

BUFFALO
SEWER AUTHORITY

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

BUFFALO, NEW YORK

**BUFFALO SEWER AUTHORITY
BUFFALO, NY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2020**

PREPARED BY:

**ADMINISTRATIVE DEPARTMENT
RONALD BROWN, EXECUTIVE SECRETARY AND
CHIEF FINANCIAL OFFICER**

BUFFALO SEWER AUTHORITY
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INTRODUCTORY SECTION



September 30, 2020

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, 2020, 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 control 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, 2020 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, 2020 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 with a mission to protect public health and the environment from water pollution. 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 operates the second largest Water Resource Recovery Facility in New York State and provides collection and treatment services for the City of Buffalo and several neighboring suburban 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 258,612. 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 early 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. The viral COVID-19 pandemic over the last quarter represented a major challenge to the economic fortitude of the region.

Major Initiatives

The Authority laid the foundation for tackling one of Buffalo's public health concerns on March 18, 2014 with approval of its Combined Sewer Overflow Long Term Control Plan by the United States Environmental Protection Agency and NYS Department of Environmental Conservation. The Plan serves as a documented promise to address the City's stormwater challenge while simultaneously ensuring that Buffalo becomes more resilient in the face of a changing climate.

In continuance of the Authority's commitment to innovation, in fiscal year 2019- 2020, over \$19M was invested in Green Infrastructure, Smart Sewers, and Facility enhancements to address stormwater throughout the collection system, and renew the sewerage facilities. The Authority continues to be a national leader in the delivery of Green Infrastructure, managing over 1,100 acres of urban runoff, keeping nearly 1 billion gallons of stormwater out of the sewer system and improving the local waterways. In building on the foundational smart sewer innovation, the Authority expanded the use of in-system sensors and artificial intelligence to more precisely deliver its water quality commitment.

The Authority's critical focus on Equity in the City of Buffalo has is helping to facilitate strong partnerships, build trust, and engage stakeholders for shared success. In March 2018, the Authority began participating with cross sector teams from Atlanta, Camden, Cleveland, Louisville, Milwaukee, and Pittsburgh as part of the United States Water Alliance convened Water Equity Taskforce. As the Buffalo utility anchor, the Authority brought together local community partners to advance equitable water management and policies to serve the needs of Buffalo's vulnerable residents. In April 2019, the Authority released *An Equitable Water Future: Buffalo*, noting challenges and highlighting promising local practices and priority actions inclusive of green infrastructure. The Authority continues to infuse equity into policies, workforce, and capital investments.

Five Year Capital Plan

In accordance with the Supplemental Bond Resolution, adopted by the Authority on May 3, 1993, the authority has adopted a five-year capital plan as a part of the annual budget process. The five-year capital plan includes \$386,690,000 in expected capital project expenses. 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 fiscal year 2020-2021 totals \$73,617,000. Of this amount, \$46.0 million is for Bird Island Treatment Facility rehabilitation projects and \$27.6 million is estimated for the installation of innovative green, smart, and gray sewer system infrastructure.

Awards and Acknowledgements

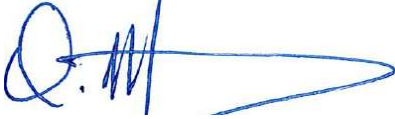
Awards—The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Buffalo Sewer Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2019. The Certificate 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 thirty-three 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,

A handwritten signature in blue ink, consisting of a large, stylized 'O' followed by a series of vertical strokes and a long horizontal line extending to the right.

Oluwole A. McFoy, P.E.
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, 2019

Christopher P. Morill

Executive Director/CEO

BUFFALO SEWER AUTHORITY
Officials
June 30, 2020

Board Members

Herbert L. Bellamy, Jr., Chairman
Christopher Roosevelt, Assistant Vice Chairman
Eleanor C. Petrucci, Secretary

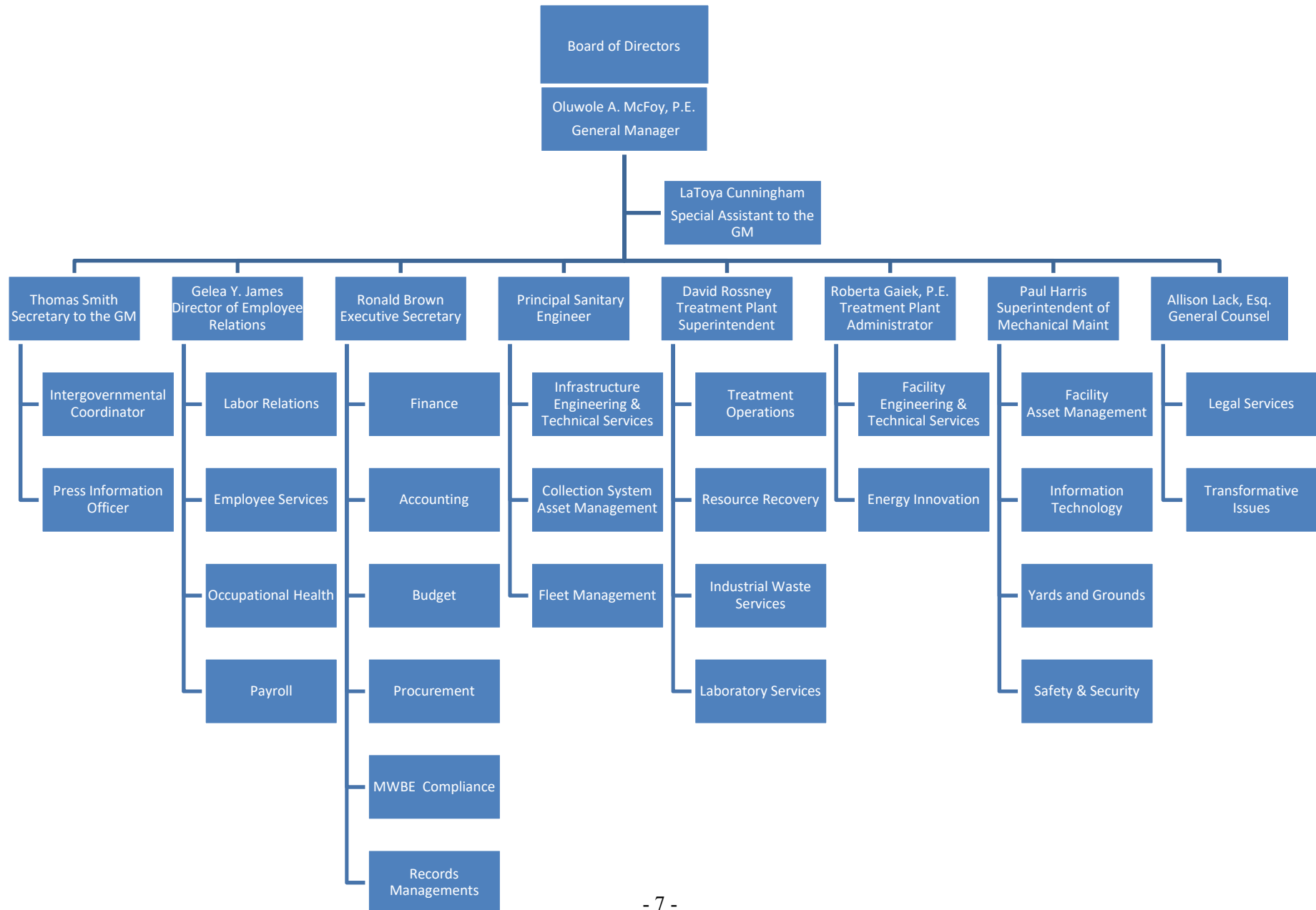
Professional Staff

Oluwole A. McFoy, P.E., General Manager
Thomas Smith, Secretary to the General Manager
Ronald Brown, Executive Secretary and Chief Financial Officer
Gelea Y. James, Director of Employee Relations
David Rossney, Treatment Plant Superintendent
Paul Harris, Superintendent of Mechanical Maintenance
Roberta Gaiek, P.E., Treatment Plant Administrator and Chief Water Resource Recovery Officer
Allison A. Lack, General Counsel

Address of the Authority

City Hall Room 1038
Buffalo, New York 14202

BUFFALO SEWER AUTHORITY
Organizational Chart
June 30, 2020



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, 2020, 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.

Auditors' 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, 2020, 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

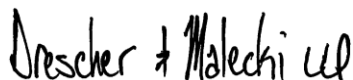
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The 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, as listed in the table of contents, 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.

A handwritten signature in black ink, appearing to read "Drescher & Malecki LLP".

September 30, 2020

BUFFALO SEWER AUTHORITY
Management's Discussion and Analysis
Year Ended June 30, 2020

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, 2020. This document should be read in conjunction with additional information that we have furnished in the Authority's financial statements and notes to the financial statements, which follow this narrative.

Financial Highlights

- ◆ The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources as of June 30, 2020 by \$285,292,674 (*net position*). This consists of \$290,093,932 net investment in capital assets and unrestricted net position of \$(4,801,258).
- ◆ The Authority's net position increased by \$4,485,878 for the year ended June 30, 2020.
- ◆ At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$76,302,567, a decrease of \$8,629,255 in comparison with the prior year's fund balance of \$84,931,822.
- ◆ At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$10,000,000, or approximately 17.3 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Authority's discretion and constitutes approximately 31.5 percent of the General Fund's total fund balance of \$31,727,749 at June 30, 2020.
- ◆ The Authority's total bonded indebtedness decreased by \$1,770,000, as a result of scheduled principal payments.

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 Authority'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, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of 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 Authority 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 three 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 Fund, all of which are considered to be major funds.

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 25-52 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 net pension liability, the changes in the Authority’s total other postemployment benefits (“OPEB”) obligation, and the Authority’s budgetary comparison for the General Fund. Required Supplementary Information can be found on pages 53-57 of this report.

The Supplementary Information, as listed in the table of contents, can be found on pages 58-67 of this report.

Finally, the Statistical Section of this report can be found on pages 68-86.

Government-wide Overall 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 and deferred outflows exceeded liabilities and deferred inflows by \$285,292,674 at June 30, 2020 as compared to \$280,806,796 at the close of the fiscal year ended June 30, 2019.

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,	
	2020	2019
Current assets	\$ 97,434,415	\$ 99,998,770
Capital assets	333,077,762	323,497,592
Total assets	430,512,177	423,496,362
Deferred outflows of resources	19,373,213	13,089,392
Current liabilities	22,438,080	16,300,057
Noncurrent liabilities	130,445,179	127,285,574
Total liabilities	152,883,259	143,585,631
Deferred inflows of resources	11,709,457	12,193,327
Net Position:		
Net investment in capital assets	290,093,932	285,382,764
Unrestricted	(4,801,258)	(4,575,968)
Total net position	\$ 285,292,674	\$ 280,806,796

The largest portion of the Authority’s net position, \$290,093,932, 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, \$(4,801,258), is considered to be unrestricted. This deficit is the result of having long-term commitments, including bonds payable, compensated absences, net pension liability, and other postemployment benefit obligations that are greater than currently available resources. Payments for these liabilities will be budgeted in the year that actual payment will be made.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2020 and June 30, 2019.

Table 2—Condensed Statement of Changes in Net Position

	Year Ended June 30,	
	2020	2019
Program revenues:		
Charges for services	\$ 51,083,531	\$ 54,353,821
Capital grants and contributions	2,153,231	1,535,958
General revenues	2,169,438	2,378,267
Total revenues	<u>55,406,200</u>	<u>58,268,046</u>
Program expenses	<u>50,920,322</u>	<u>48,827,418</u>
Change in net position	4,485,878	9,440,628
Net position—beginning	280,806,796	271,366,168
Net position—ending	<u>\$ 285,292,674</u>	<u>\$ 280,806,796</u>

Overall revenues decreased 4.9 percent from the year ended June 30, 2019 due to a decrease in charges for services related to the billings from outside districts. Total expenses increased 4.3 percent from the year ended June 30, 2019, due to increases in wastewater treatment facilities related to increased maintenance expenditures.

A summary of sources of revenues for the years ended June 30, 2020 and June 30, 2019 is presented below in Table 3.

