***Committed to encumbrances***—Represents resources to cover the amount of outstanding purchase orders or encumbrances related to unperformed (executory) contracts for goods and services. At June 30, 2014, the Authority has \$1,621,475 and \$11,447,603 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, 2014, the Authority reported the following significant encumbrances:

General Fund:	
Settled wastewater pump equipment repairs	\$ 447,578
General Projects Fund:	
Hamburg drain flotables control facility	1,737,263
Real time control station project	1,289,330
Swan trunk improvements	931,380

- ◆ ***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, 2014, the Authority has \$23,912,574 and \$29,898,799 of fund balance committed to capital projects within its General Fund and General Projects 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, 2014, 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.

If the Authority must use funds for emergency expenditures the Board shall authorize the Chair of the Board to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Authority will use unassigned fund balance.

12. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2014 is as follows:

	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ -	\$ 141,327
General Projects Fund	141,327	-
Total governmental funds	<u>\$ 141,327</u>	<u>\$ 141,327</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. All of these balances are expected to be collected/paid within the subsequent year.

The Authority made the following transfers during the year ended June 30, 2014:

Fund	Transfers in:			Total
	General Fund	General Projects Fund	Debt Service Fund	
Transfers out:				
General Fund	\$ -	\$ 14,463,519	\$ 3,130,298	\$ 17,593,817
General Projects Fund	230,000	-	9,031,991	9,261,991
Capital Improvements Fund	-	500,000	-	500,000
Debt Service Fund	11,431,189	-	-	11,431,189
Total	<u>\$ 11,661,189</u>	<u>\$ 14,963,519</u>	<u>\$ 12,162,289</u>	<u>\$ 38,786,997</u>

Transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification or to comply with debt covenants, the release of debt reserves, and the payment of debt.

13. AGENCY FUND

An agency fund exists to account for funds held from bankruptcies. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2014:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
ASSETS				
Cash and cash equivalents	\$ 31,875	\$ 2,063	\$ 400	\$ 33,538
Total assets	<u>\$ 31,875</u>	<u>\$ 2,063</u>	<u>\$ 400</u>	<u>\$ 33,538</u>
LIABILITIES				
Bankruptcy funds held	\$ 31,875	\$ 2,831	\$ 1,168	\$ 33,538
Due to other funds	-	383	383	-
Total Liabilities	<u>\$ 31,875</u>	<u>\$ 3,214</u>	<u>\$ 1,551</u>	<u>\$ 33,538</u>

14. 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.

15. CONTINGENCIES

Litigation—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, which could be material. However, as of June 30, 2014, the Authority is unable to determine the range or likelihood of any potential liability.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2014, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles, except for the following.

- On July 2, 2014, the Authority issued Series M debt in the amount of \$17,581,310 with interest ranging from 0.18 to 4.29 percent. Of this amount, \$9,031,991 was simultaneously retired utilizing Federal aid, which was considered an intergovernmental receivable at June 30, 2014. As discussed in Note 10, the Authority recognized this principal reduction and federal aid revenue during the year ended June 30, 2014. A portion of Series M (\$15,159,256), refinanced the EFC loans payable, the remaining amount (\$2,422,054) represents proceeds that will be used to finance sewer related projects. Series M matures on May 1, 2044.
- On July 2, 2014, through the EFC, the Authority issued replacement notes for outstanding EFC Sewer System Revenue Bond, Series J in the amount of \$5,353,126. Interest on the refinanced Series J bond ranges from 4.06-4.62 percent and matures on November 15, 2033.
- On July 2, 2014, through the EFC, the Authority issued replacement notes for outstanding EFC Sewer System Revenue Bond, Series K in the amount of \$3,614,143. Interest on the refinanced Series K bond ranges from 4.25-5.15 percent and matures on February 15, 2033.

REQUIRED SUPPLEMENTARY INFORMATION

BUFFALO SEWER AUTHORITY
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
As of June 30, 2013	-	\$ 49,430,275	\$ 49,430,275	-	\$ 9,220,610	5.36%
As of June 30, 2011	-	39,701,868	39,701,868	-	9,302,030	4.27%
As of July 1, 2008	-	37,470,367	37,470,367	-	9,275,935	4.04%

