

BUFFALO SEWER AUTHORITY

*Schedule of Investments and Schedule of
Income from Investments for the
Year Ended June 30, 2017 and
Independent Auditors' Report*

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying schedule of investments of the Buffalo Sewer Authority (the "Authority") as of June 30, 2017, and the related schedule of income from investments for the year then ended, and the related notes to the schedules.

Management's Responsibility for the Schedules

The Authority's management is responsible for the preparation and fair presentation of the schedules 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 the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these schedules 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 schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedules, 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 schedules 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 Authority'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 schedules.

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

Opinion

In our opinion, the schedule of investments and schedule of income from investments referred to above present fairly, in all material respects, the investments of the Authority as of June 30, 2017 and income from investments for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the schedule of investments and schedule of income from investments are intended to present the investments of the Authority. They do not purport to, and do not, present fairly the financial position of the Buffalo Sewer Authority, as of June 30, 2017 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, reading "Duescher & Malecki LLP". The signature is written in a cursive, flowing style.

September 25, 2017

BUFFALO SEWER AUTHORITY
Schedule of Investments
June 30, 2017

	<u>Par or Face Value</u>	<u>Fair Value</u>
Debt Service Fund:		
U.S. Treasury notes	\$ 4,329,611	\$ 4,329,611
Total Debt Service Fund	<u>\$ 4,329,611</u>	<u>\$ 4,329,611</u>

The accompanying notes are an integral part of these schedules.

BUFFALO SEWER AUTHORITY
Schedule of Income from Investments
Year Ended June 30, 2017

Debt service funds:

Interest earnings/gains on investment funds	<u>\$ 109,039</u>
Total gain on debt service funds	<u><u>\$ 109,039</u></u>

The accompanying notes are an integral part of these schedules.

BUFFALO SEWER AUTHORITY
Notes to Schedules of Investments and
Income from Investments
Year Ended June 30, 2017

1. Organization and Functions of the Authority

The Buffalo Sewer Authority (the “Authority”), a public benefit corporation, was created in 1935, by an Act of the State Legislature. The Authority is managed by a five-member board appointed by the Mayor of the City of Buffalo, subject to confirmation by the Common Council, and is regulated by the Public Authorities Law. It has such powers as to fix and collect rates, to borrow money and to issue negotiable bonds, to sue and be sued, and to acquire, hold and dispose of personal property for its corporate purpose. The bonds and other obligations of the Authority are not a debt of the City and are payable only from the funds of the Authority. The Authority is legally and financially independent of the City of Buffalo. There are no other entities covered in this report.

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

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

2. Summary of Significant Accounting Policies for 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 & Poor’s Corporation;
- ◆ Repurchase agreements collateralized by Direct Obligations, GNMMAs, FNMMAs or FHLMMCs with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, 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.

3. Investments

The Authority’s investments are carried at fair value and as are follows:

Series	Fair Value
Series J	\$ 515,879
Series K	361,415
Series L	689,547
Series N	2,167,157
Series M	<u>595,613</u>
Total	<u><u>\$ 4,329,611</u></u>