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(decrease)	
	2020	2019	Dollars	Percent
Charges for services	\$ 51,083,531	\$ 54,353,821	\$ (3,270,290)	(6.0)
Capital grants and contributions	2,153,231	1,535,958	617,273	40.2
Unrestricted investment earnings	2,140,683	2,297,237	(156,554)	(6.8)
Unallocable aid	28,755	81,030	(52,275)	(64.5)
Total revenues	<u>\$ 55,406,200</u>	<u>\$ 58,268,046</u>	<u>\$ (2,861,846)</u>	(4.9)

For the year ended June 30, 2020, the most significant source of revenues was charges for services, which accounted for \$51,083,531, or 92.2 percent of total revenues. The next largest source of revenue was capital grants and contributions of \$2,153,231, or 3.9 percent of total revenues. For the year ended June 30, 2019, the most significant source of revenues was charges for services, which accounted for \$54,353,821, or 93.3 percent of total revenues. The next largest source of revenue was unrestricted investments earnings of \$2,297,237, or 3.9 percent of total revenues.

A summary of program expenses for the years ended June 30, 2020 and June 30, 2019 is presented below in Table 4.

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(decrease)	
	2020	2019	Dollars	Percent
General administration	\$ 2,809,113	\$ 2,528,731	\$ 280,382	11.1
Wastewater treatment facilities	39,206,343	37,505,923	1,700,420	4.5
Industrial waste	941,024	795,388	145,636	18.3
Engineering	1,638,798	1,483,986	154,812	10.4
Sewer maintenance	4,670,600	4,780,979	(110,379)	(2.3)
Interest and other fiscal charges	1,654,444	1,732,411	(77,967)	(4.5)
Total program expenses	<u>\$ 50,920,322</u>	<u>\$ 48,827,418</u>	<u>\$ 2,092,904</u>	4.3

For the year ended June 30, 2020, the Authority's most significant expense items were wastewater treatment facilities of \$39,206,343, or 77.0 percent of total expenses (primarily sewer, water, and sanitation services) and sewer maintenance costs of \$4,670,600, or 9.2 percent of total expenses. For the year ended June 30, 2019, the Authority's most significant expense items were wastewater treatment facilities of \$37,505,923, or 76.8 percent of total expenses (primarily sewer, water, and sanitation services) and sewer maintenance costs of \$4,780,979, or 9.8 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, 2020, the Authority's governmental funds reported combined ending fund balances of \$76,302,567, a decrease of \$8,629,255 from the prior year. Approximately 13.1 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, \$179,925, 2) restricted for particular purposes, \$4,352,946, or 3) committed for particular purposes \$61,769,696.

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 decreased by \$2,948,449 to \$31,727,749. 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 and transfers out. Unassigned fund balance represents approximately 17.3 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 54.8 percent of that same amount.

As stated, the Authority's total fund balance in the General Fund decreased by \$2,948,449 during the current year, which compares to an anticipated use of \$6,254,871 of fund balance from funds re-appropriated by prior year's encumbrances. Normal operational efficiencies provided budgetary savings with regards to expenditures, these savings helped to fund additional transfers to the General Projects Fund.

The General Projects Fund has a total fund balance of \$40,221,872 a decrease of \$5,680,813 from the prior year. During the year ended June 30, 2020, the Authority's General Fund transferred \$13,275,656 to the General Projects Fund to support ongoing capital projects. The Authority spent \$19,426,726 from the General Projects Fund for capital outlay. The committed fund balance represents \$40,221,872 to fund future capital projects.

Fund balance in the Debt Service Fund at June 30, 2020 \$4,352,946. 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. A budgetary comparison schedule 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, 2020 is presented in Table 5 on the following page.

Table 5—Summary of General Fund Results of Operations for the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Budgetary	Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues and other financing sources	\$ 57,950,000	\$ 57,959,551	\$ 54,935,936	\$ (3,023,615)
Expenditures and other financing uses	<u>64,204,871</u>	<u>86,856,275</u>	<u>68,112,355</u>	<u>18,743,920</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (6,254,871)</u>	<u>\$ (28,896,724)</u>	<u>\$ (13,176,419)</u>	<u>\$ 15,720,305</u>

Original budget compared to final budget—During the fiscal year, budgeted appropriations increased through budget amendments by \$22,767,805. Appropriations were increased primarily to increase transfers to the General Projects Fund, the amount for which was not known when the budget was adopted. These amendments were supported by the use of available fund balance.

Final budget compared to actual results—Actual expenditures during the year were significantly lower as a result of savings in wastewater treatment facilities largely related to utility efficiencies and savings realized within miscellaneous financial and accounting services.

Capital Asset and Debt Administration

Capital Assets—The Authority’s investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$333,077,762 (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, 2020 and 2019 are presented in Table 6 below.

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

	June 30,	
	2020	2019
Land	\$ 10,586,171	\$ 10,586,171
Construction in progress	43,509,061	66,198,771
Buildings	133,810,917	121,936,450
Building improvements	4,967,218	5,359,876
Machinery & equipment	2,851,542	2,780,527
Sanitary & storm relief systems	137,352,853	116,635,797
Total	<u>\$ 333,077,762</u>	<u>\$ 323,497,592</u>

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

Long-term liabilities—At June 30, 2020, the Authority had bonded debt outstanding of \$35,015,713, as compared to \$36,785,713 in the prior year.

A summary of the Authority’s long-term liabilities at June 30, 2020 and June 30, 2019 is presented in Table 7 below.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2020	2019
Bonds payable	\$ 35,015,713	\$ 36,785,713
Compensated absences	1,104,464	1,080,487
OPEB obligation	81,502,059	85,015,555
Judgments and claims	1,566,127	1,570,979
Net pension liability	11,256,816	2,832,840
	<u>\$ 130,445,179</u>	<u>\$ 127,285,574</u>

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

Economic Factors and Next Year's Budget and Rates

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted.

Largely as a result of the pandemic the unemployment rate, not seasonally adjusted, for the region at June 30, 2020 was 13.7 percent. This compares to New York State's average unemployment rate of 15.7 percent. These factors are considered in preparing the Authority's budget.

Considering the condition of the General and General Projects Funds, respectively, the Authority's overall financial position decreased during the fiscal year ended June 30, 2020. Total appropriations within the 2020-2021 adopted budget are \$59,750,000, an increase of 3.1 percent from the 2019-2020 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.

The Authority's five-year capital plan requires \$387 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 2020-2021 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 \$0.94552260 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, 2020

	Primary Government Governmental Activities
ASSETS	
Cash, cash equivalents and investments	\$ 26,200,169
Designated cash, cash equivalents and investments	54,902,669
Restricted cash, cash equivalents and investments	4,563,718
Receivables (net of allowance for uncollectibles)	11,587,764
Intergovernmental receivables	170
Prepaid items	179,925
Capital assets not being depreciated	54,095,232
Capital assets, net of accumulated depreciation	278,982,530
Total assets	<u>430,512,177</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	7,326,860
Deferred outflows—relating to OPEB	12,046,353
Total deferred outflows of resources	<u>19,373,213</u>
LIABILITIES	
Accounts payable	7,036,697
Interest payable	343,046
Accrued liabilities	1,092,398
Intergovernmental payables	412,642
EFC note payable	12,321,063
Retainages payable	1,021,462
Unearned revenues	210,772
Noncurrent liabilities:	
Due within one year	1,943,529
Due within more than one year	128,501,650
Total liabilities	<u>152,883,259</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	339,553
Deferred inflows—relating to OPEB	11,369,904
Total deferred inflows of resources	<u>11,709,457</u>
NET POSITION	
Net investment in capital assets	290,093,932
Unrestricted	(4,801,258)
Total net position	<u>\$ 285,292,674</u>

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

BUFFALO SEWER AUTHORITY
Statement of Activities
Year Ended June 30, 2020

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Primary Governmental Activities
Governmental activities:				
General administration	\$ 2,809,113	\$ 2,912,754	\$ -	\$ 103,641
Wastewater treatment facilities	39,206,343	40,652,852	-	1,446,509
Industrial waste	941,024	975,743	-	34,719
Engineering	1,638,798	1,699,261	-	60,463
Sewer maintenance	4,670,600	4,842,921	2,153,231	2,325,552
Interest and fiscal charges	1,654,444	-	-	(1,654,444)
Total governmental activities	<u>\$ 50,920,322</u>	<u>\$ 51,083,531</u>	<u>\$ 2,153,231</u>	<u>2,316,440</u>
General revenues:				
Unrestricted investment earnings				2,070,426
Unallocable aid				<u>99,012</u>
Total general revenues				<u>2,169,438</u>
Change in net position				4,485,878
Net position—beginning				<u>280,806,796</u>
Net position—ending				<u>\$ 285,292,674</u>

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

BUFFALO SEWER AUTHORITY
Balance Sheet—Governmental Funds
June 30, 2020

	<u>General</u>	<u>General Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash, cash equivalents and investments	\$ 26,200,169	\$ -	\$ -	\$ 26,200,169
Designated cash, cash equivalents and investments	11,319,854	43,582,815	-	54,902,669
Restricted cash, cash equivalents and investments	210,772	-	4,352,946	4,563,718
Receivables (net of allowance for uncollectibles)	11,587,764	-	-	11,587,764
Due from other funds	8,209	13,275,656	-	13,283,865
Intergovernmental receivables	170	-	-	170
Prepaid items	179,925	-	-	179,925
Total assets	<u>\$ 49,506,863</u>	<u>\$ 56,858,471</u>	<u>\$ 4,352,946</u>	<u>\$ 110,718,280</u>
LIABILITIES				
Accounts payable	\$ 2,787,646	\$ 4,249,051	\$ -	\$ 7,036,697
Accrued liabilities	1,092,398	-	-	1,092,398
Due to other funds	13,275,656	8,209	-	13,283,865
Intergovernmental payables	412,642	-	-	412,642
EFC note payable	-	12,321,063	-	12,321,063
Retainages payable	-	58,276	-	58,276
Unearned revenue	210,772	-	-	210,772
Total liabilities	<u>17,779,114</u>	<u>16,636,599</u>	<u>-</u>	<u>34,415,713</u>
FUND BALANCES				
Nonspendable	179,925	-	-	179,925
Restricted	-	-	4,352,946	4,352,946
Committed	21,547,824	40,221,872	-	61,769,696
Unassigned	10,000,000	-	-	10,000,000
Total fund balances	<u>31,727,749</u>	<u>40,221,872</u>	<u>4,352,946</u>	<u>76,302,567</u>
Total liabilities and fund balances	<u>\$ 49,506,863</u>	<u>\$ 56,858,471</u>	<u>\$ 4,352,946</u>	<u>\$ 110,718,280</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, 2020

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

Total fund balances—governmental funds (page 20)	\$	76,302,567
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$621,873,767 and the accumulated depreciation is \$288,296,005.		333,077,762
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to employer contributions	\$	411,059	
Deferred outflows related to experience, changes of assumptions, and changes in proportion of contributions		6,915,801	
Deferred inflows related to pension plans		(339,553)	6,987,307

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements:

Deferred outflows related to experience, changes of assumptions or other inputs	\$	12,046,353	
Deferred outflows related to experience, changes of assumptions or other inputs		(11,369,904)	676,449

Net accrued interest expense for bonds, notes and special program bonds not reported in the funds.		(343,046)
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Retainages payable are not a current liability and, therefore, are not reported in the funds.		(963,186)
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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	\$	(35,015,713)	
Compensated absences		(1,104,464)	
OPEB obligation		(81,502,059)	
Judgments and claims		(1,566,127)	
Net pension liability		(11,256,816)	(130,445,179)

Net position of governmental activities	\$	285,292,674
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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, 2020

	<u>General</u>	<u>General Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Sewer rents—general consumers	\$ 50,251,558	\$ -	\$ -	\$ 50,251,558
Interest on delinquent sewer rents	831,973	-	-	831,973
Interest on cash and investments	1,961,380	-	109,046	2,070,426
Miscellaneous	1,781,986	70,257	-	1,852,243
Federal aid	-	400,000	-	400,000
Total revenues	<u>54,826,897</u>	<u>470,257</u>	<u>109,046</u>	<u>55,406,200</u>
EXPENDITURES				
Current:				
General administration	1,944,811	-	-	1,944,811
Wastewater treatment facilities	19,781,028	-	-	19,781,028
Industrial waste	651,492	-	-	651,492
Engineering	1,134,576	-	-	1,134,576
Sewer maintenance	3,778,964	-	-	3,778,964
Miscellaneous	4,026,708	-	-	4,026,708
Employee benefits	9,850,818	-	-	9,850,818
Debt service:				
Principal	-	-	1,770,000	1,770,000
Interest and fiscal charges	-	-	1,670,332	1,670,332
Capital outlay	-	19,426,726	-	19,426,726
Total expenditures	<u>41,168,397</u>	<u>19,426,726</u>	<u>3,440,332</u>	<u>64,035,455</u>
Excess (deficiency) of revenues over expenditures	<u>13,658,500</u>	<u>(18,956,469)</u>	<u>(3,331,286)</u>	<u>(8,629,255)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	109,039	13,275,656	3,440,332	16,825,027
Transfers out	(16,715,988)	-	(109,039)	(16,825,027)
Total other financing sources (uses)	<u>(16,606,949)</u>	<u>13,275,656</u>	<u>3,331,293</u>	<u>-</u>
Net change in fund balances	(2,948,449)	(5,680,813)	7	(8,629,255)
Fund balances—beginning	34,676,198	45,902,685	4,352,939	84,931,822
Fund balances—ending	<u>\$ 31,727,749</u>	<u>\$ 40,221,872</u>	<u>\$ 4,352,946</u>	<u>\$ 76,302,567</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, 2020

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) \$ (8,629,255)

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 net capital outlays exceeded loss on disposal of assets and depreciation expense in the current period.