BUFFALO SEWER AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sewer rents—general consumers	\$ 52,314,400	\$ 52,314,400	\$ 50,957,991	\$ (1,356,409)
Interest on delinquent sewer rents	705,000	705,000	1,064,491	359,491
Interest on investments	125,600	125,600	105,151	(20,449)
Miscellaneous	955,000	955,000	1,061,721	106,721
Total revenues	<u>54,100,000</u>	<u>54,100,000</u>	<u>53,189,354</u>	<u>(910,646)</u>
EXPENDITURES				
Current:				
General administration	1,362,242	1,327,594	1,171,508	156,086
Wastewater treatment facilities	25,238,573	26,147,837	18,306,727	7,841,110
Industrial waste	613,709	665,969	522,282	143,687
Engineering	966,116	966,298	755,575	210,723
Sewer maintenance	4,515,676	4,762,821	3,046,122	1,716,699
Miscellaneous	5,318,690	4,643,690	4,391,943	251,747
Employee benefits	9,434,429	9,574,026	8,263,012	1,311,014
Total expenditures	<u>47,449,435</u>	<u>48,088,235</u>	<u>36,457,169</u>	<u>11,631,066</u>
Excess of revenues over expenditures	<u>6,650,565</u>	<u>6,011,765</u>	<u>16,732,185</u>	<u>10,720,420</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,661,189	11,661,189
Transfers out	<u>(8,091,548)</u>	<u>(7,971,548)</u>	<u>(17,593,817)</u>	<u>(9,622,269)</u>
Total other financing sources (uses)	<u>(8,091,548)</u>	<u>(7,971,548)</u>	<u>(5,932,628)</u>	<u>2,038,920</u>
Net change in fund balances*	(1,440,983)	(1,959,783)	10,799,557	12,759,340
Fund balances—beginning	<u>28,396,081</u>	<u>28,396,081</u>	<u>28,396,081</u>	<u>-</u>
Fund balances—ending	<u>\$ 26,955,098</u>	<u>\$ 26,436,298</u>	<u>\$ 39,195,638</u>	<u>\$ 12,759,340</u>

* The net change in fund balance represents a reappropriation of prior year encumbrances.

