

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE**  
**CITY OF BUFFALO, NEW YORK**  
*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and Other  
Information for the Years Ended June 30, 2014 and 2013  
and Independent Auditors' Reports*



**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
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**Years Ended June 30, 2014 and 2013**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Buffalo Water Board  
City of Buffalo, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Buffalo Water Board (the "Water Board"), a component unit of the City of Buffalo, New York (the "City") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Water Board's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Board as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Board's basic financial statements. The Supplementary Information and Other Information, 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information, as listed in the table of contents, has 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 it.



November 18, 2014

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2014 and 2013**

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As management of the City of Buffalo, New York's (the "City") Buffalo Water Board (the "Water Board"), we offer readers of the Water Board's financial statements this narrative overview and analysis of the financial activities of the Water Board for the fiscal years ended June 30, 2014 and 2013. This document should be read in conjunction with additional information that we have furnished in the Water Board's financial statements, which follow this narrative. For comparative purposes, certain items relating to the June 30, 2013 and 2012 presentation have been reclassified.

**Financial Highlights**

- The assets and deferred outflows of resources of the Water Board exceeded its liabilities at the close of the fiscal year ended June 30, 2014 by \$46,450,359 (*net position*). This consisted of \$11,536,770 net investment in capital assets and unrestricted net position of \$34,913,589. The assets and deferred outflows of resources of the Water Board exceeded its liabilities at the close of the fiscal year ended June 30, 2013 by \$39,218,061 (*net position*). This consisted of \$8,914,136 net investment in capital assets and unrestricted net position of \$30,303,925.
- The Water Board's total net position increased by \$7,232,298 and \$7,006,700 for the fiscal years ended June 30, 2014 and 2013, respectively.
- For the year ended June 30, 2014, total operating and nonoperating revenues increased by \$478,540 from the year ended June 30, 2013, or 1.1%, while total expenses decreased \$4,611 over the same period. For the year ended June 30, 2013, total operating and nonoperating revenues increased by \$3,880,032 from the year ended June 30, 2012, or 9.4%, while total expenses increased \$1,055,353, or 3.3%, over the same period.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the Water Board's basic financial statements. The Water Board's basic financial statements comprise of two components: 1) the financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The City uses an enterprise fund to account for the activities of the Water Board, which reports information about the general operations of the Water Board.

**Basic financial statements**—The basic financial statements are prepared using the accrual basis of accounting. The financial statements include:

The *statements of net position* present all of the Water Board's assets, liabilities, and deferred outflows and inflows of resources, with the differences reported as *net position*. Over time, increase and decreases in net position may serve as a useful indicator of whether the financial position of the Water Board is improving or deteriorating.

The *statements of revenues, expenses, and changes in net position* present information showing how the Water Board's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *statements of cash flows* provides information related to the sources of cash, the uses of cash, and the change in cash balances during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities.

These financial statements can be found on pages 12-14 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 financial statements. The notes to the financial statements can be found on pages 15-28 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Water Board's progress in funding its obligation to provide post-employment benefits to its employees. Required Supplementary Information can be found on page 29 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information and can be found on pages 30-36 of this report.

## **Financial Analysis**

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report the net position of the Water Board and changes in them. Net position represents the difference between assets and deferred outflows of resources, and liabilities and is one way to measure financial health or financial position. Over time, increases or decreases in the Water Board's net position is one indicator of whether its financial health is improving or deteriorating.

Table 1, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 1—Condensed Statements of Net Position for the fiscal years ended June 30, 2014 and June 30, 2013**

	June 30,		Increase/(decrease)	
	2014	2013	Dollars	Percent (%)
Assets:				
Current assets	\$ 52,178,041	\$ 44,949,583	\$ 7,228,458	16.1
Capital assets	<u>129,959,064</u>	<u>130,042,712</u>	<u>(83,648)</u>	(0.1)
Total assets	<u>182,137,105</u>	<u>174,992,295</u>	<u>7,144,810</u>	4.1
Deferred outflows of resources	<u>1,816,216</u>	<u>3,228,952</u>	<u>(1,412,736)</u>	(43.8)
Liabilities:				
Current liabilities	13,350,861	11,918,823	1,432,038	12.0
Noncurrent liabilities	<u>124,152,101</u>	<u>127,084,363</u>	<u>(2,932,262)</u>	(2.3)
Total liabilities	<u>137,502,962</u>	<u>139,003,186</u>	<u>(1,500,224)</u>	(1.1)
Net position:				
Net investment in capital assets	11,536,770	8,914,136	2,622,634	29.4
Unrestricted	<u>34,913,589</u>	<u>30,303,925</u>	<u>4,609,664</u>	15.2
Total net position	<u>\$ 46,450,359</u>	<u>\$ 39,218,061</u>	<u>\$ 7,232,298</u>	18.4

The Condensed Statements of Net Position show an increase of \$7,232,298 in net position from \$39,218,061 at June 30, 2013 to \$46,450,359 at June 30, 2014. The increase is the direct result of current year operations as addressed in Table 3. Significant changes from 2013 to 2014 in the Condensed Statements of Net Position which netted to the increase are:

- Current assets increased \$7,228,458. The majority of the increase was in cash, which increased \$6,237,114 primarily due to increased cash received from customers, offset slightly by a decrease in net cash used for capital financing activities.
- Total deferred outflows of resources decreased by \$1,412,736 as a result of the change in derivative liability for the interest rate swap agreement.

Table 2, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2—Condensed Statements of Net Position for the fiscal years ended June 30, 2013 and June 30, 2012**

	June 30,		Increase/(decrease)	
	2013	2012	Dollars	Percent (%)
<b>Assets:</b>				
Current assets	\$ 44,949,583	\$ 36,677,629	\$ 8,271,954	22.6
Capital assets	<u>130,042,712</u>	<u>129,279,849</u>	<u>762,863</u>	0.6
Total assets	<u>174,992,295</u>	<u>165,957,478</u>	<u>9,034,817</u>	5.4
Deferred outflows of resources	<u>3,228,952</u>	<u>5,137,442</u>	<u>(1,908,490)</u>	(37.1)
<b>Liabilities:</b>				
Current liabilities	11,918,823	10,684,395	1,234,428	11.6
Noncurrent liabilities	<u>127,084,363</u>	<u>128,199,164</u>	<u>(1,114,801)</u>	(0.9)
Total liabilities	<u>139,003,186</u>	<u>138,883,559</u>	<u>119,627</u>	0.1
<b>Net position:</b>				
Net investment in capital assets	8,914,136	8,204,531	709,605	8.6
Unrestricted	<u>30,303,925</u>	<u>24,006,830</u>	<u>6,297,095</u>	26.2
Total net position	<u>\$ 39,218,061</u>	<u>\$ 32,211,361</u>	<u>\$ 7,006,700</u>	21.8

The Condensed Statements of Net Position show an increase of \$7,006,700 in net position from \$32,211,361 at June 30, 2012 to \$39,218,061 at June 30, 2013. The increase is the direct result of current year operations addressed in Table 4. Significant changes from 2012 to 2013 in the Condensed Statements of Net Position which netted to the increase are:

- Current assets increased \$8,271,954. The majority of the increase was in cash, which increased \$6,919,972 primarily due to increased cash received from customers, offset slightly by a decrease in net cash used for capital financing activities.
- Total deferred outflows of resources decreased by \$1,908,490 as a result of the change in derivative liability for the interest rate swap agreement.