Capital asset additions, net	\$ 20,319,504	
Loss on disposal of assets	(104,989)	
Depreciation expense	<u>(10,634,345)</u>	9,580,170

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Direct pension contributions	\$ 1,571,827	
Cost of benefits earned net of employee contributions	<u>(3,915,941)</u>	\$ (2,344,114)

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census and changes in medical premiums that are different than expected healthcare cost trend rates and due to changes in assumptions and other inputs. These amounts are shown net of the current year's amortization. 687,829

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 15,888

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities, retained percentages on construction contracts are reported as expenses as they accrue. (89,011)

The issuance of long-term debt 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:

Repayment of bonds payable	\$ 1,770,000	
Changes in compensated absences	(23,977)	
Changes in OPEB obligation	3,513,496	
Changes in judgments and claims	<u>4,852</u>	<u>5,264,371</u>

Change in net position of governmental activities		\$ <u><u>4,485,878</u></u>
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The notes to the financial statements are an integral part of this statement.

BUFFALO SEWER AUTHORITY
Statement of Fiduciary Net Position—Agency Fund
June 30, 2020

	<u>Agency Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 5,746
Total assets	<u>\$ 5,746</u>
 LIABILITIES	
Bankruptcy funds held	\$ 5,746
Total liabilities	<u>\$ 5,746</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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 governmental units. The Governmental Accounting Standards Board (“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 Authority. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally 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 certain legally separate *component units* for which the primary government is financially accountable. The Authority reports no business-type activities or component units.

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 incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds 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*—The General Fund constitutes the primary operating fund of the Authority and includes all operations not required to be recorded in other funds. The principal source of revenues for the General Fund is sewer rents.
- ◆ *General Projects Fund*—The General Projects 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 and transfers from the General Fund.
- ◆ *Debt Service Fund*—The Debt Service Fund is used to maintain a debt service reserve required under the sewer system bond resolutions 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 Funds—These funds are used to account for assets held by the Authority in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Fiduciary Funds include an *Agency Fund*.

- ◆ *Agency Fund*—The Agency Fund is used to account for assets held by the Authority as an agent for individuals and includes amounts held from bankruptcies.

During the course of operations the Authority has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, 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 the 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 measured 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.

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 highly liquid 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. 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, Cash Equivalents, and Investments—Designated cash, cash equivalents, and investments represents cash set aside by management for future capital projects and loss contingencies.

Restricted Cash, Cash Equivalents, and Investments—Restricted cash represents unearned revenues and amounts to support restricted fund balance and amounts held on behalf of others.

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 and 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). Donated capital assets are recorded at acquisition cost of the item at the date of its donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend to an asset's useful 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 below:

	Estimated Useful Life (Years)
Land	n/a
Land improvements	20
Buildings	40
Building improvements	20
Machinery & equipment	3-10
Sanitary & storm relief system	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, 2020, the Authority has two items that qualify for reporting in this category. The first item, related to pensions, is reported in the government-wide financial statements. This represents the effect of the net change in the Authority's proportion of the collective net pension liability, the difference during the measurement period between the Authority's contributions, its proportionate share of the total contribution to the pension system not include in the pension expense, and any contributions to the pension system made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the Authority's proportion of the collective net OPEB liability and the difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

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, 2020, the Authority reports two deferred inflows of resources on the government-wide financial statements related to pensions and OPEB, respectively. The first item represents the effect of the net change in the Authority's proportion of the collective net pension liability and the difference during the measurement periods between the Authority's contributions, and its proportionate share of the total contributions to the pension systems not included in pension expense. The second item represents the effects of the change in the Authority's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

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 Authority 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 Expenses/Expenditures

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.

The 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, 2020, the Authority reported \$210,772 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.

Pensions—The Authority is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plan, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the Authority provides health insurance coverage for certain retired employees, as disclosed in Note 7.

Other

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

Adoption of New Accounting Pronouncement—During the year ended June 30, 2020, the Authority implemented GASB Statements No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* and GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the Authority's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 84, *Fiduciary Activities*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending June 30, 2021, No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, No. 92, *Omnibus 2020*; and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2022, No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023, and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2024. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97 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 bond resolutions 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 commitment of fund balance. All encumbered appropriations lapse and revert to fund balance at the end of the fiscal year.

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 the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledge to any such direct obligation or guarantee;
- ◆ 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 Banks; Federal Home Loan Mortgage Corporation, 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 Washington Metropolitan Area Transit Authority; or the Resolution Funding Corporation.
- ◆ Direct obligations of any State of the U.S. or any subdivision or agency thereof whose unsecured, uninsured, and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard and Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision, or agency whose unsecured, uninsured, and unguaranteed general obligation debt is rated, at the time of purchase "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation;
- ◆ 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, GNMA’s, FNMA’s or FHLMC’s with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an 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;
- ◆ Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, “P-1” by Moody’s Investors Service and “A-1” or better by Standard and Poor’s Corporation.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent 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 obligations 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, cash equivalents, and investments at June 30, 2020 are shown below.

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 2,250	\$ -	\$ 2,250
Deposits	6,734,277	5,746	6,740,023
Other cash and cash equivalents	79,066	-	79,066
Investments	78,850,963	-	78,850,963
Total	<u>\$ 85,666,556</u>	<u>\$ 5,746</u>	<u>\$ 85,672,302</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2020 as follows:

	Bank Balance	Carrying Balance
FDIC insured	\$ 500,000	\$ 500,000
Uninsured		
Collateral held by pledging bank's agent in the Authority's name	3,783,016	624,023
Total	<u>\$ 4,283,016</u>	<u>\$ 1,124,023</u>

Custodial Credit Risks—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. At June 30, 2020, the Authority’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the Authority’s name.

Other Cash and Cash Equivalents—Other cash and cash equivalents are held as money market investments at their amortized cost of \$79,066.

Restricted Cash, Cash Equivalents and Investments—At June 30, 2020, the Authority reported \$210,772 of restricted cash and cash equivalents in the General Fund to support unearned revenues and \$64,466 of restricted cash and cash equivalents and \$4,288,480 of restricted investments in the Debt Service Fund to support restricted fund balance.

Designated Cash, Cash Equivalents, and Investments—The Authority reports amounts as designated cash, cash equivalents, and investments to support fund balances committed to capital projects and future loss contingencies. At June 30, 2020, the Authority reported \$11,319,854 and \$43,582,815 of designated cash, cash equivalents, and investments within the General Fund and General Projects Fund, respectively.

Restricted Investments—All investments are reported using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- ◆ Level 1. Quotes prices for identical assets or liabilities in active markets to which the Authority has access at the measurement date.
- ◆ Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - ◆ Quoted prices for similar assets or liabilities in active markets;
 - ◆ Quoted prices for identical or similar assets in markets that are not active;
 - ◆ Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - ◆ Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- ◆ Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The Authority has invested in U.S. Treasury Notes of \$4,288,480 at June 30, 2020, which are considered to be Level 1 investments. At June 30, 2020, the Authority reported \$30,979,668 and \$43,582,815 of commercial paper within the General Fund and General Projects Fund, respectively, which are considered to be Level 1 investments.

Credit Ratings—The aforementioned U.S. Treasury notes mature April 15, 2032, February 15, 2033, November 15, 2033, October 1, 2035 and May 1, 2044. 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.

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	\$ 2,584,381	
Allowance: flat rate receivables	<u>(2,246,048)</u>	\$ 338,333
Metered receivables	8,431,157	
Allowance: metered receivables	<u>(4,697,761)</u>	3,733,396
Industrial waste receivables	934,585	
Allowance: industrial waste receivables	<u>(17,861)</u>	916,724
Outside district receivables	6,286,950	
Allowance: outside district receivables	<u>(1,139)</u>	6,285,811
Other miscellaneous receivables	8,168,052	
Allowance: other miscellaneous receivables	<u>(7,854,552)</u>	313,500
		<u>\$ 11,587,764</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2020 was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 10,586,171	\$ -	\$ -	\$ 10,586,171
Construction in progress	66,198,771	19,325,115	(42,014,825)	43,509,061
Total capital assets, not being depreciated	76,784,942	19,325,115	(42,014,825)	54,095,232
Capital assets, being depreciated:				
Land improvements	455,703	-	-	455,703
Buildings	268,642,176	17,267,197	-	285,909,373
Building improvements	12,707,216	-	-	12,707,216
Machinery & equipment	31,770,527	785,351	(786,817)	31,769,061
Sanitary & storm relief systems	211,980,516	24,956,666	-	236,937,182
Total capital assets, being depreciated	525,556,138	43,009,214	(786,817)	567,778,535
Less accumulated depreciation for:				
Land improvements	(455,703)	-	-	(455,703)
Buildings	(146,705,726)	(5,392,730)	-	(152,098,456)
Building improvements	(7,347,340)	(392,658)	-	(7,739,998)
Machinery & equipment	(28,990,000)	(609,347)	681,828	(28,917,519)
Sanitary & storm relief systems	(95,344,719)	(4,239,610)	-	(99,584,329)
Total accumulated depreciation	(278,843,488)	(10,634,345)	681,828	(288,796,005)
Total capital assets, being depreciated, net	246,712,650	32,374,869	(104,989)	278,982,530
Governmental activities capital assets, net	\$ 323,497,592	\$ 51,699,984	\$ (42,119,814)	\$ 333,077,762

Significant construction in progress expenditures are incurred as the Authority continues to make an effort to improve its infrastructure. Depreciation expense totaling \$10,634,345 is reported within the government-wide statements and has been allocated to wastewater treatment plant expenses of \$9,952,517 and sewer maintenance expenses of \$681,828.

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2020, were as follows:

	General Fund
Salary and other employee benefits	\$ 1,092,398
Total accrued liabilities	\$ 1,092,398

6. PENSION OBLIGATIONS

The Authority participates in the New York State and Local Employee's Retirement System ("ERS") and the Public Employee's Group Life Insurance Plan (the "System"). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Description and Benefits Provided

Employees' Retirement System ("ERS")—ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provision of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance (the "System"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. The report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS is noncontributory, except for employees who joined after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute three (3.0%) to three and one half (3.5%) percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—The net pension liability was measured as of March 31, 2020 for ERS. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of April 1, 2019, with update procedures used to roll forward the total pension liability to the measurement date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the Authority.

	ERS
Measurement date	March 31, 2020
Net pension liability	\$ 11,256,816
Authority's portion of the Plan's total net pension liability	0.0425097%

As of the March 31, 2020 measurement date, the Authority's portion of the Plan's total net pension liability had decreased 0.0025278% from their portion of the Plan's total net pension liability of 0.0399819% on the March 31, 2019 measurement date.

For the year ended June 30, 2020, the Authority recognized a pension expense of \$3,915,942 for ERS. At June 30, 2020 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 662,509	\$ -
Change of assumptions	226,659	195,716
Net difference between projected and actual earnings on pension plan investments	5,770,791	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	255,842	143,837
Authority contributions subsequent to the measurement date	411,059	-
Total	<u>\$ 7,326,860</u>	<u>\$ 339,553</u>

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 1,151,913
2022	1,665,232
2023	2,073,173
2024	1,685,930

Actuarial Assumptions—The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>
Measurement date	March 31, 2020
Actuarial valuation date	April 1, 2019
Discount rate	6.80%
Salary scale	4.20%
Decrement tables	April 1, 2011- March 31, 2015
Inflation rate	2.5%
Cost-of-living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2011 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation for ERS are summarized below:

Measurement date	ERS	
	March 31, 2020	
	Target Allocation	Long-Term Expected Real Rate of Return
Asset class:		
Domestic equities	36.0 %	4.1 %
International equities	14.0	6.2
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	0.8
Cash	1.0	0.0
Inflation-indexed bonds	4.0	0.5
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart on the following page presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.8% for ERS, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.8%) or one percentage-point higher (7.8%) than the current assumption.