SUPPLEMENTARY SCHEDULES

BUFFALO SEWER AUTHORITY
Schedule of Revenues and Other Financing Sources—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
SEWER RENTS—GENERAL CONSUMERS				
Assessed sewer rent	\$ 12,082,600	\$ 12,082,600	\$ 12,076,196	\$ (6,404)
Water sewer rent	27,435,000	27,435,000	27,275,233	(159,767)
Industrial waste	1,796,800	1,796,800	2,045,476	248,676
Connection privileges outside city	11,000,000	11,000,000	9,561,086	(1,438,914)
Total sewer rents—general consumers	<u>52,314,400</u>	<u>52,314,400</u>	<u>50,957,991</u>	<u>(1,356,409)</u>
INTEREST ON DELINQUENT SEWER RENTS				
Interest and penalties on delinquent assessed sewer rent	155,000	155,000	221,920	66,920
Interest and penalties on delinquent sewer rents	<u>550,000</u>	<u>550,000</u>	<u>842,571</u>	<u>292,571</u>
Total interest on delinquent sewer rents	<u>705,000</u>	<u>705,000</u>	<u>1,064,491</u>	<u>359,491</u>
INTEREST ON INVESTMENTS				
	<u>125,600</u>	<u>125,600</u>	<u>105,151</u>	<u>(20,449)</u>
MISCELLANEOUS				
	<u>955,000</u>	<u>955,000</u>	<u>1,061,721</u>	<u>106,721</u>
TOTAL REVENUES				
	<u>54,100,000</u>	<u>54,100,000</u>	<u>53,189,354</u>	<u>(910,646)</u>
OTHER FINANCING SOURCES:				
Transfers in	-	-	11,661,189	11,661,189
Total other financing sources	<u>-</u>	<u>-</u>	<u>11,661,189</u>	<u>11,661,189</u>
TOTAL REVENUES AND AND OTHER FINANCING SOURCES				
	<u>\$ 54,100,000</u>	<u>\$ 54,100,000</u>	<u>\$ 64,850,543</u>	<u>\$ 10,750,543</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, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
<u>GENERAL ADMINISTRATION</u>				
Authority Board Members:				
Personal services - Executive	\$ 13,500	\$ 13,500	\$ 11,042	\$ 2,458
Operating expenditures	3,700	5,399	3,855	1,544
Total Authority Board Members	<u>17,200</u>	<u>18,899</u>	<u>14,897</u>	<u>4,002</u>
Administrative Offices:				
Personal services - Executive	367,290	322,279	321,547	732
Personal services - Clerical	597,898	642,909	642,473	436
Operating expenditures	<u>377,472</u>	<u>343,507</u>	<u>192,591</u>	<u>150,916</u>
Total Administrative Offices	<u>1,342,660</u>	<u>1,308,695</u>	<u>1,156,611</u>	<u>152,084</u>
GENERAL ADMINISTRATION TOTAL	<u>1,359,860</u>	<u>1,327,594</u>	<u>1,171,508</u>	<u>156,086</u>
<u>WASTEWATER TREATMENT FACILITIES</u>				
Plant Administration:				
Personal services - Executive	436,744	463,716	397,660	66,056
Personal services - Clerical	502,133	511,167	508,042	3,125
Personal services - Supervision	720,993	746,469	632,742	113,727
Operating expenditures	<u>939,513</u>	<u>1,356,141</u>	<u>932,938</u>	<u>423,203</u>
Total Plant Administration	<u>2,599,383</u>	<u>3,077,493</u>	<u>2,471,382</u>	<u>606,111</u>
Raw Wastewater Pump Station:				
Personal services - Operators	292,100	176,650	56,788	119,862
Operating expenditures	<u>51,584</u>	<u>56,788</u>	<u>96,093</u>	<u>(39,305)</u>
Total Raw Wastewater Pump Station	<u>343,684</u>	<u>233,438</u>	<u>152,881</u>	<u>80,557</u>
Screen Room:				
Operating expenditures	<u>46,500</u>	<u>34,155</u>	<u>20,072</u>	<u>14,083</u>
Total Screen Room	<u>46,500</u>	<u>34,155</u>	<u>20,072</u>	<u>14,083</u>
Grit Room:				
Personal services - Operators	90,944	101,040	62,620	38,420
Operating expenditures	<u>95,871</u>	<u>113,273</u>	<u>109,300</u>	<u>3,973</u>
Total Grit Room	<u>186,815</u>	<u>214,313</u>	<u>171,920</u>	<u>42,393</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, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Primary Sedimentation:				
Personal services - Operators	87,784	89,154	2,370	86,784
Operating expenditures	<u>159,000</u>	<u>120,570</u>	<u>107,072</u>	<u>13,498</u>
Total Primary Sedimentation	<u>246,784</u>	<u>209,724</u>	<u>109,442</u>	<u>100,282</u>
Secondary Control:				
Personal services - Operators	94,794	101,668	55,709	45,959
Operating expenditures	<u>11,500</u>	<u>38,400</u>	<u>32,754</u>	<u>5,646</u>
Total Secondary Control	<u>106,294</u>	<u>140,068</u>	<u>88,463</u>	<u>51,605</u>
Primary Control:				
Personal services - Operators	150,846	171,404	164,946	6,458
Operating expenditures	<u>35,000</u>	<u>22,555</u>	<u>19,519</u>	<u>3,036</u>
Total Primary Control	<u>185,846</u>	<u>193,959</u>	<u>184,465</u>	<u>9,494</u>
Gas Compressor Building:				
Operating expenditures	<u>81,900</u>	<u>105,180</u>	<u>102,908</u>	<u>2,272</u>
Settled Wastewater Pump Station:				
Personal services - Operators	40,434	60,397	60,397	-
Operating expenditures	<u>267,850</u>	<u>489,816</u>	<u>524,819</u>	<u>(35,003)</u>
Total Settled Wastewater Pump Station	<u>308,284</u>	<u>550,213</u>	<u>585,216</u>	<u>(35,003)</u>
Aeration:				
Personal services - Operators	539,138	590,045	460,352	129,693
Operating expenditures	<u>292,100</u>	<u>628,931</u>	<u>381,623</u>	<u>247,308</u>
Total Aeration	<u>831,238</u>	<u>1,218,976</u>	<u>841,975</u>	<u>377,001</u>
Blower Building:				
Operating expenditures	<u>6,539,750</u>	<u>6,376,095</u>	<u>3,679,702</u>	<u>2,696,393</u>
Total Blower Building	<u>6,539,750</u>	<u>6,376,095</u>	<u>3,679,702</u>	<u>2,696,393</u>
Chemical Handling Building:				
Operating expenditures	<u>16,000</u>	<u>16,000</u>	<u>12,053</u>	<u>3,947</u>
Total Chemical Handling Building	<u>16,000</u>	<u>16,000</u>	<u>12,053</u>	<u>3,947</u>
Final Effluent Building:				
Personal services - Operators	53,175	60,459	60,459	-
Operating expenditures	<u>593,827</u>	<u>616,107</u>	<u>602,148</u>	<u>13,959</u>
Total Final Effluent Building	<u>647,002</u>	<u>676,566</u>	<u>662,607</u>	<u>13,959</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, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Thickener Area:				
Operating expenditures	300,000	313,680	251,196	62,484
Total Thickener Area	<u>300,000</u>	<u>313,680</u>	<u>251,196</u>	<u>62,484</u>
Filter Feed Area:				
Operating expenditures	11,000	21,200	20,436	764
Total Filter Feed Area	<u>11,000</u>	<u>21,200</u>	<u>20,436</u>	<u>764</u>
Sludge Disposal:				
Personal services - Operators	561,851	594,608	444,726	149,882
Operating expenditures	1,511,900	2,071,819	1,273,725	798,094
Total Sludge Disposal	<u>2,073,751</u>	<u>2,666,427</u>	<u>1,718,451</u>	<u>947,976</u>
Centrifuge:				
Operating expenditures	154,200	240,138	186,119	54,019
Incineration:				
Personal services - Supervision	82,217	90,045	89,716	329
Personal services - Operators	871,928	902,729	792,427	110,302
Operating expenditures	4,372,664	4,725,187	2,864,834	1,860,353
Total Incineration	<u>5,326,809</u>	<u>5,717,961</u>	<u>3,746,977</u>	<u>1,970,984</u>
South Buffalo:				
Personal services - Operators	51,883	51,883	2,743	49,140
Operating expenditures	84,150	81,250	70,970	10,280
Total South Buffalo	<u>136,033</u>	<u>133,133</u>	<u>73,713</u>	<u>59,420</u>
Hamburg Street:				
Operating expenditures	40,450	53,325	46,511	6,814
Amherst Quarry:				
Operating expenditures	26,550	35,566	32,343	3,223
Babcock Street:				
Operating expenditures	10,850	10,850	9,641	1,209
Kelly Island (S):				
Operating expenditures	14,200	15,800	12,416	3,384