Table 3, as presented below, shows changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 3—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2014 and June 20, 2013**

	Year Ended June 30,		Increase/(decrease)	
	2014	2013	Dollars	Percent (%)
Revenues:				
Operating	\$ 44,413,422	\$ 44,135,124	\$ 278,298	0.6
Nonoperating	1,143,238	942,996	200,242	21.2
Total revenues	45,556,660	45,078,120	478,540	1.1
Expenses:				
Services and supplies	9,259,852	8,508,815	751,037	8.8
Depreciation	4,949,048	4,851,160	97,888	2.0
Interest	6,759,811	7,093,430	(333,619)	(4.7)
Operating transfers	11,622,977	11,587,686	35,291	0.3
Other	324,048	879,256	(555,208)	(63.1)
Total expenses	32,915,736	32,920,347	(4,611)	(0.0)
Income before transfers to the City's General Fund	12,640,924	12,157,773	483,151	n/a
Transfers to the City's General Fund	(5,408,626)	(5,151,073)	(257,553)	5.0
Change in net position	7,232,298	7,006,700	225,598	n/a
Net position - beginning	39,218,061	32,211,361	7,006,700	21.8
Net position - ending	\$ 46,450,359	\$ 39,218,061	\$ 7,232,298	18.4

While the Condensed Statements of Net Position display the changes in the Water Board's financial position, the Condensed Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes.

Significant changes from the year ended June 30, 2013 to the year ended June 30, 2014 in revenue and expenses for the Water Board include the following:

- Nonoperating revenues increased \$200,242, or 21.2 percent. This is a result of a \$259,751 increase of federal subsidy for Build America Bonds, offset by a decrease in interest income of \$59,509.
- Services and supplies expenses increased \$751,037 or 8.8 percent, primarily caused by an increase in engineering/technical services and utilities.
- Other expenses decreased \$555,208 or 63.1 percent, primarily as a result decreased water meter purchases.

Table 4, as presented below, shows changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 4—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2013 and June 20, 2012**

	Year Ended June 30,		Increase/(decrease)	
	2013	2012	Dollars	Percent (%)
<b>Revenues:</b>				
Operating	\$ 44,135,124	\$ 40,323,766	\$ 3,811,358	9.5
Nonoperating	942,996	874,322	68,674	7.9
Total revenues	<u>45,078,120</u>	<u>41,198,088</u>	<u>3,880,032</u>	9.4
<b>Expenses:</b>				
Services and supplies	8,508,815	8,121,871	386,944	4.8
Depreciation	4,851,160	4,372,760	478,400	10.9
Interest	7,093,430	6,726,016	367,414	5.5
Operating transfers	11,587,686	12,644,347	(1,056,661)	(8.4)
Other	879,256	-	879,256	0.0
Total expenses	<u>32,920,347</u>	<u>31,864,994</u>	<u>1,055,353</u>	3.3
Income before transfers to the City's General Fund	<u>12,157,773</u>	<u>9,333,094</u>	<u>2,824,679</u>	n/a
Transfers to the City's General Fund	<u>(5,151,073)</u>	<u>(4,904,446)</u>	<u>(246,627.00)</u>	5.0
Change in net position	7,006,700	4,428,648	2,578,052	n/a
Net position - beginning	<u>32,211,361</u>	<u>27,782,713</u>	<u>4,428,648</u>	15.9
Net position - ending	<u>\$ 39,218,061</u>	<u>\$ 32,211,361</u>	<u>\$ 7,006,700</u>	21.8

Significant changes from the year ended June 30, 2012 to the year ended June 30, 2013 in revenue and expenses for the Water Board include the following:

- Operating revenues increased \$3,811,358, or 9.5 percent, from the prior year. This change is primarily the result of a 6.0% rate increase effective July 1, 2012.
- Nonoperating revenues increased \$68,674 or 7.9 percent, this is a result of a \$218,015 increase of federal subsidy for Build America Bonds, offset by a decrease in interest income of \$149,341.
- Services and supplies expenses increased \$386,944, primarily caused by an increase in engineering/technical services and utilities.
- Depreciation expense increased by \$478,400 as a result of additional assets acquired during the year.

- Operating transfers decreased \$1,056,661, primarily as a result of the purchase of water meters being recognized by the Water Board in the current year. Previously, the purchase of water meters was borne by the City's Water Enterprise Fund.
- Other expenses increased \$879,256, primarily as a result of the water meters purchase as discussed immediately above.

### **Budgetary Highlights**

Budgetary comparison schedules are presented as supplementary information.

**Original budget compared to final budget**—For the fiscal year ended June 30, 2014, the total of expenses and transfers out in the Water Board's 2013-2014 amended budget were \$2,330,023 greater than the original budget, which represents amounts re-appropriated for prior year encumbrances. The total of revenues and transfers in in the Water Board's 2013-2014 amended budget were \$1,676,000 greater than the original budget.

For the fiscal year ended June 30, 2013, the total of expenses and transfers out in the Water Board's 2012-2013 amended budget were \$114,955 greater than the original budget, which represents amounts re-appropriated for prior year encumbrances. There were no amendments to the budgeted revenues during 2013.

**Final budget compared to actual results**—A review of the actual revenues and estimated revenues for the fiscal year ended June 30, 2014 indicates that several revenues exceeded the budget. Comparing the final budget with actual results, total charges for services were \$2,739,233 greater than budget. Included within total charges for services is a favorable variance in meter rates of \$2,384,801. In addition, interest on meter flat rates was \$232,735 above budget due to slower collection of receivables. Nonoperating revenues, representing interest earnings, were \$25,856 less than budget. The federal subsidy for bond interest of \$512,152 resulted in a positive variance since the revenue was not included in the budget.

A review of the actual expenses and estimated expenses for the fiscal year ended June 30, 2014 indicates that certain expenses exceeded the budget. Comparing the final budget with actual results, total operating expenses, excluding operating transfers out, were \$1,890,491 more than budgeted. The significant deficit operating expenses budget variance for 2014 included depreciation of \$4,949,048. These expenses are not budgeted for annually, as water rates are not intended to cover the cost of non-cash expenses, which resulted in such negative variances. A positive budgetary variance of \$173,966 in transfers to the Division of Water resulted from fringe benefits being less than originally anticipated. Total nonoperating expenses exceeded budget by \$6,759,811; of this total, bond interest represents \$6,280,768 of the unfavorable variance. These interest amounts are included in the budget as transfers to the Authority, which shows a positive variance of \$16,599,053. This positive variance also includes amounts for principal and depreciation, which are budgeted for but not actually transferred.

A review of the actual revenues and estimated revenues for the fiscal year ended June 30, 2013 indicates that certain revenues exceeded the budget. Comparing the final budget with actual results, total charges for services were \$2,335,413 greater than budget. Included within total charges for services is a favorable variance in meter rates of \$1,718,600. The increase in water rates of 8.2%, which went into effect July 1, 2012, was primarily accountable for the larger revenues. In addition, interest on meter and flat rates was \$395,256 above budget due to slower collection of receivables, as well as the higher meter rates. Nonoperating revenues, representing interest earnings, were \$180,597 less than budget. The federal subsidy for bond interest of \$695,593 resulted in a positive variance since the revenue was not included in the budget.

A review of the actual expenses and estimated expenses for the fiscal year ended June 30, 2013 indicates that certain expenses exceeded the budget. Comparing the final budget with actual results, total operating expenses, excluding operating transfers out, were \$3,319,709 more than budgeted. The significant deficit operating expenses budget variance for 2013 included depreciation of \$4,851,160. These expenses are not budgeted for annually, as water rates are not intended to cover the cost of non-cash related expenses, which resulted in such negative variances. A positive budgetary variance of \$463,861 in transfers to the Division of Water resulted from fringe benefit costs being less than anticipated in the budget. Total nonoperating expenses exceeded budget by \$7,093,430; of this total, bond interest represents \$6,456,681 of the unfavorable variance. These interest amounts are included in the budget for transfers to the Authority, which shows a positive variance of \$16,610,109. This positive variance also includes amounts for principal and depreciation which are budgeted for but not actually transferred.