ERS	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability/(asset)	\$ 20,659,436	\$ 11,256,816	\$ (2,596,964)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of all of the employers participating in the state-wide System as of the valuation date was as follows:

	(Dollars in Thousands)
	ERS
Valuation date	April 1, 2019
Employers' System total pension liability	\$ 194,596,261
Plan fiduciary net position	168,115,682
Employers' System net pension liability	<u>\$ 26,480,579</u>
System fiduciary net position as a percentage of total pension liability	86.4%

Payables to the Pension Plan—Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$411,059.

7. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

Plan Description and Benefits Provided—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 two Medicare Supplement plan options 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. The General Fund of the Authority is typically used to liquidate the OPEB obligation.

Employees Covered by Benefit Terms—At June 30, 2020, the following employees were covered by the benefit terms:

Active not eligible to retire	105
Actives eligible to retire	49
Retired and surviving spouses	205
Retiree spouses covered	<u>130</u>
	<u>489</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The Authority’s total OPEB liability of \$81,502,059 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

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

In the June 30, 2020 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.44% for the year ending June 30, 2019 to 2.48% for the year ending June 30, 2020. The salary scale is 3.22% effective June 30, 2020. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used effective June 30, 2020 is 5.20%, while the ultimate healthcare cost trend rate is 4.18%. Mortality rates effective June 30, 2020 were based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-weighted for General employees, without separate Contingent Survivor mortality, fully generational using scale MP-2019.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at June 30, 2019	\$ 85,015,555
Changes for the year:	
Service cost	1,512,328
Interest	2,876,990
Differences between expected and actual experience	(18,829,962)
Changes of assumptions or other inputs	13,821,608
Benefit payments	<u>(2,894,460)</u>
Net changes	<u>(3,513,496)</u>
Balance at June 30, 2020	<u>\$ 81,502,059</u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (1.48%)	Current Discount Rate (2.48%)	1% Increase (3.48%)
Net OPEB liability	\$ 95,352,103	\$ 81,502,059	\$ 70,554,831

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the OPEB liability of a 1% change in the initial (5.20%) and ultimate (4.18%) healthcare cost trend rates.

	1% Decrease (4.20%/3.18%)	Healthcare Cost Trend Rates (5.20%/4.18%)	1% Decrease (6.20%/5.18%)
Net OPEB liability	\$ 69,508,941	\$ 81,502,059	\$ 96,701,045

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. Authority governmental activities contributed \$2,894,460 for the fiscal year ended June 30, 2020. While for the year ended June 30, 2020, the Authority's governmental activities recognized OPEB expense of \$1,413,869. The Authority's contributions to the OPEB plan are based on negotiated contracts with two bargaining units, as discussed in Note 14. Any amendments to the employer's contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Authority reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the Authority's deferred outflows and deferred inflows at June 30, 2020.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,777,644	\$ 8,919,456
Changes of assumptions	6,547,077	2,450,448
Benefit payments subsequent to the measurement date	721,632	-
Total	<u>\$ 12,046,353</u>	<u>\$ 11,369,904</u>

The Authority's benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending June 30, 2021. The amounts reported as deferred outflows of resources and deferred inflows of resource related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	
2021	\$ (1,804,770)
2022	567,609
2023	567,609
2024	567,609
2025	56,760
Thereafter	-

8. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; vehicle liability, injuries to employees; health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority purchases insurance for: commercial property coverage, commercial general liability coverage, commercial automotive coverage and commercial crime coverage. Property insurance is limited based on scheduled locations. The general liability insurance is limited to \$7 million per occurrence. Real Property and Personal Property Coverage is limited to \$500 million. Automobile insurance is limited to \$4 million per accident. Crime coverage is limited to \$1 million per occurrence with a \$2 million annual aggregate limit. There were no settlements that exceeded insurance coverage in each of the past three fiscal years.

Workers' Compensation—The Authority participates in a self-insured plan for risks associated with employee workers' compensation claims through a third party. The Authority accounts for this activity in the General Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR"). Claim liabilities are calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs.

Claim activities for the current year and the prior year are:

<u>Year Ended June 30,</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Payments and Changes in Estimates</u>	<u>Ending Balance</u>
2020	\$ 1,570,979	\$ 764,622	\$ (769,474)	\$ 1,566,127
2019	1,683,693	616,846	(729,560)	1,570,979

At June 30, 2020, \$3,000,000 of the General Fund fund balance was committed to loss contingencies for the purpose of funding the Authority's future claims liabilities.

9. SHORT TERM DEBT

Short term debt of the Authority represents a short term loan from the Environmental Facilities Corporation (“EFC”). This short-term loan is recorded as due to other governments. The Authority intends to exercise an option to convert this loan to long-term debt, however, it has not yet exercised such. The short-term debt for the fiscal year ended June 30, 2020 is shown below:

Description	Issue Date	Interest Rate	Principal Outstanding	Additions	Reductions	Principal Outstanding
			July 1, 2019			June 30, 2020
EFC loan payable	various	0.0%	<u>\$ 8,702,196</u>	<u>\$ 3,618,867</u>	<u>\$ -</u>	<u>\$ 12,321,063</u>

10. LONG TERM LIABILITIES

In the government-wide financial statements, long-term debt and long-term obligations are reported as noncurrent 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 postemployment benefits (“OPEB”) obligation, judgments and claims and net pension liability. 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 Authority’s long-term liabilities at June 30, 2020 follows:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Bonds payable	\$ 36,785,713	\$ -	\$ (1,770,000)	\$ 35,015,713	\$ 1,810,000
Compensated absences	1,080,487	929,688	(905,711)	1,104,464	55,223
OPEB obligation	85,015,555	18,210,926	(21,724,422)	81,502,059	-
Judgments and claims	1,570,979	764,622	(769,474)	1,566,127	78,306
Net pension liability*	<u>2,832,840</u>	<u>8,423,976</u>	<u>-</u>	<u>11,256,816</u>	<u>-</u>
Total	<u>\$ 127,285,574</u>	<u>\$ 28,329,212</u>	<u>\$ (25,169,607)</u>	<u>\$ 130,445,179</u>	<u>\$ 1,943,529</u>

(*additions to the net pension liability are shown net of reductions)

Bonds Payable

Series M—On July 2, 2014, the Authority refinanced short-term debt to a long-term note payable, Series M to support construction costs for a total amount of \$17,581,310. Of this amount, the portion converted from short-term debt of \$15,159,256, offset by a principal reduction in the form of grant revenue of \$9,031,991 was recorded in the year ended June 30, 2014 as the Authority had taken the legal steps to refinance the short-term EFC loans payable to long-term debt at June 30, 2014. In the year ended June 30, 2015, the additional liability, not previously recorded as short-term debt, of \$2,422,054 was recorded on the Authority's financial statements as a proceeds from issuance. Interest on the Series M bond ranges from 4.25-5.15 and the bonds mature on May 1, 2044.

Series N—On November 15, 2012, through EFC the Authority issued replacement bonds 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 replacement bonds were issued for the same amount outstanding on the Series H Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$772,721.

Series JI—On July 2, 2014, through EFC the Authority issued replacement bonds for the outstanding EFC Sewer System Revenue Bonds, Series J bonds with EFC Sewer System Revenue Bonds, Series JI in the amount of \$5,353,126. Interest on the Series JI bond ranges from 4.06%-4.63% and the bonds mature on November 15, 2033. As a result, \$5,353,126 of Series J Bonds were considered defeased and the liability for those bonds has been removed from the Authority's financial statements. The replacement bonds were issued for the same amount outstanding on the Series J Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$607,254.

Series KI—On July 2, 2014, through EFC the Authority issued replacement bonds for the outstanding EFC Sewer System Revenue Bonds, Series K bonds with EFC Sewer System Revenue Bonds, Series KI in the amount of \$3,614,143. Interest on the Series KI bond ranges from 4.25%-5.15% and the bonds mature on February 15, 2033. As a result, \$3,614,143 of Series K Bonds were considered defeased and the liability for those bonds has been removed from the Authority's financial statements. The replacement bonds were issued for the same amount outstanding on the Series K Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$395,499.

Series LI—On August 20, 2015, through EFC the Authority issued replacement bonds for the outstanding EFC Sewer System Revenue Bonds, Series L bonds with EFC Sewer System Revenue Bonds, Series LI in the amount of \$7,094,679. Prior to issuing the replacement note, the Authority paid \$430,321 in Series L principal payments in the current year. Interest on the Series LI bond ranges from 4.17-4.86% and the bonds mature on October 1, 3025. As a result, \$7,094,679 of Series L Bonds were considered defeased and the liability for those bonds has been removed from the Authority's financial statements. The replacement bonds were issued for the same amount outstanding on the Series L Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$680,873.

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 Sewer System Revenue Bond transactions of the Authority for the year ended June 30, 2020 is presented below:

Description	Interest Rate	Year of Issue/ Maturity	Balance 7/1/2019	Additions	Payments	Balance 6/30/2019
Series M	4.25-5.15	2014/2044	\$ 7,440,000	\$ -	\$ (235,000)	\$ 7,205,000
Series N	3.85-4.90	2012/2031	16,076,564	-	(885,000)	15,191,564
Series J1	4.06-4.63	2014/2033	4,228,126	-	(240,000)	3,988,126
Series K1	4.25-5.15	2014/2033	2,914,142	-	(150,000)	2,764,142
Series L1	4.17-4.86	2015/2035	6,126,881	-	(260,000)	5,866,881
Total			<u>\$ 36,785,713</u>	<u>\$ -</u>	<u>\$ (1,770,000)</u>	<u>\$ 35,015,713</u>

Compensated Absences—The Authority records the value of compensated absences in the government wide financial statements. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. The annual budgets of the operating funds provide for these benefits as they become due. At June 30, 2020, compensated absences amounted to \$1,104,464, of which \$55,223 is considered short-term.

OPEB Obligation—As explained in Note 7, the Authority provides health care benefits for retirees, spouses, and their covered dependents. 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 OPEB cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The estimated long-term OPEB obligation is estimated to be \$81,502,059 at June 30, 2020.

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, 2020 is \$1,566,127, with \$78,306 representing the estimated amount due within one year.

Net Pension Liability—The Authority reported a liability, \$11,256,816, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 6 for additional information related to the Authority's net pension liability.

The maturity schedule of the Authority's indebtedness is presented below:

Year Ending June 30,	Bond Payable	Compensated Absences*	OPEB Obligation	Judgments and Claims*	Net Pension Liability	Total
2021	\$ 1,810,000	\$ 55,223	\$ -	\$ 78,306	\$ -	\$ 1,943,529
2022	1,865,000	-	-	-	-	1,865,000
2023	1,915,000	-	-	-	-	1,915,000
2024	1,960,000	-	-	-	-	1,960,000
2025	2,015,000	-	-	-	-	2,015,000
2026-2030	10,965,000	-	-	-	-	10,965,000
2031-2035	10,058,832	-	-	-	-	10,058,832
2036-2040	2,566,881	-	-	-	-	2,566,881
2041-2045	1,860,000	-	-	-	-	1,860,000
Various	-	1,049,241	81,502,059	1,487,821	11,256,816	95,295,937
	<u>\$ 35,015,713</u>	<u>\$ 1,104,464</u>	<u>\$ 81,502,059</u>	<u>\$ 1,566,127</u>	<u>\$ 11,256,816</u>	<u>\$ 130,445,179</u>

The General Fund typically has been used to liquidate the liability for compensated absences, OPEB obligation, judgments and claims, and net pension liability.