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Kelly Island (F):				
Operating expenditures	3,350	3,350	2,785	565
Kelly Island (X):				
Operating expenditures	6,250	6,250	6,194	56
Waterfront Village:				
Operating expenditures	1,950	3,030	2,624	406
Tiftt Street:				
Operating expenditures	1,750	1,910	1,425	485
Niagara Metering:				
Operating expenditures	7,650	8,863	6,724	2,139
Walden Heights				
Operating expenditures	2,700	3,459	2,518	941
Laboratory:				
Personal Services - Technical	375,488	380,870	315,706	65,164
Personal services - Operators	133,239	136,983	133,180	3,803
Operating expenditures	68,228	93,015	94,076	(1,061)
Total Laboratory	576,955	610,868	542,962	67,906
Maintenance:				
Personal services - Supervision	191,379	191,646	130,728	60,918
Personal services - Operators	269,899	271,658	189,301	82,357
Personal services - Repair Mechanics	1,401,225	1,098,211	1,063,791	34,420
Operating expenditures	529,858	830,513	566,574	263,939
Total Maintenance	2,392,361	2,392,028	1,950,394	441,634
Yards and Grounds:				
Personal services - Supervision	68,528	82,732	82,210	522
Personal services - Operators	718,810	741,339	493,997	247,342
Operating expenditures	37,600	39,748	34,005	5,743
Total Yards and Grounds	824,938	863,819	610,212	253,607
WASTEWATER TREATMENT FACILITIES TOTAL	24,051,227	26,147,837	18,306,727	7,841,110