### Capital Assets and Debt Administration

**Capital assets**—At June 30, 2014 and 2013, the Board had \$129,959,064 and \$130,042,712, respectively, invested in capital assets, as reflected in Table 5 below. At June 30, 2014, the change represents a net decrease of \$83,648, or 0.1 percent, from June 30, 2013, resulting from depreciation expense exceeding net additions. While at June 30, 2013, the change represents a net increase of \$762,863, or 0.6 percent, from June 30, 2012, which was primarily the result of building improvements at the Colonel Ward pumping station, rehabilitation of pumps at the filtration plant and infrastructure.

Table 5, as presented below, shows changes in capital assets for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 5—Summary of Capital Assets**

	June 30,		Increase/(decrease)	
	2014	2013	Dollars	Percent (%)
Land	\$ 145,116	\$ 145,116	\$ -	0.0
Construction in progress	1,017,192	986,048	31,144	3.2
Buildings and improvements	97,516,306	95,036,222	2,480,084	2.6
Machinery and equipment	140,411	528,268	(387,857)	(73.4)
Infrastructure	100,355,548	98,121,746	2,233,802	2.3
Total capital assets	199,174,573	194,817,400	4,357,173	2.2
Accumulated depreciation	(69,215,509)	(64,774,688)	(4,440,821)	6.9
Net capital assets	<u>\$ 129,959,064</u>	<u>\$ 130,042,712</u>	<u>\$ (83,648)</u>	<u>(0.1)</u>

  

	June 30,		Increase/(decrease)	
	2013	2012	Dollars	Percent (%)
Land	\$ 145,116	\$ 145,116	\$ -	0.0
Construction in progress	986,048	866,150	119,898	13.8
Buildings and improvements	95,036,222	91,517,664	3,518,558	3.8
Machinery and equipment	528,268	554,249	(25,981)	(4.7)
Infrastructure	98,121,746	96,146,180	1,975,566	2.1
Total capital assets	194,817,400	189,229,359	5,588,041	3.0
Accumulated depreciation	(64,774,688)	(59,949,510)	(4,825,178)	8.0
Net capital assets	<u>\$ 130,042,712</u>	<u>\$ 129,279,849</u>	<u>\$ 762,863</u>	<u>0.6</u>

**Debt financing**—All debt issued to finance the acquisition of capital assets for the Water Board was issued by the Water Authority or the City. The City had \$967,268 and \$1,268,405 of outstanding General Obligation Bonds at June 30, 2014 and 2013, respectively, which were issued to finance water projects. This debt will be fully paid in 2018. The Water Authority has \$152,105,000 and \$159,470,000 of Revenue Bonds outstanding at June 30, 2014 and 2013, respectively, which will be fully paid in 2040. The Water Board reports the liability for these bonds as Due to the Buffalo Municipal Water Finance Authority and Due to City of Buffalo Division of Water. The Water Board only reports the amount actually used (i.e., spent) for projects and the acquisition of capital assets, since unspent proceeds are maintained by the Water Authority. Amounts to pay the annual debt service costs are transferred from the Water Board to the appropriate entity. As the debt is paid, the outstanding liabilities to the other funds are reduced.

Additional information on the Water Board's long-term debt can be found in Note 8 to the financial statements.

### **Next Year's Budget**

The Water Board's management considered many factors when setting the fiscal year 2015 budget for the Water Board. These factors include the expected growth in revenues and related costs as the result of both the contract with the private operator and personnel needs, as well as the long-term improvements to the water system.

### **Request for Information**

This financial report is designed to provide a general overview of the Water Board's finances for all those with an interest in the Water Board's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Buffalo, Office of the Comptroller, 1225 City Hall, Buffalo, New York.

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# BASIC FINANCIAL STATEMENTS



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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	June 30,	
	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 45,202,841	\$ 38,965,727
Accounts receivable—water (less allowance for doubtful accounts of \$15,102,217 and \$14,170,173 at June 30, 2014 and 2013, respectively)	5,693,354	4,796,657
Other receivables	932,825	841,759
Due from other agencies	127,425	127,425
Due from other governments	221,596	218,015
Total current assets	<u>52,178,041</u>	<u>44,949,583</u>
Noncurrent assets:		
Capital assets not being depreciated:		
Land	145,116	145,116
Construction in progress	1,017,192	986,048
Capital assets being depreciated:		
Buildings and improvements	97,516,306	95,036,222
Machinery and equipment	140,411	528,268
Infrastructure	100,355,548	98,121,746
Accumulated depreciation	<u>(69,215,509)</u>	<u>(64,774,688)</u>
Total capital assets being depreciated	<u>128,796,756</u>	<u>128,911,548</u>
Total noncurrent assets	<u>129,959,064</u>	<u>130,042,712</u>
Total assets	<u>182,137,105</u>	<u>174,992,295</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Change in value of derivative - interest rate swap	1,816,216	3,228,952
Total deferred outflows of resources	<u>1,816,216</u>	<u>3,228,952</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts and retainages payable	2,850,187	2,234,623
Due to Buffalo Municipal Water Finance Authority	7,790,898	7,365,000
Due to City of Buffalo Division of Water	2,514,765	2,125,432
Due to City of Buffalo	195,011	193,768
Total current liabilities	<u>13,350,861</u>	<u>11,918,823</u>
Noncurrent liabilities:		
Accrued derivative liability	1,816,216	3,228,952
Due to Buffalo Municipal Water Finance Authority	109,664,128	112,495,171
Due to City of Buffalo Division of Water	12,671,757	11,360,240
Total noncurrent liabilities	<u>124,152,101</u>	<u>127,084,363</u>
Total liabilities	<u>137,502,962</u>	<u>139,003,186</u>
<b>NET POSITION</b>		
Net investment in capital assets	11,536,770	8,914,136
Unrestricted	<u>34,913,589</u>	<u>30,303,925</u>
Total net position	<u>\$ 46,450,359</u>	<u>\$ 39,218,061</u>

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Operating revenues:		
Charges for services	\$ 44,162,233	\$ 44,045,399
Other	251,189	89,725
Total operating revenues	<u>44,413,422</u>	<u>44,135,124</u>
Operating expenses:		
Services and supplies	9,259,852	8,508,815
Depreciation	4,949,048	4,851,160
Other	324,048	879,256
Net operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	<u>11,622,977</u>	<u>11,587,686</u>
Total operating expenses	<u>26,155,925</u>	<u>25,826,917</u>
Operating income	18,257,497	18,308,207
Nonoperating revenues (expenses):		
Interest earnings	187,894	247,403
Interest expense	(6,759,811)	(7,093,430)
Other	<u>955,344</u>	<u>695,593</u>
Total nonoperating revenues (expenses)	<u>(5,616,573)</u>	<u>(6,150,434)</u>
Income before transfers to the City's General Fund	12,640,924	12,157,773
Transfers to the City's General Fund	<u>(5,408,626)</u>	<u>(5,151,073)</u>
Change in net position	7,232,298	7,006,700
Total net position—beginning	<u>39,218,061</u>	<u>32,211,361</u>
Total net position—ending	<u>\$ 46,450,359</u>	<u>\$ 39,218,061</u>