*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 Ended June 30,	Interest
2021	\$ 1,597,147
2022	1,520,339
2023	1,439,322
2024	1,354,904
2025	1,267,327
2026-2030	4,888,636
2031-2035	2,017,425
2036-2040	614,122
2041-2045	238,876
	<u>\$ 14,938,098</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. In each instance, the principal amount of the replacement bonds was equivalent to the amount outstanding of the old bonds at the time of issuance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority’s financial statements. Principal balances of bonds outstanding at June 30, 2020 that are considered defeased include:

Series H	\$ 15,850,000
Series J	3,988,126
Series K	2,764,142
Series L	<u>5,886,881</u>
Total	<u>\$ 28,489,149</u>

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 investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 333,077,762
Less: Outstanding bonds payable issued for capital acquisition	(35,015,713)
EFC note payable	(12,321,063)
Add: Remaining debt reserve from issuance not used for capital asset acquisition	<u>4,352,946</u>
Net investment in capital assets	<u>\$ 290,093,932</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, 2020 includes:

- ◆ **Prepaid Items**—Representing the portion of fund balance, \$179,925 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, 2020 include:

- ◆ ***Restricted for Debt Service***—Represents resources, \$4,352,946, 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 Board-approved resolution 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, 2020 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, 2020, the Authority has \$10,227,970 and \$15,890,665 of fund balance committed to encumbrances within its General Fund and General Projects Fund, respectively.
- ◆ ***Committed to loss contingencies***—Representing funds, \$3,000,000, 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, 2020, the Authority has \$8,319,854 and \$24,331,207 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, 2020, 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 excluding transfers, 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, 2020 is as follows:

	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 8,209	\$ 13,275,656
General Projects Fund	13,275,656	8,209
Total governmental funds	<u>\$ 13,283,865</u>	<u>\$ 13,283,865</u>

These outstanding balances between funds 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.

Fund	Transfers in:			Total
	General Fund	General Projects Fund	Debt Service Fund	
Transfers out:				
General Fund	\$ -	\$ 13,275,656	\$ 3,440,332	\$ 16,715,988
Debt Service Fund	109,039	-	-	109,039
Total	<u>\$ 109,039</u>	<u>\$ 13,275,656</u>	<u>\$ 3,440,332</u>	<u>\$ 16,825,027</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, the payment of debt, and to fund capital projects.

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, 2020:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
ASSETS				
Restricted cash and cash equivalents	\$ 4,458	\$ 3,197	\$ 1,909	\$ 5,746
Total assets	<u>\$ 5,785</u>	<u>\$ 3,197</u>	<u>\$ 1,909</u>	<u>\$ 5,746</u>
LIABILITIES				
Bankruptcy funds held	\$ 4,458	\$ 8,817	\$ 7,529	\$ 5,746
Total liabilities	<u>\$ 5,785</u>	<u>\$ 8,817</u>	<u>\$ 7,529</u>	<u>\$ 5,746</u>

14. LABOR RELATIONS

Authority employees are represented by two bargaining units. The CWA contract and the CSEA contract have been negotiated through June 30, 2022.

15. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Authority considers encumbrances significant if they are in excess of \$400,000. As of June 30, 2020, the Authority reported the following significant encumbrances:

General Fund:	
Utilities	\$ 3,474,271
General Projects Fund:	
Streetwide improvements	\$ 3,042,950
Sewer improvements	3,234,261
Sewer cleaning inspections	1,708,153
Water system improvements	1,749,829
Consulting services	1,109,424

16. 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.

Pollution Remediation Obligations—On March 18, 2014, the Authority's Long Term Control Plan to reduce the amount of sewage and storm-water run-off that flow from the City's combined sewer system was approved by the U.S. Environmental Protection Agency and the New York State Department of Environmental Conservation. The Authority has committed to investing \$380 million on these projects over 20 years. The Authority plans to fund these projects with committed fund balance and long-term financing, therefore, will record a liability when such financing is obtained.

Grants—In the normal course of operations, the Authority receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. The amount of disallowance, if any, cannot be determined at this time, although the Authority expects any such amount to be immaterial.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2020, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

REQUIRED SUPPLEMENTARY INFORMATION

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BUFFALO SEWER AUTHORITY
Schedule of the Authority's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Authority's proportion of the net pension liability	0.0425097%	0.0399819%	0.0410190%	0.0363879%	0.0352092%	0.0335492%	0.0335492%
Authority's proportionate share of the net pension liability	<u>\$ 11,256,816</u>	<u>\$ 2,832,840</u>	<u>\$ 1,323,865</u>	<u>\$ 3,419,086</u>	<u>\$ 5,651,170</u>	<u>\$ 1,133,375</u>	<u>\$ 1,516,043</u>
Authority's covered payroll	12,306,995	11,621,785	11,083,532	11,382,495	10,139,681	9,405,983	9,457,414
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	91.5%	24.4%	11.9%	30.0%	55.7%	12.0%	16.0%
Plan fiduciary net position as a percentage of the total net pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

*Information prior to the year ended June 30, 2014 is not available

BUFFALO SEWER AUTHORITY
Schedule of Authority's Contributions—
Employees' Retirement System
Last Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,571,827	\$ 1,534,250	\$ 1,607,903	\$ 1,536,673	\$ 1,589,974	\$ 1,743,330	\$ 1,926,571
Contributions in relation to the contractually required contribution	<u>(1,571,827)</u>	<u>(1,534,250)</u>	<u>(1,607,903)</u>	<u>(1,536,673)</u>	<u>(1,589,974)</u>	<u>(1,743,330)</u>	<u>(1,926,571)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 12,654,706	\$ 11,734,497	\$ 11,548,410	\$ 11,255,586	\$ 10,255,506	\$ 6,857,982	\$ 9,825,683
Contributions as a percentage of covered payroll	12.4%	13.1%	13.9%	13.7%	15.5%	25.4%	19.6%

*Information prior to the year ended June 30, 2014 is not available.

BUFFALO SEWER AUTHORITY
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios
Last Four Fiscal Years*

	Year Ended June 30,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 1,512,328	\$ 1,473,888	\$ 1,462,603	\$ 1,390,270
Interest	2,876,990	3,236,846	3,205,497	2,640,860
Difference between expected and actual experience	(18,829,962)	(17,231,443)	1,170,482	9,438,760
Changes of assumptions	13,821,608	9,346,819	2,772,815	(4,841,128)
Benefit payments	(2,894,460)	(3,314,543)	(3,177,531)	(2,966,529)
Net changes in total OPEB liability	(3,513,496)	(6,488,433)	5,433,866	5,662,233
Total OPEB liability—beginning	85,015,555	91,503,988	86,070,122	80,407,889
Total OPEB liability—ending	<u>\$ 81,502,059</u>	<u>\$ 85,015,555</u>	<u>\$ 91,503,988</u>	<u>\$ 86,070,122</u>
Plan fiduciary net position				
Contributions—employer	\$ 2,894,460	\$ 3,314,543	\$ 3,177,531	\$ 2,966,529
Benefit payments	(2,894,460)	(3,314,543)	(3,177,531)	(2,966,529)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's net OPEB liability—ending	<u>\$ 81,502,059</u>	<u>\$ 85,015,555</u>	<u>\$ 91,503,988</u>	<u>\$ 86,070,122</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 12,403,132	\$ 12,016,210	\$ 7,681,522	\$ 7,681,522
Authority's net OPEB liability as a percentage of covered employee payroll	657.11%	707.51%	1191.22%	1120.48%

*Information prior to the year ended June 30, 2017 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

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, 2020

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Sewer rents—general consumers	\$ 53,692,600	\$ 53,692,600	\$ 50,251,558	\$ (3,441,042)
Interest on delinquent sewer rents	1,010,000	1,010,000	831,973	(178,027)
Interest on investments	1,966,918	1,966,918	1,961,380	(5,538)
Miscellaneous	1,247,400	1,247,400	1,781,986	534,586
Total revenues	<u>57,916,918</u>	<u>57,916,918</u>	<u>54,826,897</u>	<u>(3,090,021)</u>
EXPENDITURES				
Current:				
General administration	1,955,958	2,134,484	1,981,768	152,716
Wastewater treatment facilities	29,879,389	34,762,462	27,693,166	7,069,296
Industrial waste	750,696	936,819	861,544	75,275
Engineering	1,609,050	1,638,997	1,207,440	431,557
Sewer maintenance	5,042,080	5,307,707	4,225,991	1,081,716
Miscellaneous	7,407,254	7,444,374	4,027,846	3,416,528
Employee benefits	12,454,062	13,499,365	11,398,612	2,100,753
Total expenditures	<u>59,098,489</u>	<u>65,724,208</u>	<u>51,396,367</u>	<u>14,327,841</u>
Excess of revenues over expenditures	<u>(1,181,571)</u>	<u>(7,807,290)</u>	<u>3,430,530</u>	<u>11,237,820</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	33,082	42,633	109,039	66,406
Transfers out	<u>(5,106,382)</u>	<u>(21,132,067)</u>	<u>(16,715,988)</u>	<u>4,416,079</u>
Total other financing sources (uses)	<u>(5,073,300)</u>	<u>(21,089,434)</u>	<u>(16,606,949)</u>	<u>4,482,485</u>
Net change in fund balances*	(6,254,871)	(28,896,724)	(13,176,419)	15,720,305
Fund balances—beginning	<u>34,676,198</u>	<u>34,676,198</u>	<u>34,676,198</u>	<u>-</u>
Fund balances—ending	<u>\$ 28,421,327</u>	<u>\$ 5,779,474</u>	<u>\$ 21,499,779</u>	<u>\$ 15,720,305</u>

* The net change in fund balance was included as a re-appropriation of prior year encumbrances.

The notes to the Required Supplementary Information are an integral part of this schedule.

BUFFALO SEWER AUTHORITY
Notes to the Required Supplementary Information
Year Ended June 30, 2020

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date with a rate of 2.48% for the year ended June 30, 2020, a change from 3.44% for the year ended June 30, 2019. Mortality rates effective June 30, 2020 were updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-weighted for General employees, without separate Contingent Survivor mortality, fully generational using scale MP-2019. Finally, the healthcare cost trend rate effective June 30, 2020 is 5.20%, while the ultimate healthcare cost trend rate is 4.18%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is appropriated on a project-length basis. No formal annual budget is adopted for the Debt Service Fund as it is 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.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e. purchase orders, contracts, and commitments). Encumbrance accounting utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. 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	\$ 31,727,749
Less: Encumbrances	<u>(10,227,970)</u>
General Fund fund balance—Non-GAAP budgetary basis	<u>\$ 21,499,779</u>

SUPPLEMENTARY INFORMATION

BUFFALO SEWER AUTHORITY
Schedule of Revenues and Other Financing Sources—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2020

	<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	\$ 12,087,600	\$ 12,087,600	\$ 12,157,349	\$ 69,749
Water sewer rent	26,925,000	26,925,000	25,477,782	(1,447,218)
Industrial waste	3,130,000	3,130,000	4,039,805	909,805
Connection privileges outside city	11,550,000	11,550,000	8,576,622	(2,973,378)
Total sewer rents—general consumers	<u>53,692,600</u>	<u>53,692,600</u>	<u>50,251,558</u>	<u>(3,441,042)</u>
INTEREST ON DELINQUENT SEWER RENTS				
Interest and penalties on delinquent assessed sewer rent	200,000	200,000	155,361	(44,639)
Interest and penalties on delinquent sewer rents	<u>810,000</u>	<u>810,000</u>	<u>676,612</u>	<u>(133,388)</u>
Total interest on delinquent sewer rents	<u>1,010,000</u>	<u>1,010,000</u>	<u>831,973</u>	<u>(178,027)</u>
INTEREST ON INVESTMENTS	<u>1,966,918</u>	<u>1,966,918</u>	<u>1,961,380</u>	<u>(5,538)</u>
MISCELLANEOUS	<u>1,247,400</u>	<u>1,247,400</u>	<u>1,781,986</u>	<u>534,586</u>
TOTAL REVENUES	<u>57,916,918</u>	<u>57,916,918</u>	<u>54,826,897</u>	<u>(3,090,021)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>33,082</u>	<u>42,633</u>	<u>109,039</u>	<u>66,406</u>
Total other financing sources	<u>33,082</u>	<u>42,633</u>	<u>109,039</u>	<u>66,406</u>
TOTAL REVENUES AND AND OTHER FINANCING SOURCES	<u>\$ 57,950,000</u>	<u>\$ 57,959,551</u>	<u>\$ 54,935,936</u>	<u>\$ (3,023,615)</u>