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
<u>INDUSTRIAL WASTE</u>				
Industrial Waste Section:				
Personal services - Clerical	46,616	34,485	13,443	21,042
Personal services - Tech and Professional	95,740	96,543	96,486	57
Personal services - Operators	292,546	303,873	204,421	99,452
Operating expenditures	<u>174,850</u>	<u>231,068</u>	<u>207,932</u>	<u>23,136</u>
Total Industrial Waste Section	<u>609,752</u>	<u>665,969</u>	<u>522,282</u>	<u>143,687</u>
INDUSTRIAL WASTE TOTAL	<u>609,752</u>	<u>665,969</u>	<u>522,282</u>	<u>143,687</u>
<u>ENGINEERING</u>				
Engineering Department:				
Personal services - Executive	103,801	104,584	102,584	2,000
Personal services - Clerical	45,831	45,831	34,692	11,139
Personal services - Operators	737,232	736,447	605,222	131,225
Operating expenditures	<u>78,575</u>	<u>79,436</u>	<u>13,077</u>	<u>66,359</u>
Total Engineering Department	<u>965,439</u>	<u>966,298</u>	<u>755,575</u>	<u>210,723</u>
ENGINEERING TOTAL	<u>965,439</u>	<u>966,298</u>	<u>755,575</u>	<u>210,723</u>
<u>SEWER MAINTENANCE DEPARTMENT</u>				
Sewer Maintenance Office:				
Personal services - Clerical	60,399	60,399	59,397	1,002
Personal services - Supervision	136,107	141,739	127,142	14,597
Operating expenditures	<u>161,494</u>	<u>189,394</u>	<u>130,522</u>	<u>58,872</u>
Total Sewer Maintenance Office	<u>358,000</u>	<u>391,532</u>	<u>317,061</u>	<u>74,471</u>
Sewer - Repairs:				
Personal services - Supervision	175,121	175,125	115,003	60,122
Personal services - Repair Mechanics	422,152	425,419	99,263	326,156
Operating expenditures	<u>349,500</u>	<u>505,106</u>	<u>399,800</u>	<u>105,306</u>
Total Sewer - Repairs	<u>946,773</u>	<u>1,105,650</u>	<u>614,066</u>	<u>491,584</u>
Sewer - Cleaning:				
Personal services - Supervision	453,394	462,219	440,961	21,258
Personal services - Operators	1,519,158	1,501,195	895,227	605,968
Operating expenditures	<u>46,250</u>	<u>78,300</u>	<u>54,880</u>	<u>23,420</u>
Total Sewer - Cleaning	<u>2,018,802</u>	<u>2,041,714</u>	<u>1,391,068</u>	<u>650,646</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, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Automotive Equipment Service - Garage:				
Personal services - Repairman	121,050	121,286	120,857	429
Operating expenditures	<u>832,000</u>	<u>1,102,639</u>	<u>603,070</u>	<u>499,569</u>
Total Auto Equipment Service - Garage	<u>953,050</u>	<u>1,223,925</u>	<u>723,927</u>	<u>499,998</u>
 SEWER MAINTENANCE				
DEPARTMENT TOTAL	<u>4,276,625</u>	<u>4,762,821</u>	<u>3,046,122</u>	<u>1,716,699</u>
 <u>MISCELLANEOUS</u>				
Financial and Accounting Services				
City of Buffalo services	3,899,690	3,899,690	3,899,691	(1)
Fiscal agent expense	104,000	104,000	103,124	876
Sewer rent adjustment fund	200,000	200,000	32,942	167,058
Judgments and claims	90,000	415,000	356,186	58,814
Bond sale expense	25,000	25,000	-	25,000
Contingency	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
MISCELLANEOUS TOTAL	<u>5,318,690</u>	<u>4,643,690</u>	<u>4,391,943</u>	<u>251,747</u>
 <u>EMPLOYEE BENEFITS</u>				
Hospital and surgical insurance - retirees	1,850,000	2,140,000	2,094,433	45,567
Hospital and surgical insurance - active	3,263,085	2,973,085	2,551,001	422,084
Group life insurance	29,000	29,000	28,364	636
Group dental insurance	238,574	238,574	101,582	136,992
Payments in lieu of health insurance	73,000	73,000	48,540	24,460
Health and welfare plan	70,000	83,583	68,270	15,313
Education, licenses and training	10,000	23,500	22,042	1,458
Social security	835,000	835,000	784,490	50,510
State retirement system	2,500,000	2,430,000	1,926,571	503,429
Unemployment insurance	10,000	10,000	7,474	2,526
Workers' compensation and death awards	350,000	540,000	499,913	40,087
Plan Administration	1,200	1,284	449	835
Reserve pay for unused sick leave	180,000	180,000	129,883	50,117
Rx Copay	2,000	2,000	-	2,000
Medical services	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
EMPLOYEE BENEFITS TOTAL	<u>9,426,859</u>	<u>9,574,026</u>	<u>8,263,012</u>	<u>1,311,014</u>
TOTAL OPERATING EXPENDITURES	<u>46,008,452</u>	<u>48,088,235</u>	<u>36,457,169</u>	<u>11,631,066</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, 2014

(concluded)

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
<u>OPERATING TRANSFERS</u>				
Transfers to construction	-	-	14,463,519	(14,463,519)
Transfers to debt service fund	7,941,548	7,941,548	3,130,298	4,811,250
Transfers to capital	150,000	30,000	-	30,000
TOTAL OPERATING TRANSFERS	<u>8,091,548</u>	<u>7,971,548</u>	<u>17,593,817</u>	<u>(9,622,269)</u>
 TOTAL EXPENDITURES AND OPERATING TRANSFERS	 <u>\$ 54,100,000</u>	 <u>\$ 56,059,783</u>	 <u>\$ 54,050,986</u>	 <u>\$ 2,008,797</u>