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 43,409,525	\$ 42,518,491
Operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	(11,622,980)	(11,587,686)
Payments to suppliers for goods and services	<u>(8,426,930)</u>	<u>(7,716,201)</u>
Net cash provided by operating activities	<u>23,359,615</u>	<u>23,214,604</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to the City's General Fund	(5,408,626)	(5,151,073)
Advances from other funds	<u>(703,055)</u>	<u>1,238,676</u>
Net cash used for noncapital financing activities	<u>(6,111,681)</u>	<u>(3,912,397)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition/construction of capital assets	(5,390,523)	(6,490,937)
Interest payments	<u>(5,808,048)</u>	<u>(6,138,275)</u>
Net cash used for capital and related financing activities	<u>(11,198,571)</u>	<u>(12,629,212)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on short-term investments	<u>187,751</u>	<u>246,977</u>
Net cash provided by investing activities	<u>187,751</u>	<u>246,977</u>
Net increase in cash and cash equivalents	6,237,114	6,919,972
Cash and cash equivalents—beginning	<u>38,965,727</u>	<u>32,045,755</u>
Cash and cash equivalents—ending	<u>\$ 45,202,841</u>	<u>\$ 38,965,727</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 18,257,497	\$ 18,308,207
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	4,949,048	4,851,160
Changes in assets and liabilities:		
Decrease in accounts receivable	4,024,400	4,199,240
(Decrease) in accounts and retainages payable	<u>(3,871,330)</u>	<u>(4,144,003)</u>
Net cash provided by operating activities	<u>\$ 23,359,615</u>	<u>\$ 23,214,604</u>

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2014 and 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Buffalo Water Board (the "Water Board"), a component unit of the City of Buffalo, New York (the "City"), 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 (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Water Board's accounting policies are described below.

***Reporting Entity***

The Buffalo Water Board (the "Water Board") is a public benefit corporation created pursuant to Section 1049 of Title 2-B of Article V of the New York State Public Authorities Law (the "Act"). According to the Act, the Water Board may establish rates and charges for water and related services to fund the costs of the operation, management, maintenance and repairs for the Buffalo Water System (the "Water System"). The Water Board is a blended component unit of the City of Buffalo, New York (the "City"), and as such, is included in the City's basic financial statements.

The Water Board acquired title to the Water System from the City for \$26,536,880 plus assumed liabilities of approximately \$31,000,000 in 1992. The transfer was recorded as its net book value. The Water Board also entered into an Operation Agreement with the City, contracting with the City of Buffalo Division of Water (the "Division of Water") to operate, manage and maintain the Water System. By an amendment dated August 1, 1997, the management of the operation and maintenance of the Water System is performed by a private contractor under contract to the Water Board (the "Private Operator"). The Water Board is responsible for generating sufficient revenues to meet the debt service requirements of the City related to the Water System.

The City and the Water Board entered into a Financing Agreement with the Buffalo Municipal Water Finance Authority (the "Water Authority") to ensure sufficient water rates are collected to fund the costs of operating and financing the Water System. The Water Authority issues bonds for the Water System and disburses funds to the Water Board as capital project expenditures are incurred. The Water Board transfers funds to the Water Authority to meet Water Authority debt service obligations. The operations of the Water Authority are solely of an administrative nature, facilitating the financing of the Water System's acquisition and construction improvements. As a result of the financing agreement between the City, the Water Authority and the Water Board, the bond issuance and interest costs are, from an economic standpoint, borne by the Water Board and, therefore, accounted for by the Water Board. Transfers from the Water Board fund the operating and administrative costs of the Water Authority. By an amendment dated August 1, 1997, the Water Authority amended the Financing Agreement with the Water Board and the City to allow the Water Board to engage a private contractor to manage the operation and maintenance of the Water System.

Amounts transferred to the Division of Water for Water System operations and to the Water Authority for its administrative costs are shown as direct operating expenses in the statement of revenues, expenses, and changes in net position.

### ***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.

These 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 related cash flows. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of services and supplies, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues, such as interest earnings, result from non-exchange transactions or ancillary activities.

### ***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position***

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Water Board had no investments at June 30, 2014 and 2013; however, when the Water Board does have investments they are recorded at fair value based on quoted market value.

***Capital Assets***—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Water Board as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of five years, and all vehicles. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other capital assets of the Water Board are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Land improvements	10-20
Buildings	50
Building improvements	20
Infrastructure	40
Machinery and equipment	5

***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) until then. At June 30, 2014 and 2013, the Water Board reports a deferred outflow of resources of \$1,816,216 and \$3,228,952, respectively, for the change in the fair value of a hedging derivative from an interest rate swap agreement.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2014 and 2013, the Water Board does not have any items that qualify for reporting in this category.

### ***Other***

***Allocated Costs***—Certain services associated with operating the Water Board are performed by the City. During the years ended June 30, 2014 and 2013, the Water Board transferred \$5,408,626 and \$5,151,073, respectively, to the City related to these services.

***Annual Budgets***—Annual budgets are used as a management tool. The Water Board may amend the budget, but only in accordance with, and after receipt of, amended budget documents.

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

***Reclassifications***—Certain amounts from the prior year were reclassified to conform with the current year presentation. Additionally, certain amounts included in the City's Comprehensive Annual Financial Report for the year ended June 30, 2014 were reclassified to conform with the Water Board's presentation.

***Adoption of New Accounting Pronouncements***—During the year ended June 30, 2014, the Water Board implemented GASB Statements No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 66 is to improve accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements Nos. 66, 67 and 70 did not have a material impact on the Water Board's financial position or results from operations.

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

## 2. CASH AND CASH EQUIVALENTS

The Water Board’s policy is to obtain collateral for its cash deposits based on calculated average monthly balances for each bank in which the Water Board maintains cash deposits. Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by FDIC insurance.

All deposits are carried at fair value and are classified by custodial credit risk at June 30, 2014 and 2013 as follows:

	June 30, 2014		June 30, 2013	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	255,000	255,000	254,999	254,999
Uninsured:				
Collateral held by pledging bank's agent in Water Board's name	44,654,040	44,947,841	38,745,186	38,710,728
Total	<u>\$ 44,909,040</u>	<u>\$ 45,202,841</u>	<u>\$ 39,000,185</u>	<u>\$ 38,965,727</u>

**Custodial Credit Risk**—Custodial credit risk is the risk that in the event of a bank failure, the Water Board’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of June 30, 2014 and 2013, the Water Board’s deposits were FDIC insured or collateralized.

**Investments**—When investing, the Water Board generally acquires investments through trust departments of commercial banks and requires that the investments be held in the Water Board’s name and be collateralized. At June 30, 2014 and 2013, the Water Board does not have any investments.