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2020

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
GENERAL ADMINISTRATION				
Authority Board Members:				
Personal services - Executive	\$ 13,500	\$ 13,500	\$ 10,670	\$ 2,830
Operating expenditures	<u>12,000</u>	<u>13,524</u>	<u>12,656</u>	<u>868</u>
Total Authority Board Members	<u>25,500</u>	<u>27,024</u>	<u>23,326</u>	<u>3,698</u>
Administrative Offices:				
Personal services - Executive	525,990	575,029	572,440	2,589
Personal services - Clerical	1,002,686	1,102,848	1,101,403	1,445
Operating expenditures	<u>389,300</u>	<u>429,583</u>	<u>284,599</u>	<u>144,984</u>
Total Administrative Offices	<u>1,917,976</u>	<u>2,107,460</u>	<u>1,958,442</u>	<u>149,018</u>
GENERAL ADMINISTRATION TOTAL	<u>1,943,476</u>	<u>2,134,484</u>	<u>1,981,768</u>	<u>152,716</u>
WASTEWATER TREATMENT FACILITIES				
Plant Administration:				
Personal services - Executive	626,449	473,882	456,086	17,796
Personal services - Clerical	731,888	755,700	538,267	217,433
Personal services - Supervision	780,118	805,106	790,410	14,696
Operating expenditures	<u>1,575,372</u>	<u>2,766,278</u>	<u>1,963,416</u>	<u>802,862</u>
Total Plant Administration	<u>3,713,827</u>	<u>4,800,966</u>	<u>3,748,179</u>	<u>1,052,787</u>
Raw Wastewater Pump Station:				
Personal services - Operators	146,300	161,244	88,246	72,998
Operating expenditures	<u>146,270</u>	<u>111,426</u>	<u>25,008</u>	<u>86,418</u>
Total Raw Wastewater Pump Station	<u>292,570</u>	<u>272,670</u>	<u>113,254</u>	<u>159,416</u>
Screen Room:				
Operating expenditures	<u>50,000</u>	<u>83,612</u>	<u>67,847</u>	<u>15,765</u>
Total Screen Room	<u>50,000</u>	<u>83,612</u>	<u>67,847</u>	<u>15,765</u>
Grit Room:				
Personal services - Operators	207,270	242,699	162,943	79,756
Operating expenditures	<u>157,740</u>	<u>455,091</u>	<u>337,890</u>	<u>117,201</u>
Total Grit Room	<u>365,010</u>	<u>697,790</u>	<u>500,833</u>	<u>196,957</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, 2020

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Primary Sedimentation:				
Personal services - Operators	195,522	84,171	80,443	3,728
Operating expenditures	147,000	234,543	188,869	45,674
Total Primary Sedimentation	342,522	318,714	269,312	49,402
Secondary Control:				
Personal services - Operators	141,804	66,449	64,836	1,613
Operating expenditures	9,000	9,726	8,566	1,160
Total Secondary Control	150,804	76,175	73,402	2,773
Primary Control:				
Personal services - Operators	137,738	106,251	100,640	5,611
Operating expenditures	35,300	98,246	98,038	208
Total Primary Control	173,038	204,497	198,678	5,819
Gas Compressor Building:				
Operating expenditures	108,500	142,574	137,784	4,790
Settled Wastewater Pump Station:				
Personal services - Operators	50,782	50,782	-	50,782
Operating expenditures	87,500	13,500	13,164	336
Total Settled Wastewater Pump Station	138,282	64,282	13,164	51,118
Aeration:				
Personal services - Operators	564,076	565,556	477,686	87,870
Operating expenditures	484,800	1,125,072	562,282	562,790
Total Aeration	1,048,876	1,690,628	1,039,968	650,660
Blower Building:				
Operating expenditures	4,976,250	7,878,399	6,255,114	1,623,285
Total Blower Building	4,976,250	7,878,399	6,255,114	1,623,285
Chemical Handling Building:				
Operating expenditures	10,000	47,402	32,131	15,271
Total Chemical Handling Building	10,000	47,402	32,131	15,271
Final Effluent Building:				
Personal services - Operators	67,920	181,965	180,948	1,017
Operating expenditures	716,200	841,405	705,964	135,441
Total Final Effluent Building	784,120	1,023,370	886,912	136,458

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2020

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Thickener Area:				
Operating expenditures	<u>327,000</u>	<u>453,630</u>	<u>427,802</u>	<u>25,828</u>
Total Thickener Area	<u>327,000</u>	<u>453,630</u>	<u>427,802</u>	<u>25,828</u>
Filter Feed Area:				
Operating expenditures	<u>25,900</u>	<u>25,324</u>	<u>13,737</u>	<u>11,587</u>
Total Filter Feed Area	<u>25,900</u>	<u>25,324</u>	<u>13,737</u>	<u>11,587</u>
Sludge Disposal:				
Personal services - Operators	570,229	655,173	648,469	6,704
Operating expenditures	<u>1,573,040</u>	<u>2,178,564</u>	<u>1,671,772</u>	<u>506,792</u>
Total Sludge Disposal	<u>2,143,269</u>	<u>2,833,737</u>	<u>2,320,241</u>	<u>513,496</u>
Centrifuge:				
Operating expenditures	<u>354,000</u>	<u>284,495</u>	<u>98,825</u>	<u>185,670</u>
Incineration:				
Personal services - Supervision	89,523	104,883	102,883	2,000
Personal services - Operators	809,829	854,591	825,091	29,500
Operating expenditures	<u>3,368,224</u>	<u>5,284,377</u>	<u>3,813,682</u>	<u>1,470,695</u>
Total Incineration	<u>4,267,576</u>	<u>6,243,851</u>	<u>4,741,656</u>	<u>1,502,195</u>
Hamburg Drain Float:				
Operating expenditures	<u>65,600</u>	<u>81,792</u>	<u>86,078</u>	<u>(4,286)</u>
South Buffalo:				
Personal services - Operators	-	517	517	-
Operating expenditures	<u>119,200</u>	<u>156,143</u>	<u>147,646</u>	<u>8,497</u>
Total South Buffalo	<u>119,200</u>	<u>156,660</u>	<u>148,163</u>	<u>8,497</u>
Hamburg Street:				
Operating expenditures	<u>41,450</u>	<u>55,618</u>	<u>49,472</u>	<u>6,146</u>
Amherst Quarry:				
Operating expenditures	<u>29,600</u>	<u>39,149</u>	<u>34,834</u>	<u>4,315</u>
Babcock Street:				
Operating expenditures	<u>16,300</u>	<u>19,487</u>	<u>12,701</u>	<u>6,786</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, 2020

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Kelly Island (S):				
Operating expenditures	<u>37,600</u>	<u>86,594</u>	<u>55,655</u>	<u>30,939</u>
Kelly Island (F):				
Operating expenditures	<u>135,300</u>	<u>21,587</u>	<u>7,809</u>	<u>13,778</u>
Kelly Island (X):				
Operating expenditures	<u>12,600</u>	<u>15,956</u>	<u>6,695</u>	<u>9,261</u>
Waterfront Village:				
Operating expenditures	<u>23,100</u>	<u>16,893</u>	<u>4,370</u>	<u>12,523</u>
Tifft Street:				
Operating expenditures	<u>7,300</u>	<u>7,747</u>	<u>1,516</u>	<u>6,231</u>
Niagara Metering:				
Operating expenditures	<u>6,850</u>	<u>10,574</u>	<u>7,223</u>	<u>3,351</u>
Walden Heights				
Operating expenditures	<u>9,600</u>	<u>10,373</u>	<u>9,995</u>	<u>378</u>
Laboratory:				
Personal Services - Technical	426,749	469,301	390,008	79,293
Personal services - Operators	115,505	115,505	56,709	58,796
Operating expenditures	<u>73,260</u>	<u>154,786</u>	<u>101,552</u>	<u>53,234</u>
Total Laboratory	<u>615,514</u>	<u>739,592</u>	<u>548,269</u>	<u>191,323</u>
Maintenance:				
Personal services - Supervision	393,587	445,223	432,117	13,106
Personal services - Operators	426,588	433,669	376,218	57,451
Personal services - Repair Mechanics	1,242,211	1,243,538	1,083,298	160,240
Operating expenditures	<u>2,352,295</u>	<u>2,757,037</u>	<u>2,591,241</u>	<u>165,796</u>
Total Maintenance	<u>4,414,681</u>	<u>4,879,467</u>	<u>4,482,874</u>	<u>396,593</u>
Yards and Grounds:				
Personal services - Supervision	91,928	98,339	97,052	1,287
Personal services - Operators	1,083,486	1,208,641	1,064,754	143,887
Operating expenditures	<u>55,850</u>	<u>171,877</u>	<u>136,867</u>	<u>35,010</u>
Total Yards and Grounds	<u>1,231,264</u>	<u>1,478,857</u>	<u>1,298,673</u>	<u>180,184</u>
WASTEWATER TREATMENT FACILITIES TOTAL	<u>26,037,503</u>	<u>34,762,462</u>	<u>27,693,166</u>	<u>7,069,296</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, 2020

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
INDUSTRIAL WASTE				
Industrial Waste Section:				
Personal services - Clerical	54,319	56,727	53,017	3,710
Personal services - Tech and Professional	105,292	115,679	109,679	6,000
Personal services - Operators	290,173	370,227	370,227	-
Operating expenditures	<u>207,442</u>	<u>394,186</u>	<u>328,621</u>	<u>65,565</u>
Total Industrial Waste Section	<u>657,226</u>	<u>936,819</u>	<u>861,544</u>	<u>75,275</u>
INDUSTRIAL WASTE TOTAL	<u>657,226</u>	<u>936,819</u>	<u>861,544</u>	<u>75,275</u>
ENGINEERING				
Engineering Department:				
Personal services - Executive	110,895	111,110	105,046	6,064
Personal services - Clerical	49,609	51,416	1,807	49,609
Personal services - Operators	842,472	868,740	722,121	146,619
Personal services - Supervision	1,200	1,200	-	1,200
Operating expenditures	<u>540,900</u>	<u>606,531</u>	<u>378,466</u>	<u>228,065</u>
Total Engineering Department	<u>1,545,076</u>	<u>1,638,997</u>	<u>1,207,440</u>	<u>431,557</u>
ENGINEERING TOTAL	<u>1,545,076</u>	<u>1,638,997</u>	<u>1,207,440</u>	<u>431,557</u>
SEWER MAINTENANCE DEPARTMENT				
Sewer Maintenance Office:				
Personal services - Clerical	65,952	81,419	80,581	838
Personal services - Supervision	332,986	333,054	117,040	216,014
Operating expenditures	<u>419,151</u>	<u>583,800</u>	<u>436,173</u>	<u>147,627</u>
Total Sewer Maintenance Office	<u>818,089</u>	<u>998,273</u>	<u>633,794</u>	<u>364,479</u>
Sewer - Repairs:				
Personal services - Supervision	187,786	189,876	153,005	36,871
Personal services - Operators	172,736	67,550	57,789	9,761
Personal services - Repair Mechanics	730,678	419,049	413,580	5,469
Operating expenditures	<u>367,500</u>	<u>548,522</u>	<u>448,428</u>	<u>100,094</u>
Total Sewer - Repairs	<u>1,458,700</u>	<u>1,224,997</u>	<u>1,072,802</u>	<u>152,195</u>
Sewer - Cleaning:				
Personal services - Supervision	393,307	404,867	334,105	70,762
Personal services - Operators	1,297,371	1,194,889	1,113,251	81,638
Operating expenditures	<u>68,500</u>	<u>129,984</u>	<u>97,590</u>	<u>32,394</u>
Total Sewer - Cleaning	<u>1,759,178</u>	<u>1,729,740</u>	<u>1,544,946</u>	<u>184,794</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, 2020

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
SWRI:				
Operating expenditures	7,500	22,657	15,675	6,982
Total SWRI	7,500	22,657	15,675	6,982
Automotive Equipment Service - Garage:				
Personal services - Repairman	186,039	186,039	138,242	47,797
Operating expenditures	507,350	1,146,001	820,532	325,469
Total Auto Equipment Service - Garage	693,389	1,332,040	958,774	373,266
SEWER MAINTENANCE				
DEPARTMENT TOTAL	4,736,856	5,307,707	4,225,991	1,081,716
MISCELLANEOUS				
Financial and Accounting Services				
City of Buffalo services	3,899,690	5,722,111	3,899,690	1,822,421
Fiscal agent expense	135,000	135,000	99,457	35,543
Judgments, claims, and other	225,000	175,132	28,699	146,433
Bond sale expense	50,000	50,000	-	50,000
Contingency	2,250,000	1,362,131	-	1,362,131
MISCELLANEOUS TOTAL	6,559,690	7,444,374	4,027,846	3,416,528
EMPLOYEE BENEFITS				
Hospital and surgical insurance - retirees	7,388,291	9,541,901	7,988,864	1,553,037
Hospital and surgical insurance - active	2,000	2,000	1,582	418
Group life insurance	30,000	61,502	44,811	16,691
Group dental insurance	120,000	120,000	62,801	57,199
Payments in lieu of health insurance	55,000	55,000	49,010	5,990
Health and welfare plan	78,000	95,273	73,358	21,915
Education, licenses and training	-	8,738	5,236	3,502
Social security	1,000,000	1,025,369	1,025,369	-
State retirement system	1,800,000	1,687,828	1,571,827	116,001
Unemployment insurance	5,000	18,920	14,370	4,550
Workers' compensation and death awards	500,000	492,080	408,179	83,901
Plan Administration	500	1,754	1,180	574
Reserve pay for unused sick leave	150,000	150,000	74,246	75,754
Salary adjustment	200,000	200,000	77,779	122,221
Bonus	35,000	39,000	-	39,000
EMPLOYEE BENEFITS TOTAL	11,363,791	13,499,365	11,398,612	2,100,753