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BUFFALO SEWER AUTHORITY
General Fund
Schedule of Sewer Rents Receivable
June 30, 2014

	<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	\$ 600,382	\$ 174,003	\$ 426,379
General consumers - prior years	493,100	470,264	22,836
Other miscellaneous	17,758	15,304	2,454
Based on water consumption:			
Flat rate	2,841,124	2,344,146	496,978
Metered rates:			
Monthly	990,757	471,045	519,712
Quarterly - District W-E-S	7,731,504	4,232,202	3,499,302
Miscellaneous - current year	165,800	13,340	152,460
Outside connection privileges	6,450,919	432,109	6,018,810
Industrial waste treatment surcharge	676,895	413,299	263,596
Late payment penalties	<u>5,989,030</u>	<u>5,786,701</u>	<u>202,329</u>
 TOTAL	 <u>\$ 25,957,269</u>	 <u>\$ 14,352,413</u>	 <u>\$ 11,604,856</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	60
<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	68
<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	73
<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	75
<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	77
<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)

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net position:										
Net investment in										
capital assets	\$ 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	\$ 224,785,386
Unrestricted	<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>	<u>73,592,123</u>
Total net position	<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>	<u>\$ 298,377,509</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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program revenues:										
Charges for services	\$ 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	\$ 52,022,482
Capital grants and contributions	-	-	-	-	-	-	-	-	-	9,031,991
Total program revenues	<u>49,287,147</u>	<u>54,821,828</u>	<u>52,591,900</u>	<u>51,761,911</u>	<u>52,482,745</u>	<u>54,582,051</u>	<u>52,201,066</u>	<u>53,531,965</u>	<u>53,688,824</u>	<u>61,054,473</u>
Program expenses:										
Operating expenses	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	46,950,146
Non-operating expenses	<u>2,554,988</u>	<u>4,257,350</u>	<u>4,393,071</u>	<u>4,427,571</u>	<u>4,105,633</u>	<u>2,922,952</u>	<u>2,526,003</u>	<u>2,255,451</u>	<u>2,444,482</u>	<u>1,863,920</u>
Total program expenses	<u>42,277,907</u>	<u>45,915,830</u>	<u>44,378,023</u>	<u>46,095,895</u>	<u>47,589,011</u>	<u>44,690,728</u>	<u>46,132,012</u>	<u>45,938,787</u>	<u>46,384,731</u>	<u>48,814,066</u>
Total net program revenue	<u>7,009,240</u>	<u>8,905,998</u>	<u>8,213,877</u>	<u>5,666,016</u>	<u>4,893,734</u>	<u>9,891,323</u>	<u>6,069,054</u>	<u>7,593,178</u>	<u>7,304,093</u>	<u>12,240,407</u>
General revenues:										
Unrestricted investment earnings	1,267,081	1,740,690	2,665,991	2,667,752	1,808,526	748,172	348,572	507,775	357,126	374,859
Unallocated revenues	<u>1,641,949</u>	<u>1,216,023</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>	<u>1,774,221</u>
Total general revenues	<u>2,909,030</u>	<u>2,956,713</u>	<u>4,455,062</u>	<u>4,125,752</u>	<u>3,233,708</u>	<u>2,125,602</u>	<u>1,856,031</u>	<u>2,283,863</u>	<u>2,191,715</u>	<u>2,149,080</u>
Change in net position	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	14,389,487
Net position beginning 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>
Net position end of year	<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>	<u>\$ 298,377,509</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						Interest and Penalties	
	Total	Assessed Sewer Rent	Water Sewer Rent	Industrial Waste	Connection Privileges O/S City	Delinquent Assessed Sewer Rent	Sewer Rent	
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	
2014	52,022,482	12,076,196	27,275,233	2,045,476	9,561,086	221,920	842,571	

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
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
2014	46,950,146	2,261,187	33,457,338	879,550	1,569,317	8,782,754

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
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)
2014	374,859	1,774,221	2,149,080	(1,863,920)