### 3. RECEIVABLES

Receivables as of year-end for the Water Board, and related allowance for uncollectible accounts, as of June 30, 2014 and 2013, are as follows:

	June 30, 2014		
	Receivable	Allowance	Net
Accounts receivable—water	\$ 20,795,571	\$ (15,102,217)	\$ 5,693,354
Other receivables	932,825	-	932,825
Due from other agencies	127,425	-	127,425
Intergovernmental receivables	<u>221,596</u>	<u>-</u>	<u>221,596</u>
	<u>\$ 22,077,417</u>	<u>\$ (15,102,217)</u>	<u>\$ 6,975,200</u>

  

	June 30, 2013		
	Receivable	Allowance	Net
Accounts receivable—water	\$ 18,966,830	\$ (14,170,173)	\$ 4,796,657
Other receivables	841,759	-	841,759
Due from other agencies	127,425	-	127,425
Intergovernmental receivables	<u>218,015</u>	<u>-</u>	<u>218,015</u>
	<u>\$ 20,154,029</u>	<u>\$ (14,170,173)</u>	<u>\$ 5,983,856</u>

#### 4. CAPITAL ASSETS

A summary of capital assets activity for the fiscal years ended June 30, 2014 and 2013 are as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 145,116	\$ -	\$ -	\$ 145,116
Construction in progress	986,048	4,454,029	(4,422,885)	1,017,192
Total capital assets, not being depreciated	<u>1,131,164</u>	<u>4,454,029</u>	<u>(4,422,885)</u>	<u>1,162,308</u>
Capital assets, being depreciated:				
Buildings and improvements	95,036,222	2,480,084	-	97,516,306
Machinery and equipment	528,268	120,369	(508,226)	140,411
Infrastructure	98,121,746	2,233,802	-	100,355,548
Total capital assets, being depreciated	<u>193,686,236</u>	<u>4,834,255</u>	<u>(508,226)</u>	<u>198,012,265</u>
Less accumulated depreciation for:				
Buildings and improvements	20,744,397	2,388,615	-	23,133,012
Machinery and equipment	454,964	62,581	(508,226)	9,319
Infrastructure	43,575,327	2,497,851	-	46,073,178
Total accumulated depreciation	<u>64,774,688</u>	<u>4,949,047</u>	<u>(508,226)</u>	<u>69,215,509</u>
Total capital assets being depreciated, net	<u>128,911,548</u>	<u>(114,792)</u>	<u>-</u>	<u>128,796,756</u>
Capital assets, net	<u>\$ 130,042,712</u>	<u>\$ 4,339,237</u>	<u>\$ (4,422,885)</u>	<u>\$ 129,959,064</u>
	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Capital assets, not being depreciated:				
Land	\$ 145,116	\$ -	\$ -	\$ 145,116
Construction in progress	866,148	6,507,437	(6,387,537)	986,048
Total capital assets, not being depreciated	<u>1,011,264</u>	<u>6,507,437</u>	<u>(6,387,537)</u>	<u>1,131,164</u>
Capital assets, being depreciated:				
Buildings and improvements	91,517,665	3,518,557	-	95,036,222
Machinery and equipment	554,249	-	(25,981)	528,268
Infrastructure	96,146,180	1,975,566	-	98,121,746
Total capital assets, being depreciated	<u>188,218,094</u>	<u>5,494,123</u>	<u>(25,981)</u>	<u>193,686,236</u>
Less accumulated depreciation for:				
Buildings and improvements	18,522,244	2,222,153	-	20,744,397
Machinery and equipment	328,764	152,181	(25,981)	454,964
Infrastructure	41,098,501	2,476,826	-	43,575,327
Total accumulated depreciation	<u>59,949,509</u>	<u>4,851,160</u>	<u>(25,981)</u>	<u>64,774,688</u>
Total capital assets being depreciated, net	<u>128,268,585</u>	<u>642,963</u>	<u>-</u>	<u>128,911,548</u>
Capital assets, net	<u>\$ 129,279,849</u>	<u>\$ 7,150,400</u>	<u>\$ (6,387,537)</u>	<u>\$ 130,042,712</u>

## 5. PENSION PLANS

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

**Funding Policy**—The Systems are noncontributory, except for employees who joined the ERS 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 10, 2010 (ERS), who generally contribute three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%), based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31.

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

<u>Year Ended June 30,</u>	<u>ERS</u>
2014	\$ 234,450
2013	239,325
2012	239,593

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

## 6. OTHER POST-EMPLOYMENT BENEFIT (“OPEB”) OBLIGATIONS

The liability for other post-employment benefits of the current and retired employees of the Division of Water is included in the amount Due to the City of Buffalo Division of Water.

In adopting the provisions of GASB, the City has opted to implement this statement prospectively. GASB states that post-employment benefits are part of an exchange of salaries and benefits for employee services rendered, and from an accrual perspective, the cost of OPEB should be recognized when the related services are received by the employer. The City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City’s future cash flows. Recognition of the liability accumulated prior to July 1, 2007 will be amortized over 30 years, commencing with the 2008 liability.

**Plan Description**—The City provides continuation of medical insurance coverage to employees that retire under the New York State Retirement Systems at the same time such service is ended, if such employees have been continuously employed by the City for the equivalent of at least ten years at the date of retirement. Based on collective bargaining agreements, the retiree and/or his beneficiaries receive healthcare coverage for the life of the retiree. The retiree’s share of premium costs depends on the employee group and length of service. Healthcare benefits for nonunion employees are similar to those of union employees pursuant to City Charter.

The number of participants covered by the Water Board as of July 1, 2012, the effective date of the most recent biennial OPEB valuation, is as follows. There have been no significant changes in the number of employees covered.

Active employees	91
Retired employees	<u>86</u>
Total	<u>177</u>

**Funding Policy**—Post-employment benefits are financed on a pay-as-you-go basis.

**Annual OPEB Benefit Cost**—For the years ended June 30, 2014 and 2013, the Water Board’s annual OPEB cost (expense) was approximately \$2,983,000 and \$2,876,000, respectively, while the annual required contribution was approximately \$2,973,600 and \$2,868,000, respectively. Considering the annual expense as well as payment for current health insurance premiums, which totaled approximately \$1,629,000 and \$1,448,000 for the years ended June 30, 2014 and 2013, respectively, for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of approximately \$1,354,000 and \$1,428,000 for the years ended June 30, 2014 and 2013, respectively.

The table on the following page shows the components of the Water Board’s annual OPEB cost, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation.

	Year Ended June 30,	
	2014	2013
<b>Annual OPEB Cost and Net OPEB Obligation</b>		
Actuarial accrued liability ("AAL")	\$ 42,305,200	\$ 42,305,200
Unfunded actuarial accrued liability ("UAAL")	\$ 42,305,200	\$ 42,305,200
Normal cost—beginning of the year	\$ 1,195,200	\$ 1,195,200
Amortization factor based on 30 years	26.2	26.2
Annual covered payroll	\$ 6,339,914	\$ 6,339,914
UAAL as a percentage of covered payroll	667.28%	667.28%
<b>Level Dollar Amortization</b>		
<b>Calculation of ARC Under Projected Unit Credit Method</b>		
ARC normal cost with interest—end of year	\$ 2,973,600	\$ 2,868,000
Interest	-	-
Annual required contribution ("ARC")	2,973,600	2,868,000
Interest on net OPEB obligation	361,880	304,760
Adjustment to ARC	(352,480)	(296,760)
Annual OPEB cost (expense)	2,983,000	2,876,000
Contribution for years ended June 30, 2014 and 2013	(1,629,000)	(1,448,000)
Increase in net OPEB obligation	1,354,000	1,428,000
Net OPEB obligation—beginning	9,047,000	7,619,000
Net OPEB obligation—ending	<u>\$ 10,401,000</u>	<u>\$ 9,047,000</u>

**Funded Status and Funding Progress**—As of July 1, 2012, the most recent actuarial valuation date, the OPEB plan for the Water Enterprise Fund was unfunded, resulting in an unfunded accrued liability of \$42,305,200.