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2020

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
TOTAL OPERATING EXPENDITURES	<u>52,843,618</u>	<u>65,724,208</u>	<u>51,396,367</u>	<u>14,327,841</u>
OPERATING TRANSFERS				
Transfers to construction	-	16,025,685	13,275,656	2,750,029
Transfers to debt service fund	<u>5,106,382</u>	<u>5,106,382</u>	<u>3,440,332</u>	<u>1,666,050</u>
TOTAL OPERATING TRANSFERS	<u>5,106,382</u>	<u>21,132,067</u>	<u>16,715,988</u>	<u>4,416,079</u>
TOTAL EXPENDITURES AND OPERATING TRANSFERS	<u>\$ 57,950,000</u>	<u>\$ 86,856,275</u>	<u>\$ 68,112,355</u>	<u>\$ 18,743,920</u>

(concluded)

BUFFALO SEWER AUTHORITY
Schedule of Sewer Rents Receivable—General Fund
June 30, 2020

	<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 and prior years	\$ 731,933	\$ 566,922	\$ 165,011
Other miscellaneous	10,196	1,139	9,057
Based on water consumption:			
Flat rate	2,584,381	2,246,048	338,333
Metered rates:			
Monthly	955,586	441,085	514,501
Quarterly - District W-E-S	7,475,571	4,256,676	3,218,895
Miscellaneous - current year	62,204	-	62,204
Outside connection privileges	6,276,754	-	6,276,754
Industrial waste treatment surcharge	934,585	17,861	916,724
Late payment penalties	<u>7,373,915</u>	<u>7,287,630</u>	<u>86,285</u>
 TOTAL	 <u>\$ 26,405,125</u>	 <u>\$ 14,817,361</u>	 <u>\$ 11,587,764</u>

BUFFALO SEWER AUTHORITY
Schedule of Changes in Assets and Liabilities—Agency Fund
Year Ended June 30, 2020

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
ASSETS				
Restricted cash and cash equivalents	\$ 4,458	\$ 3,197	\$ 1,909	\$ 5,746
Total assets	<u>\$ 4,458</u>	<u>\$ 3,197</u>	<u>\$ 1,909</u>	<u>\$ 5,746</u>
LIABILITIES				
Bankruptcy funds held	\$ 4,458	\$ 6,917	\$ 5,629	\$ 5,746
Total liabilities	<u>\$ 4,458</u>	<u>\$ 6,917</u>	<u>\$ 5,629</u>	<u>\$ 5,746</u>

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	68
<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	76
<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	81
<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	83
<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	85
<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,									
	2011	2012	2013	2014	2015 ¹	2016	2017 ²	2018	2019	2020
Net position:										
Net investment in										
capital assets	\$ 201,331,335	\$ 211,769,730	\$ 218,730,301	\$ 224,785,386	\$ 229,110,179	\$ 243,612,081	\$ 261,619,145	\$ 274,422,109	\$ 285,382,764	\$ 290,093,932
Unrestricted	<u>63,283,838</u>	<u>62,722,484</u>	<u>65,257,721</u>	<u>73,592,123</u>	<u>83,207,601</u>	<u>78,427,311</u>	<u>(39,108)</u>	<u>(3,055,941)</u>	<u>(4,575,968)</u>	<u>(4,801,258)</u>
Total net position	<u>\$ 264,615,173</u>	<u>\$ 274,492,214</u>	<u>\$ 283,988,022</u>	<u>\$ 298,377,509</u>	<u>\$ 312,317,780</u>	<u>\$ 322,039,392</u>	<u>\$ 261,580,037</u>	<u>\$ 271,366,168</u>	<u>\$ 280,806,796</u>	<u>\$ 285,292,674</u>

Note: ¹ During the year ended June 30, 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transactions for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

² During the year ended June 30, 2017, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, net position as of July 1, 2016 was restated to be \$249,582,864.

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,									
	2011	2012	2013	2014	2015 ¹	2016	2017 ²	2018	2019	2020
Program revenues:										
Charges for services	\$ 52,201,066	\$ 53,531,965	\$ 53,688,824	\$ 52,022,482	\$ 57,473,938	\$ 54,155,310	\$ 57,883,355	\$ 57,280,969	\$ 54,353,821	\$ 51,083,531
Capital grants and contributions	-	-	-	9,031,991	2,439,183	636,523	1,340,322	2,793,871	1,535,958	2,153,231
Total program revenues	<u>52,201,066</u>	<u>53,531,965</u>	<u>53,688,824</u>	<u>61,054,473</u>	<u>59,913,121</u>	<u>54,791,833</u>	<u>59,223,677</u>	<u>60,074,840</u>	<u>55,889,779</u>	<u>53,236,762</u>
Program expenses										
Operating expenses	43,606,009	43,683,336	43,940,249	46,950,146	44,831,768	44,955,404	48,085,232	51,218,181	47,095,007	49,265,878
Non-operating expenses	<u>2,526,003</u>	<u>2,255,451</u>	<u>2,444,482</u>	<u>1,863,920</u>	<u>1,988,447</u>	<u>2,195,071</u>	<u>1,866,564</u>	<u>1,812,468</u>	<u>1,732,411</u>	<u>1,654,444</u>
Total program expenses	<u>46,132,012</u>	<u>45,938,787</u>	<u>46,384,731</u>	<u>48,814,066</u>	<u>46,820,215</u>	<u>47,150,475</u>	<u>49,951,796</u>	<u>53,030,649</u>	<u>48,827,418</u>	<u>50,920,322</u>
Total net program revenue	<u>6,069,054</u>	<u>7,593,178</u>	<u>7,304,093</u>	<u>12,240,407</u>	<u>13,092,906</u>	<u>7,641,358</u>	<u>9,271,881</u>	<u>7,044,191</u>	<u>7,062,361</u>	<u>2,316,440</u>
General revenues:										
Unrestricted investment earnings	348,572	507,775	357,126	374,859	259,373	343,483	809,462	2,455,992	2,297,237	2,070,426
Unallocated revenues	<u>1,507,459</u>	<u>1,776,088</u>	<u>1,834,589</u>	<u>1,774,221</u>	<u>1,657,804</u>	<u>1,736,771</u>	<u>1,915,830</u>	<u>285,948</u>	<u>81,030</u>	<u>99,012</u>
Total general revenues	<u>1,856,031</u>	<u>2,283,863</u>	<u>2,191,715</u>	<u>2,149,080</u>	<u>1,917,177</u>	<u>2,080,254</u>	<u>2,725,292</u>	<u>2,741,940</u>	<u>2,378,267</u>	<u>2,169,438</u>
Change in net position	7,925,085	9,877,041	9,495,808	14,389,487	15,010,083	9,721,612	11,997,173	9,786,131	9,440,628	4,485,878
Net position, beginning of year	256,690,088	264,615,173	274,492,214	283,988,022	298,377,509	312,317,780	322,039,392	261,580,037	271,366,168	280,806,796
Restatement ^{1, 2}	-	-	-	-	(1,069,812)	-	(72,456,528)	-	-	-
Net position, end of year	<u>\$ 264,615,173</u>	<u>\$ 274,492,214</u>	<u>\$ 283,988,022</u>	<u>\$ 298,377,509</u>	<u>\$ 312,317,780</u>	<u>\$ 322,039,392</u>	<u>\$ 261,580,037</u>	<u>\$ 271,366,168</u>	<u>\$ 280,806,796</u>	<u>\$ 285,292,674</u>

Note: ¹ During the year ended June 30, 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transactions for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

² During the year ended June 30, 2017, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Source: Buffalo Sewer Authority Annual Financial Statements

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

Operating Revenue—Charges for Services								
Year Ended June 30,	Total						Interest and Penalties	
		Assessed Sewer Rent	Water Sewer Rent	Industrial Waste	Connection Privileges O/S City	Delinquent Assessed Sewer Rent	Sewer Rent	
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
2015	57,473,938	12,254,685	27,065,019	2,081,615	14,993,203	210,573		868,843
2016	54,155,310	12,247,660	27,177,999	2,425,996	11,049,188	281,832		972,635
2017	57,883,355	12,108,674	26,993,253	1,944,290	15,708,267	197,398		931,473
2018	57,280,969	12,217,483	27,173,917	3,030,640	13,832,219	211,588		815,122
2019	54,353,821	12,178,851	27,081,589	3,699,578	10,367,269	207,607		818,927
2020	51,083,531	12,157,349	25,477,782	4,039,805	8,576,622	155,361		676,612

Source: Buffalo Sewer Authority Annual Financial Statements

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

Year Ended June 30,	Total	General Administration	Wastewater Treatment Facilities	Industrial Waste	Engineering	Sewer Maintenance
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
2015	44,831,768	2,376,046	34,608,043	766,238	1,918,665	5,162,776
2016	44,955,404	2,532,347	34,482,810	777,510	2,123,261	5,039,476
2017	48,085,232	2,472,798	37,671,328	921,260	1,521,624	5,498,222
2018	51,218,181	2,460,476	39,600,755	909,582	1,738,925	6,508,443
2019	47,095,007	2,524,153	37,456,299	793,948	1,481,299	4,839,308
2020	49,265,878	2,809,113	39,206,343	941,024	1,638,798	4,670,600

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
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)
2015	259,373	1,657,804	1,917,177	(1,988,447)
2016	343,483	1,736,771	2,080,254	(2,195,071)
2017	809,462	1,915,830	2,725,292	(1,866,564)
2018	2,455,992	285,948	2,741,940	(1,812,468)
2019	2,297,237	81,030	2,378,267	(1,732,411)
2020	2,070,426	99,012	2,169,438	(1,654,444)

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Nondisposable	\$ 114,707	\$ 202,958	\$ 225,832	\$ 283,064	\$ 130,520	\$ 130,385	\$ 130,324	\$ 131,906	\$ 145,671	\$ 179,925
Committed	11,631,026	13,084,147	20,170,249	30,534,049	27,334,782	24,377,931	27,034,826	25,383,363	24,530,527	21,547,824
Unassigned	<u>6,144,693</u>	<u>6,000,000</u>	<u>8,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total General Fund	<u>\$ 17,890,426</u>	<u>\$ 19,287,105</u>	<u>\$ 28,396,081</u>	<u>\$ 40,817,113</u>	<u>\$ 37,465,302</u>	<u>\$ 34,508,316</u>	<u>\$ 37,165,150</u>	<u>\$ 35,515,269</u>	<u>\$ 34,676,198</u>	<u>\$ 31,727,749</u>
All other governmental funds:										
Restricted	\$ 17,174,157	\$ 17,316,136	\$ 16,510,258	\$ 4,711,045	\$ 6,837,330	\$ 4,735,110	\$ 4,515,791	\$ 4,329,611	\$ 7,373,081	\$ 4,352,946
Committed	<u>31,633,677</u>	<u>29,466,917</u>	<u>27,504,465</u>	<u>41,346,402</u>	<u>57,401,759</u>	<u>56,887,459</u>	<u>51,307,341</u>	<u>53,827,377</u>	<u>42,882,543</u>	<u>40,221,872</u>
Total all other governmental funds	<u>\$ 48,807,834</u>	<u>\$ 46,783,053</u>	<u>\$ 44,014,723</u>	<u>\$ 46,057,447</u>	<u>\$ 64,239,089</u>	<u>\$ 61,622,569</u>	<u>\$ 55,823,132</u>	<u>\$ 58,156,988</u>	<u>\$ 50,255,624</u>	<u>\$ 44,574,818</u>