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<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>	<u>2014</u>
General Fund										
Reserved	\$ 2,184,311	\$ 782,610	\$ 828,424	\$ 511,483	\$ 552,475	\$ 810,446	n/a	n/a	n/a	n/a
Unreserved	<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	n/a
Total General Fund	<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	n/a
All other governmental funds:										
Reserved	\$ 23,227,313	\$ 17,140,919	\$ 17,891,018	\$ 19,057,169	\$ 22,250,147	\$ 34,121,128	n/a	n/a	n/a	n/a
Unreserved, reported in:										
General Projects	4,914,946	7,947,852	27,523,532	34,252,220	32,095,083	20,925,211	n/a	n/a	n/a	n/a
Capital Improvements	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	n/a	n/a	n/a	n/a
Total all other governmental funds	<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	n/a
General Fund										
Nonspendable	n/a	n/a	n/a	n/a	n/a	n/a	\$ 114,707	\$ 202,958	\$ 225,832	\$ 283,064
Committed	n/a	n/a	n/a	n/a	n/a	n/a	11,631,026	13,084,147	20,170,249	30,534,049
Unassigned	n/a	n/a	n/a	n/a	n/a	n/a	<u>6,144,693</u>	<u>6,000,000</u>	<u>8,000,000</u>	<u>10,000,000</u>
Total General Fund	n/a	n/a	n/a	n/a	n/a	n/a	<u>\$ 17,890,426</u>	<u>\$ 19,287,105</u>	<u>\$ 28,396,081</u>	<u>\$ 40,817,113</u>
All other governmental funds:										
Restricted	n/a	n/a	n/a	n/a	n/a	n/a	\$ 17,174,157	\$ 17,316,136	\$ 16,510,258	\$ 4,711,045
Committed	n/a	n/a	n/a	n/a	n/a	n/a	<u>31,633,677</u>	<u>29,466,917</u>	<u>27,504,465</u>	<u>41,346,402</u>
Total all other governmental funds	n/a	n/a	n/a	n/a	n/a	n/a	<u>\$ 48,807,834</u>	<u>\$ 46,783,053</u>	<u>\$ 44,014,723</u>	<u>\$ 46,057,447</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>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>	<u>2014</u>
REVENUES										
Sewer rents—general consumers	\$ 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	\$ 50,957,991
Interest on delinquent sewer rents	1,056,903	1,002,426	1,137,169	872,251	899,178	853,727	562,384	701,090	954,524	1,064,491
Interest on investments	1,267,081	1,740,690	2,665,991	2,667,752	1,808,526	748,172	348,572	507,774	357,126	374,859
Miscellaneous	1,641,949	1,355,883	1,789,071	1,458,000	1,425,182	1,377,430	1,507,459	1,776,088	1,834,589	1,774,221
Federal aid	-	-	-	-	-	-	-	-	-	9,031,991
Total revenues	<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>	<u>63,203,553</u>
EXPENDITURES										
Current:										
General administration	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	1,165,918
Wastewater treatment facilities	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	16,921,866
Industrial waste	511,966	500,203	530,628	520,684	579,950	568,124	543,074	542,419	513,905	508,944
Engineering	750,005	692,584	673,809	594,109	728,026	737,214	683,679	596,009	664,940	753,015
Sewer maintenance	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	5,784,233
Miscellaneous	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	4,391,943
Employee benefits	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	8,256,431
Debt service:										
Principal	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	10,769,723
Interest and fiscal charges	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	1,800,298
Bond issuance costs	72,887	-	133,774	-	-	-	-	-	-	-
Capital lease payment	1,035,368	64,303	55,064	25,583	26,508	6,836	-	-	-	-
Capital outlay	<u>14,737,481</u>	<u>10,087,539</u>	<u>5,146,511</u>	<u>4,480,208</u>	<u>10,104,094</u>	<u>11,443,053</u>	<u>16,359,902</u>	<u>13,208,466</u>	<u>10,067,659</u>	<u>13,546,682</u>
Total expenditures	<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>	<u>63,899,053</u>
Excess (deficiency) of revenues over expenditures	<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>	<u>(695,500)</u>

(continued)

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

	<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>	<u>2014</u>
	(concluded)									
OTHER FINANCING SOURCES (USES)										
Transfers in	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	38,786,997
Transfers out	(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)	(38,786,997)
Proceeds from capital lease	124,706	-	-	-	-	-	-	-	-	-
Long-term conversion of EFC loans payable expected to be refinanced	-	-	-	-	-	-	-	-	-	15,159,256
Proceeds of issuance of debt	4,986,541	-	9,526,664	-	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	21,671,564	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(21,671,564)	-
Total other financing sources (uses)	<u>5,111,247</u>	<u>-</u>	<u>9,526,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,159,256</u>
Net change in fund balances	<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>	<u>\$ 14,463,756</u>
Debt service as a percentage of noncapital expenditures	27.79%	25.21%	27.64%	26.21%	25.78%	26.40%	24.99%	17.56%	13.80%	24.96%