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The Water Board’s schedule of contributions for the most recent three years is shown below:

Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2014	\$ 2,983,000	\$ 1,629,000	55%	\$ 10,401,000
2013	2,876,000	1,448,000	50%	9,047,000
2012	3,119,000	1,212,000	39%	7,619,000

**Actuarial Methods and Assumptions**—Projections of benefits for financial reporting purposes 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) and on the historical pattern of cost sharing between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Included coverage plans are “experience-rated” and annual premiums for experience-rated coverage plans were used as a proxy for claims costs with age adjustment for pre-65 and post-65 participants. The unfunded actuarial accrued liability is being amortized on an open amortization basis over 30 years on a level percentage of pay. Retiree contributions were assumed to increase in the future in accordance with the assumed increases in pre-65 medical costs.

In the July 1, 2012 actuarial valuation, the liability was computed using the projected unit credit method. The actuarial assumptions utilized a 4.0% investment rate of return, and is based on the projected long-term earning rate of the assets expected to be available to pay benefits. The payroll growth for total payroll is assumed to be 3.0%. The valuation assumes healthcare cost trends as follows: both pre-65 and post-65 medical and prescription, 8.8%; all reduced by decrements to reach a rate of 4.5% in 2082.

**Medical Reimbursements**—The City’s Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Projected subsidies for future years cannot be recognized as a reduction to the actuarial accrued liabilities.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

## 7. RISK MANAGEMENT

The City is self-insured for workers’ compensation and has accrued its best estimate of both asserted and unasserted workers’ compensation losses, primarily based on actuarially determined amounts. The estimated liability for the Water System is recorded as a liability in the Division of Water. This liability (including incurred but not reported) is recorded at an estimated present value using a discount rate of 5% and totaled \$750,827 and \$679,153 at June 30, 2014 and 2013, respectively.

**8. DUE TO THE BUFFALO MUNICIPAL WATER FINANCE AUTHORITY AND CITY OF BUFFALO DIVISION OF WATER**

Shown below and on the following pages are the amounts due to the Water Authority and the City of Buffalo Division of Water (the “City” related to the water system) as of June 30, 2014. Amounts due to the Water Authority represent the future debt service requirements of the long-term bonded debt of the Water Authority which will be funded through operating transfers by the Water Board. Amounts due to the City Division of Water includes future debt service requirements, accrued retirement incentive costs, accrued compensated absences costs, accrued workers’ compensation costs, accrued other post-employment benefits and other payables. The long-term bonded debt instruments are general obligation and revenue bonds, which are backed by the full faith and credit of the City and the Water Authority, respectively. Interest is paid semi-annually. Principal is paid annually.

**Revenue Bonded Debt**—The total revenue bonded debt as financed through the Water Authority at June 30, 2014, is as follows:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2013	Additions	Payments	Balance 6/30/2014	Due Within One Year
2002	\$ 11,785,000	2.5-4.8	2018	\$ 1,580,000	\$ -	\$ 290,000	\$ 1,290,000	\$ 300,000
2003	3,901,741	5.6-6.3	2031	350,000	-	110,000	240,000	115,000
2006	19,917,236	3.6-4.8	2028	14,745,000	-	790,000	13,955,000	815,000
2007	13,010,000	3.6-4.4	2038	11,780,000	-	275,000	11,505,000	285,000
2007	29,220,000	5.0	2027	28,900,000	-	3,440,000	25,460,000	3,610,000
2008	62,020,000	3.7-5.1	2036	57,055,000	-	1,410,000	55,645,000	1,435,000
2010	23,975,000	2.0-6.9	2040	23,045,000	-	480,000	22,565,000	490,000
2011	2,720,000	1.5-5.1	2022	2,290,000	-	225,000	2,065,000	230,000
2012	17,150,000	1.8-4.0	2037	17,150,000	-	345,000	16,805,000	355,000
2012	2,575,000	5.6-6.3	2031	2,575,000	-	-	2,575,000	-
Total				159,470,000	-	7,365,000	152,105,000	7,635,000
Unamortized bond premium				940,155	-	193,171	746,984	165,710
Unamortized bond discount				(253,229)	-	(9,812)	(243,417)	(9,812)
Net bonded debt				<u>\$ 160,156,926</u>	<u>\$ -</u>	<u>\$ 7,548,359</u>	<u>\$ 152,608,567</u>	<u>\$ 7,790,898</u>

The Authority advances the proceeds of the revenue bonded debt to the Water Board as the related expense is incurred by the Board. Accordingly, the amount due from the Water Board will generally differ from the outstanding obligations at year-end. The amount of proceeds expended net of principal payments made as of June 30, 2014, was \$125,609,242 (which represents the outstanding proceeds of \$152,105,000, net of the unexpended funds of \$26,495,758 still held by the Authority). Additionally, the Water Authority owes the Water Board \$8,154,216 as of June 30, 2014, for interest earned on funds held by the trustee and excess debt service reserve funds. The net amount owed by the Water Board to the Authority totals \$117,455,026, of which \$7,790,898 is recorded as a current asset and \$109,664,128 as a noncurrent asset.

The amount of proceeds expended net of principal payments made as of June 30, 2013, was \$128,075,894 (which represents the outstanding proceeds of \$159,470,000, net of the unexpended funds of \$31,394,106 still held by the Authority). Additionally, the Water Authority owes the Water Board \$8,215,723 as of June 30, 2013, for interest earned on funds held by the trustee, unamortized refunding costs and excess debt service reserve funds. The net amount owed by the Board to the

Authority totals \$119,860,171, of which \$7,365,000 is recorded as a current asset and \$112,495,171 as a noncurrent asset.

Remaining annual maturities on long-term obligations of the Buffalo Municipal Water Finance Authority at June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 7,635,000	\$ 6,584,132
2016	7,990,000	6,265,638
2017	8,355,000	5,917,510
2018	8,645,000	5,535,457
2019	9,045,000	5,147,444
2020-2024	35,310,000	20,811,744
2025-2029	36,635,000	13,442,011
2030-2034	19,070,000	6,995,224
2035-2039	15,360,000	3,327,612
2040-2043	<u>4,060,000</u>	<u>475,531</u>
Total	<u>\$ 152,105,000</u>	<u>\$ 74,502,303</u>

**Accrued Derivative Liability**—On May 9, 2008, the Authority issued \$62,020,000 par revenue bonds to refund \$62,300,000 of previously existing debt. The Authority refunded the Series 2005B auction rate security bonds because of the increased costs and uncertainty of the auction rate market and the downgrade of the bond insurer on the issue. The Series 2008A bonds are variable rate demand obligations backed by a direct pay letter of credit.

Of the \$62,020,000 variable bonds issued, \$61,500,000 are hedged by an interest rate swap agreement between the Water System and Citibank, N.A, NY (“Swap Provider”) that converts the Authority’s variable-rate exposure relating to the Series 2008A Bonds to a fixed rate. The Swap Provider is an affiliate of the Underwriter and remarketing agent for the Series 2008A Bonds. Under the terms of the Swap Agreement, the Water System will pay the Swap Provider a fixed rate of 3.7% and the Swap Provider will pay the Water System a variable rate equal to 70% of one-month LIBOR. The obligation of the Swap Provider to make payments to the Water System under the Swap Agreement does not affect the Authority’s obligation to pay, when due, the principal and interest on the Series 2008A Bonds. The coupon is reset weekly and paid monthly. The Swap Agreement will expire by its terms on the final maturity of the Series 2005B Bonds on July 1, 2035. The Water System entered into this swap agreement to hedge its interest rate exposure over the life of the bonds. Upon the occurrence of certain events of default or termination events identified in the Swap Agreement, either the Water System or the Swap Provider may terminate the Swap Agreement in accordance with its terms. Such termination will require the payment of a termination amount by one party that attempts to compensate the other party for its economic losses at the time of termination. The Water System shall have the right to terminate the swap at par beginning on and after July 1, 2015.