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
Sewer rents—general consumers	\$ 51,638,682	\$ 52,830,876	\$ 52,734,300	\$ 50,957,991	\$ 56,394,522	\$ 52,900,843	\$ 56,754,484	\$ 56,254,259	\$ 53,327,287	\$ 50,251,558
Interest on delinquent sewer rents	562,384	701,090	954,524	1,064,491	1,079,416	1,254,467	1,128,871	1,026,710	1,026,534	831,973
Interest on cash and investments	348,572	507,774	357,126	374,859	259,373	343,483	809,462	2,455,992	2,297,237	2,070,426
Miscellaneous	1,507,459	1,776,088	1,834,589	1,774,221	1,657,804	1,736,771	2,384,830	1,486,448	1,259,938	1,852,243
State aid	-	-	-	-	2,439,183	255,616	128,554	265,565	-	-
Federal aid	-	-	-	9,031,991	-	380,907	742,768	1,327,806	357,050	400,000
Total revenues	<u>54,057,097</u>	<u>55,815,828</u>	<u>55,880,539</u>	<u>63,203,553</u>	<u>61,830,298</u>	<u>56,872,087</u>	<u>61,948,969</u>	<u>62,816,780</u>	<u>58,268,046</u>	<u>55,406,200</u>
EXPENDITURES										
Current:										
General administration	1,161,674	1,300,917	1,133,203	1,165,918	1,148,367	1,246,161	1,420,367	1,457,672	1,729,238	1,944,811
Wastewater treatment facilities	18,027,494	17,683,807	16,912,279	16,921,866	17,015,818	16,698,109	16,607,884	17,882,344	18,743,263	19,781,028
Industrial waste	543,074	542,419	513,905	508,944	428,252	426,198	529,169	538,868	543,915	651,492
Engineering	683,679	596,009	664,940	753,015	888,776	1,145,216	874,016	1,030,200	1,014,803	1,134,576
Sewer maintenance	3,868,978	3,420,720	3,114,988	5,784,233	2,918,739	4,135,460	3,103,108	4,194,931	3,787,045	3,778,964
Miscellaneous	4,123,581	4,062,822	4,180,866	4,391,943	4,500,706	4,138,690	4,990,868	4,208,439	4,104,067	4,026,708
Employee benefits	6,478,895	7,091,923	7,505,907	8,256,431	8,601,974	8,564,882	9,128,640	9,325,229	9,318,973	9,850,818
Debt service:										
Principal	8,945,000	6,270,000	3,488,436	10,769,723	1,580,000	2,032,438	1,640,000	1,680,000	1,725,000	1,770,000
Interest and fiscal charges	2,680,650	2,265,947	1,957,709	1,800,298	1,966,969	2,212,115	1,867,989	1,805,638	1,739,476	1,670,332
Capital outlay	<u>16,359,902</u>	<u>13,208,466</u>	<u>10,067,659</u>	<u>13,546,682</u>	<u>10,372,920</u>	<u>21,846,324</u>	<u>24,929,531</u>	<u>20,009,484</u>	<u>24,302,701</u>	<u>19,426,726</u>
Total expenditures	<u>62,872,927</u>	<u>56,443,030</u>	<u>49,539,892</u>	<u>63,899,053</u>	<u>49,422,521</u>	<u>62,445,593</u>	<u>65,091,572</u>	<u>62,132,805</u>	<u>67,008,481</u>	<u>64,035,455</u>
Excess (deficiency) of revenues over expenditures	<u>(8,815,830)</u>	<u>(628,102)</u>	<u>6,340,647</u>	<u>(695,500)</u>	<u>12,407,777</u>	<u>(5,573,506)</u>	<u>(3,142,603)</u>	<u>683,975</u>	<u>(8,740,435)</u>	<u>(8,629,255)</u>

(continued)

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

	(concluded)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OTHER FINANCING SOURCES (USES)										
Transfers in	21,858,271	20,368,654	13,510,320	38,786,997	28,448,228	24,194,609	21,597,825	23,809,426	19,599,200	16,825,027
Transfers out	(21,858,271)	(20,368,654)	(13,510,320)	(38,786,997)	(28,448,228)	(24,194,609)	(21,597,825)	(23,809,426)	(19,599,200)	(16,825,027)
Long-term conversion of EFC loans payable expected to be refinanced	-	-	-	15,159,256	-	-	-	-	-	-
Proceeds of issuance of debt	-	-	-	-	2,422,054	-	-	-	-	-
Proceeds of refunding bonds	-	-	21,671,564	-	8,967,268	7,094,679	-	-	-	-
Payment to refunded bond escrow agent	-	-	(21,671,564)	-	(8,967,268)	(7,094,679)	-	-	-	-
Total other financing sources (uses)	-	-	-	15,159,256	2,422,054	-	-	-	-	-
Net change in fund balances	<u>\$ (8,815,830)</u>	<u>\$ (628,102)</u>	<u>\$ 6,340,647</u>	<u>\$ 14,463,756</u>	<u>\$ 14,829,831</u>	<u>\$ (5,573,506)</u>	<u>\$ (3,142,603)</u>	<u>\$ 683,975</u>	<u>\$ (8,740,435)</u>	<u>\$ (8,629,255)</u>
Debt service as a percentage of noncapital expenditures	24.99%	17.56%	13.80%	24.96%	9.54%	10.97%	8.93%	8.48%	5.17%	7.87%

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>
2011	49,677
2012	45,457
2013	42,523
2014	47,815
2015	44,129
2016	41,829
2017	45,625
2018	47,925
2019	49,786
2020	52,265

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>
2011	34
2012	39
2013	60
2014	71
2015	89
2016	70
2017	80
2018	78
2019	61
2020	90

Source: Buffalo Sewer Authority's internal records

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

<u>Fiscal Year</u>	<u>Customers</u>	
	<u>Residential</u>	<u>Commercial</u>
2011	100,613	515
2012	101,462	498
2013	102,628	555
2014	103,562	563
2015	104,327	684
2016	104,920	760
2017	105,148	992
2018	105,633	1,072
2019	107,278	1,081
2020	107,689	1,177

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
2011	H	\$ 1.70	\$ 17.95	\$ 5.37	\$ 25.02
	NH	1.70	32.06	5.37	39.13
2012	H	1.70	17.95	5.49	25.14
	NH	1.70	31.65	5.49	38.84
2013	H	1.70	17.95	5.45	25.10
	NH	1.70	28.97	5.45	36.12
2014	H	1.72	17.95	5.39	25.06
	NH	1.72	28.02	5.39	35.13
2015	H	1.72	17.86	5.45	25.03
	NH	1.72	27.54	5.45	34.71
2016	H	1.66	17.87	5.95	25.48
	NH	1.66	26.99	5.95	34.60
2017	H	1.65	17.88	5.95	25.48
	NH	1.65	27.01	5.95	34.61
2018	H	1.63	17.88	6.46	25.97
	NH	1.63	26.76	6.46	34.85
2019	H	1.62	18.49	7.13	27.24
	NH	1.62	28.22	7.13	36.97
2020	H	1.64	18.47	7.33	27.44
	NH	1.64	29.49	7.33	38.46

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, 2020 and June 30, 2011
(Unaudited)

Year Ended June 30, 2020:

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	\$ 17,079	\$ 522,639	\$ -	\$ 692,718	1.38%
Sorrento-Lactalis	Consumer Foods	6,865	189,991	276,856	473,712	0.94%
Aurubis	Copper Mill	6,831	382,312	-	389,142	0.77%
Panasonic Solar (Tesla)	Factory	-	329,199	-	329,199	0.66%
VA Financial Services Center	Hospital	-	265,673	-	265,673	0.53%
ECMC	Hospital	-	223,570	-	223,570	0.44%
Niagara Mohawk	Utility	179,277	10,193	-	189,470	0.38%
Kaleida Health	Hospital	-	168,418	2,431	170,849	0.34%
COB Board of Education	School District	-	146,840	-	146,840	0.29%
Mercy Hospital (CHS)	Hospital	-	134,291	-	134,291	0.27%

Year Ended June 30, 2011:

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)
OAB	Copper Mill	\$ 15,446	\$ 536,837	\$ -	\$ 552,283	1.07%
BMHA	Municipal Housing	151,841	164,395	-	316,236	0.61%
Sorrento	Consumer Foods	5,072	-	287,605	292,677	0.57%
ECMC	Hospital	-	279,516	-	279,516	0.54%
National Grid	Utility Company	188,727	16,072	-	204,799	0.40%
Buffalo Board of Education	School District	-	188,742	-	188,742	0.37%
Seneca One	Realty	136,040	36,807	-	172,847	0.33%
Buffalo State	University	-	159,070	-	159,070	0.31%
SUNY AB	University	-	149,926	-	149,926	0.29%
Rich Products	Consumer Foods	13,748	17,241	109,414	140,403	0.27%

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	EFC Loan	Total Amount	Percentage of Personal Income	Debt per Capita¹
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	0.11%	209
2014	36,893,832	6,127,265	43,021,097	0.09%	166
2015	43,863,151	-	43,863,151	0.08%	170
2016	41,830,713	-	41,830,713	0.08%	162
2017	40,190,713	-	40,190,713	0.07%	156
2018	38,510,713	-	38,510,713	0.07%	149
2019	36,785,713	8,702,196	45,487,909	n/a	177
2020	35,015,713	12,321,063	47,336,776	n/a	185

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
US Bureau of Economic Analysis

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
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	54,171,562	37,782,350	16,389,212	10,769,723	1,800,298	12,570,021	1.30
2015	61,830,298	35,502,632	26,327,666	1,580,000	1,966,969	3,546,969	7.42
2016	56,872,087	36,354,716	20,517,371	2,032,438	2,212,115	4,244,553	4.83
2017	61,948,969	36,654,052	25,294,917	1,640,000	1,867,989	3,507,989	7.21
2018	62,816,780	38,637,683	24,179,097	1,680,000	1,805,638	3,485,638	6.94
2019	58,268,046	39,241,304	19,026,742	1,725,000	1,739,476	3,464,476	5.49
2020	55,406,200	41,168,397	14,237,803	1,770,000	1,670,332	3,440,332	4.14

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 Rate¹	Unemployment Rate⁴
2011	261,025	918,028	\$ 40,457	581,166	10.2%	8.0%
2012	259,384	919,086	42,184	579,800	8.8%	8.9%
2013	261,310	919,040	42,690	537,000	7.4%	7.5%
2014	258,945	919,866	43,917	569,295	6.0%	6.6%
2015	258,699	922,835	45,769	560,431	5.3%	5.5%
2016	258,066	922,578	46,511	555,468	4.4%	4.7%
2017	256,902	921,046	48,314	550,420	5.1%	4.5%
2018	258,612	925,528	50,261	557,200	4.4%	4.5%
2019	256,304	919,719	n/a	543,100	3.7%	4.0%
2020	255,284	918,702	n/a	554,133	13.7%	15.7%

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, 2020 and June 30, 2011
(Unaudited)

Employer	2020 ¹			2011 ²		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
State of New York	23,600	1	4.29%	27,995	1	4.75%
Federal Executive Board	15,000	2	2.73%	10,000	3	1.70%
Kaleida Health	8,359	3	1.52%	10,000	3	1.70%
Catholic Health	7,623	4	1.38%	6,230	5	1.06%
M&T Bank	7,400	5	1.34%	4,611	10	0.78%
University at Buffalo	7,076	6	1.29%	10,898	2	1.85%
Buffalo City School District	6,528	7	1.19%	5,200	7	0.88%
Tops Friendly Markets	5,374	8	0.98%	5,103	8	0.87%
Erie County	5,010	9	0.91%	n/a		
Erie County Medical Center Corp.	3,800	10	0.69%	n/a		
HSBC Bank, USA	n/a			5,000	9	0.85%
Employer Services Corp	n/a			6,089	6	1.03%

Sources: ¹ From the "Business First Book of Lists 2019-2020," Western New York's weekly business newspaper
 ² From the "Business First Book of Lists 2011," Western New York's weekly business newspaper

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

Year Ended June 30,	Full-time Equivalent Employees					Total
	Administration	Treatment Plant	Industrial Waste	Engineering	Sewer Maintenance	
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
2015	16	113	4	13	44	190
2016	21	124	6	10	46	207
2017	21	117	6	11	43	198
2018	23	125	6	10	39	203
2019	21	114	8	11	37	191
2020	21	125	8	10	47	211

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
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%
2015	850	1	600	219,000	44,129	174,871	20.2%
2016	850	1	600	219,000	41,829	177,171	19.1%
2017	850	1	600	219,000	45,625	173,375	20.8%
2018	850	1	600	219,000	47,925	171,075	21.9%
2019	850	1	600	219,000	49,786	169,214	22.7%
2020	850	1	600	219,000	52,265	166,735	23.9%

Note: ¹ Millions of gallons

Source: Buffalo Sewer Authority's internal records