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>
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
2014	47,815

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>
2005	95
2006	111
2007	77
2008	55
2009	87
2010	70
2011	34
2012	39
2013	60
2014	71

Source: Buffalo Sewer Authority's internal records

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

Fiscal Year	Customers	
	Residential	Commercial
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
2014	103,562	563

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
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
2014	H	1.72	17.95	5.45	25.12
	NH	1.72	28.02	5.45	35.19

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, 2014 and June 30, 2005
(Unaudited)

Year Ended June 30, 2014:

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)
Aurubis FKA OAB	Copper Mill	\$ 11,087	\$ 959,957	\$ -	\$ 971,044	2.10%
BMHA	Municipal Housing	226,180	654,602	-	880,782	1.90%
Sorrento	Consumer Foods	6,992	388,203	243,682	638,877	1.38%
ECMC	Hospital	-	445,461	-	445,461	0.96%
Tyson/Russer Foods	Consumer Foods	8,528	310,733	123,631	442,892	0.96%
Roswell	Hospital	-	389,738	-	389,738	0.84%
Buffalo Board of Education	School District	-	293,032	-	293,032	0.63%
Niagara Mohawk	Electric Company	188,878	45,678	-	234,556	0.51%
Buffalo State College	University	-	222,701	-	222,701	0.48%
Veterans Administration	Hospital	-	206,301	-	206,301	0.45%

Year Ended June 30, 2005:

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	\$ 182,432	\$ 535,707	\$ -	\$ 718,139	1.88%
Outokumpu-						
American Brass	Copper Mill	18,704	612,911	-	631,615	1.65%
Rich Products	Consumer Foods	19,309	140,099	344,016	503,424	1.32%
Sorrento	Consumer Foods	6,142	318,154	171,252	495,548	1.30%
ECMC	Hospital	-	447,552	-	447,552	1.17%
Safety Kleen	Oil Refinery	1,195	-	260,276	261,471	0.68%
Roswell Park	Institute	-	257,380	-	257,380	0.67%
Russer Foods	Consumer Foods	12,604	185,939	34,222	232,765	0.61%
Buffalo Board of Education	Schools	-	201,307	-	201,307	0.53%
American Axle	Manufacturer	24,631	162,660	1,820	189,111	0.50%

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
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
2014	36,893,832	-	6,127,265	43,021,097	n/a	166

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 Expenditures ¹	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2014 ²	63,203,553	37,782,350	25,421,203	10,769,723	1,800,298	12,570,021	2.02

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

Note: ² During the year ended June 30, 2014 the Authority recognized \$9,031,991 of Federal Aid that was used to retire principal of the same amount.

Source: Buffalo Sewer Authority Annual Financial Statements

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

	Population		Buffalo/Niagara Region		Buffalo, NY	New York State
	Buffalo²	Erie County²	Per Capita Income³	Labor Force¹	Unemployment Rate⁴	Unemployment Rate¹
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%
2014	258,945	919,866	n/a	569,295	6.0%	6.6%

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, 2014 and June 30, 2005
(Unaudited)

Employer	2014 ¹			2005 ²		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
State of New York	15,123	1	2.82%	16,655	1	2.83%
Federal Executive Board	11,183	2	2.08%	10,000	2	1.70%
Kaleida Health	10,000	3	1.86%	6,866	5	1.16%
University at Buffalo	6,733	4	1.25%	6,488	6	1.10%
Catholic Health System	6,628	5	1.23%	4,616	9	0.78%
Employer Services Corp.	6,363	6	1.18%			
M&T Bank	5,140	7	0.96%	4,163	10	0.71%
Tops Markets LLC	5,058	8	0.94%	8,000	3	1.36%
Buffalo City School District	4,949	9	0.92%	5,319	7	0.90%
Erie County	4,203	10	0.78%	7,269	4	1.23%
HSBC Bank USA, N.A.				5,100	8	0.87%

Sources: ¹ From the "Business First Book of Lists 2014" Western New York's weekly business newspaper

² From the October 21, 2005 issue of "Business First"

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

Year Ended	Full-time Equivalent Employees					Total
	Administration	Treatment Plant	Industrial Waste	Engineering	Sewer Maintenance	
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
2014	15	109	4	12	38	178

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
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%
2014	850	1	600	219,000	47,815	171,185	21.8%

Note: ¹ Millions of gallons

Source: Buffalo Sewer Authority's internal records