The Swap was deemed effective using the synthetic instrument method. At June 30, 2014, the notional amount of the bonds is \$55,175,000. The amount that the Authority received from the Swap Provider (a variable rate payment equal to 70% of one-month LIBOR), \$63,539, exceeded the variable rate paid by the Authority (variable rate demand obligation) to the Swap Provider, \$32,273, by \$31,266. At June 30, 2013, the amount that the Authority received from the Swap Provider (a variable-rate payment equal to 70% of one-month LIBOR), \$85,063, exceeded the variable rate paid by the Authority (variable rate demand obligation) to the Swap Provider, \$75,273, by \$9,790. The fair

value of the derivative at June 30, 2014 based on quoted market prices is negative \$1,816,216, and is recorded as a derivative liability within the noncurrent liabilities on the Board's financial statements.

**General Bonded Debt**—Total general bonded debt as financed through the City of Buffalo, Division of Water at June 30, 2014 is as follows:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2013	Additions	Payments	Balance 6/30/2014	Due Within One Year
2005	\$ 6,552,147	5.0	2018	<u>\$ 1,268,405</u>	<u>\$ -</u>	<u>\$ 301,137</u>	<u>\$ 967,268</u>	<u>\$ 315,852</u>

Due to the City of Buffalo Division of Water:

Fiscal Year	Bonds	Due to Retirement System	Compensated Absences*	Workers' Compensation*	Other Post-Employment Benefits*	Other Payables	Total
2015	\$ 315,852	\$ 234,450	\$ 62,991	\$ 122,549	\$ -	\$ 1,778,923	\$ 2,514,765
2016	331,797	-	-	-	-	35,043	366,840
2017	152,152	-	-	-	-	16,800	168,952
2018	167,467	-	-	-	-	8,366	175,833
2019-beyond	-	-	679,381	628,278	10,401,000	251,473	11,960,132
Total	<u>\$ 967,268</u>	<u>\$ 234,450</u>	<u>\$ 742,372</u>	<u>\$ 750,827</u>	<u>\$ 10,401,000</u>	<u>\$ 2,090,605</u>	<u>\$ 15,186,522</u>

\* Payment of the long-term portion of compensated absences, workers' compensation and other post-employment benefits are dependent upon many factors, therefore, timing of future payments is not readily determinable.

The table below shows annual interest payments due on bonded debt at June 30, 2014:

Fiscal Year	Water Authority	Division of Water
2015	\$ 6,584,132	\$ 48,363
2016	6,265,638	32,571
2017	5,917,510	15,981
2018	5,535,457	8,373
2019	5,147,444	-
2020-2024	20,811,744	-
2025-2029	13,442,011	-
2030-2034	6,995,224	-
2035-2039	3,327,612	-
2040-2043	475,531	-
	<u>\$ 74,502,303</u>	<u>\$ 105,288</u>

**Due to Retirement Systems**—Represents amounts due to the New York State and Local Employees Retirement System ("ERS") for retirement contributions for wages paid through June 30, 2014. Due to retirement systems was \$234,450 and \$239,325 at June 30, 2014 and 2013.

**Compensated Absences**—Compensated absences represent amounts relating to sick and personal leave for Division of Water employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and; therefore, payment of such is not readily determinable. Accrued compensated absences amounted to \$742,372 and \$749,673 at June 30, 2014 and 2013, respectively.

**Summary of Changes of Amounts Due to the Buffalo Municipal Water Finance Authority and City of Buffalo Division of Water**—The following is a summary of changes in amounts due to Buffalo Municipal Water Authority and City of Buffalo Division of Water:

	<u>Balance</u> <u>7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Due Within</u> <u>One Year</u>
Due to Buffalo Municipal Water Finance Authority	\$ 119,860,171	\$ 5,143,214	\$ 7,548,359	\$ 117,455,026	\$ 7,790,898
Due to City of Buffalo Division of Water	<u>13,485,682</u>	<u>3,826,272</u>	<u>2,125,432</u>	<u>15,186,522</u>	<u>1,699,534</u>
Total	<u>\$ 133,345,853</u>	<u>\$ 8,969,486</u>	<u>\$ 9,673,791</u>	<u>\$ 132,641,548</u>	<u>\$ 9,490,432</u>

## 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 18, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY  
INFORMATION



# CITY OF BUFFALO, NEW YORK

## BUFFALO WATER BOARD

A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
Schedule of Funding Progress—Other Post-Employment Benefits Plan  
Year Ended June 30, 2014

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability ("AAL")</b>	<b>Unfunded AAL ("UAAL")</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2012	\$ -	\$ 42,305,200	\$ 42,305,200	0.0%	\$ 6,339,914	667.3%
7/1/2010	-	43,295,900	43,295,900	0.0%	5,975,977	724.5%
7/1/2008	-	32,153,800	32,153,800	0.0%	6,089,858	528.0%

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## SUPPLEMENTARY INFORMATION



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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**

**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget</u>
<b>OPERATING REVENUES:</b>				
Charges for services:				
Meter rates	\$ 34,200,000	\$ 34,200,000	\$ 36,584,801	\$ 2,384,801
Flat rates	4,500,000	4,500,000	5,018,382	518,382
Charges for collection services	100,000	100,000	59,795	(40,205)
Buffalo Sewer Authority	509,700	509,700	509,700	-
Hydrant rates	63,000	63,000	80,665	17,665
General labor and supplies	270,000	270,000	239,173	(30,827)
Utility turn-on fees	200,000	200,000	149,806	(50,194)
Installation of corporation cocks	100,000	100,000	88,375	(11,625)
Installation and repair of meters	55,000	55,000	181,064	126,064
Interest on meter rates receivable	978,240	978,240	573,151	(405,089)
Interest on flat rates receivable	355,000	355,000	587,735	232,735
Miscellaneous	92,060	92,060	89,586	(2,474)
Total charges for services	<u>41,423,000</u>	<u>41,423,000</u>	<u>44,162,233</u>	<u>2,739,233</u>
Other revenues:				
Miscellaneous	2,480,310	4,156,310	251,189	(3,905,121)
Total other revenues	<u>2,480,310</u>	<u>4,156,310</u>	<u>251,189</u>	<u>(3,905,121)</u>
Total operating revenues	<u>43,903,310</u>	<u>45,579,310</u>	<u>44,413,422</u>	<u>(1,165,888)</u>
<b>OPERATING EXPENSES:</b>				
Service and supplies:				
Services	3,244,390	4,629,825	3,354,315	1,275,510
Payment to operator	5,905,537	5,905,537	5,905,537	-
Reserve for uncollected receivables	500,000	500,000	-	500,000
Operating transfers to:				
City of Buffalo Division of Water	11,287,311	11,287,311	11,113,342	173,969
Water Authority	17,108,688	17,108,688	509,635	16,599,053
Total service and supplies	<u>38,045,926</u>	<u>39,431,361</u>	<u>20,882,829</u>	<u>18,548,532</u>
Other:				
Depreciation	-	-	4,949,048	(4,949,048)
Capital outlay	662,507	1,607,095	324,048	1,283,047
Total other	<u>662,507</u>	<u>1,607,095</u>	<u>5,273,096</u>	<u>(3,666,001)</u>
Total operating expenses	<u>38,708,433</u>	<u>41,038,456</u>	<u>26,155,925</u>	<u>14,882,531</u>
Operating income	<u>5,194,877</u>	<u>4,540,854</u>	<u>18,257,497</u>	<u>13,716,643</u>

(continued)

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest earnings	213,750	213,750	187,894	(25,856)
Interest expense	-	-	(6,759,811)	(6,759,811)
Bond interest subsidy	-	-	443,192	443,192
NYS ERDA grant	-	-	512,152	512,152
Total nonoperating revenues (expenses)	<u>213,750</u>	<u>213,750</u>	<u>(5,616,573)</u>	<u>(5,830,323)</u>
Excess of revenues over expenses	<u>5,408,627</u>	<u>4,754,604</u>	<u>12,640,924</u>	<u>7,886,320</u>
<b>OTHER FINANCING USES:</b>				
Transfers out:				
City of Buffalo's General Fund	<u>(5,408,627)</u>	<u>(5,408,627)</u>	<u>(5,408,626)</u>	<u>1</u>
Total other financing uses	<u>(5,408,627)</u>	<u>(5,408,627)</u>	<u>(5,408,626)</u>	<u>1</u>
Change in net position	-	(654,023)	7,232,298	7,886,321
Net position—beginning	<u>39,218,061</u>	<u>39,218,061</u>	<u>39,218,061</u>	<u>-</u>
Net position—ending	<u>\$ 39,218,061</u>	<u>\$ 38,564,038</u>	<u>\$ 46,450,359</u>	<u>\$ 7,886,321</u>

(concluded)

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES:</b>				
Charges for services:				
Meter rates	\$ 34,409,371	\$ 34,409,371	\$ 36,127,971	\$ 1,718,600
Flat rates	4,899,815	4,899,815	4,798,676	(101,139)
Charges for collection services	100,000	100,000	74,375	(25,625)
Buffalo Sewer Authority	509,700	509,700	509,700	-
Hydrant rates	63,000	63,000	93,180	30,180
General labor and supplies	200,000	200,000	184,657	(15,343)
Utility turn-on fees	200,000	200,000	174,556	(25,444)
Installation of corporation cocks	85,000	85,000	65,193	(19,807)
Installation and repair of meters	51,000	51,000	127,812	76,812
Interest on meter rates receivable	785,000	785,000	1,332,642	547,642
Interest on flat rates receivable	300,000	300,000	447,614	147,614
Miscellaneous	107,100	107,100	109,023	1,923
Total charges for services	<u>41,709,986</u>	<u>41,709,986</u>	<u>44,045,399</u>	<u>2,335,413</u>
Other revenues:				
Miscellaneous	236,000	236,000	89,725	(146,275)
Total other revenues	<u>236,000</u>	<u>236,000</u>	<u>89,725</u>	<u>(146,275)</u>
Total operating revenues	<u>41,945,986</u>	<u>41,945,986</u>	<u>44,135,124</u>	<u>2,189,138</u>
<b>OPERATING EXPENSES:</b>				
Service and supplies:				
Services	3,290,917	3,405,872	3,139,165	266,707
Payment to operator	5,369,650	5,369,650	5,369,650	-
Reserve for uncollected receivables	500,000	500,000	-	500,000
Operating transfers to:				
City of Buffalo Division of Water	11,461,788	11,461,788	10,997,927	463,861
Water Authority	17,199,868	17,199,868	589,759	16,610,109
Total service and supplies	<u>37,822,223</u>	<u>37,937,178</u>	<u>20,096,501</u>	<u>17,840,677</u>
Other:				
Depreciation	-	-	4,851,160	(4,851,160)
Capital outlay	1,644,000	1,644,000	879,256	764,744
Total other	<u>1,644,000</u>	<u>1,644,000</u>	<u>5,730,416</u>	<u>(4,086,416)</u>
Total operating expenses	<u>39,466,223</u>	<u>39,581,178</u>	<u>25,826,917</u>	<u>13,754,261</u>
Operating income	<u>2,479,763</u>	<u>2,364,808</u>	<u>18,308,207</u>	<u>15,943,399</u>

(continued)

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest earnings	428,000	428,000	247,403	(180,597)
Authority bond interest expense	-	-	(7,093,430)	(7,093,430)
Bond interest subsidy	-	-	695,593	695,593
Total nonoperating revenues (expenses)	<u>428,000</u>	<u>428,000</u>	<u>(6,150,434)</u>	<u>(6,578,434)</u>
Excess of revenues over expenses	<u>2,907,763</u>	<u>2,792,808</u>	<u>12,157,773</u>	<u>9,364,965</u>
<b>OTHER FINANCING USES:</b>				
Transfers out:				
City of Buffalo's General Fund	<u>(5,151,073)</u>	<u>(5,151,073)</u>	<u>(5,151,073)</u>	-
Total other financing uses	<u>(5,151,073)</u>	<u>(5,151,073)</u>	<u>(5,151,073)</u>	-
Change in net position	(2,243,310)	(2,358,265)	7,006,700	9,364,965
Net position—beginning	<u>32,211,361</u>	<u>32,211,361</u>	<u>32,211,361</u>	-
Net position—ending	<u>\$ 29,968,051</u>	<u>\$ 29,853,096</u>	<u>\$ 39,218,061</u>	<u>\$ 9,364,965</u>

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## OTHER INFORMATION



**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Summary of Water Rate Changes**  
**Last Five Fiscal Years**

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<b>Effective Date</b>	<b>Metered Rate Bills</b>	
	<b>Regular (\$)</b>	<b>Percent Change (%)</b>
July 1, 2009	18.99 per 1,000 cubic feet	-
July 1, 2010	20.22 per 1,000 cubic feet	6.5
July 1, 2011	21.54 per 1,000 cubic feet	6.5
July 1, 2012	22.83 per 1,000 cubic feet	6.0
July 1, 2013	22.83 per 1,000 cubic feet	-

Source: Division of Water

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Summary of Water Billings and Collections**  
**Last Five Fiscal Years**

**FLAT RATE ACCOUNTS**

Years Ended June 30,	Water Billing	Total Collections	Percent of Total Collections to Total Current Billings (%)
2010	\$ 4,005,810	\$ 4,317,502	107.8
2011	4,283,447	4,378,073	102.2
2012	4,645,749	4,238,228	91.2
2013	4,823,640	4,906,826	101.7
2014	4,870,453	4,669,594	95.9

**METER RATE ACCOUNTS**

Years Ended June 30,	Water Billing	Total Collections	Percent of Total Collections to Total Current Billings (%)
2010	\$ 28,270,688	\$ 27,852,336	98.5
2011	30,997,452	26,005,348	83.9
2012	34,016,944	33,959,144	99.8
2013	36,143,865	34,995,683	96.8
2014	36,737,463	35,954,695	97.9

**ALL ACCOUNTS**

Years Ended June 30,	Water Billing	Total Collections	Percent of Total Collections to Total Current Billings (%)
2010	\$ 32,276,498	\$ 32,169,838	99.7
2011	35,280,899	30,383,421	86.1
2012	38,662,693	38,197,372	98.8
2013	40,967,505	39,902,509	97.4
2014	41,607,916	40,624,289	97.6

Source: Division of Water

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Top Ten Accounts By Usage**  
**Current Fiscal Year**

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Accounts	Usage (per Cubic Foot)	Charges
Aurubis Buffalo Inc.	55,690,500	\$ 959,957
Buffalo Sewer Authority	32,568,535	564,925
Buffalo Municipal Housing Authority	31,253,451	654,602
Erie County Medical Center	24,794,265	445,461
Sorrento Lactalis, Inc.	22,839,500	388,203
Tyson Foods	18,518,050	310,733
Roswell Park	18,393,225	389,738
Erie County Water Authority	12,055,000	153,418
VA Financial Services Center	11,686,690	206,301
Buffalo State College	11,582,500	222,701

Source: Veolia Water Service

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