

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, 2015 and 2014
and Independent Auditors' Report

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Table of Contents
Years Ended June 30, 2015 and 2014

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to the Financial Statements	14
Required Supplementary Information:	
Schedule of Funding Progress—Other Post-Employment Benefits Plan.....	30
Schedule of the Water Board's Proportionate Shares of the Net Pension Liability—Employees' Retirement System.....	31
Schedule of the Water Board's Contributions—Employees' Retirement System	32
Supplementary Information:	
Schedule of Revenues, Expenses, and Changes in Net Position—Budget and Actual (Non-GAAP Budgetary Basis)—Year Ended June 30, 2015	33
Schedule of Revenues, Expenses, and Changes in Net Position—Budget and Actual (Non-GAAP Budgetary Basis)—Year Ended June 30, 2014	35
Other Information:	
Summary of Water Rate Changes—Last Five Fiscal Years.....	37
Summary of Water Billings and Collections—Last Five Fiscal Years	38
Top Ten Accounts by Usage—Current Fiscal Year	39

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
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, 2015 and 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015 the Water Board implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, 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 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 16, 2015

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, 2015 and 2014

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, 2015 and 2014. 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, 2014 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, 2015 by \$48,787,166 (*net position*). This consisted of \$13,940,539 net investment in capital assets and unrestricted net position of \$34,846,627. 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 \$45,699,998 (*net position, as restated*). This consisted of \$11,536,770 net investment in capital assets and unrestricted net position of \$34,163,228.
- The Water Board's total net position increased by \$3,087,168 and \$7,232,298 for the fiscal years ended June 30, 2015 and 2014, respectively.

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, deferred outflows of resources, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Water Board creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Water Board.

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 statements report 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 11-13 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 14-29 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, its Water Board’s net pension liability and its recent contributions. Required Supplementary Information can be found on pages 30-32 of this report.

Supplementary Information and *Other Information* is presented immediately following the Required Supplementary Information and can be found on pages 33-39 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 thereof. 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, 2015 and June 30, 2014.

Table 1—Condensed Statements of Net Position for the Fiscal Years Ended June 30, 2015 and June 30, 2014

	2015	2014 (as restated)	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 45,432,033	\$ 45,202,841	\$ 229,192	0.5
Receivables, net	6,332,740	6,626,179	(293,439)	(4.4)
Other current assets	<u>127,425</u>	<u>349,021</u>	<u>(221,596)</u>	<u>(63.5)</u>
Total current assets	<u>51,892,198</u>	<u>52,178,041</u>	<u>(285,843)</u>	<u>(0.5)</u>
Noncurrent assets:				
Capital assets not being depreciated	1,767,861	1,162,308	605,553	52.1
Capital assets being depreciated	<u>126,530,403</u>	<u>128,796,756</u>	<u>(2,266,353)</u>	<u>(1.8)</u>
Total noncurrent assets	<u>128,298,264</u>	<u>129,959,064</u>	<u>(1,660,800)</u>	<u>(1.3)</u>
Total assets	<u>180,190,462</u>	<u>182,137,105</u>	<u>(1,946,643)</u>	<u>(1.1)</u>
Deferred outflows of resources	-	<u>1,816,216</u>	<u>(1,816,216)</u>	<u>(100.0)</u>
Liabilities:				
Current liabilities	10,473,219	13,350,861	(2,877,642)	(21.6)
Noncurrent liabilities	<u>120,930,077</u>	<u>123,086,246</u>	<u>(2,156,169)</u>	<u>(1.8)</u>
Total liabilities	<u>131,403,296</u>	<u>136,437,107</u>	<u>(5,033,811)</u>	<u>(3.7)</u>
Net position:				
Net investment in capital assets	13,940,539	11,536,770	2,403,769	20.8
Unrestricted	<u>34,846,627</u>	<u>34,163,228</u>	<u>683,399</u>	<u>2.0</u>
Total net position	<u>\$ 48,787,166</u>	<u>\$ 45,699,998</u>	<u>\$ 3,087,168</u>	<u>6.8</u>

The condensed Statements of Net Position show an increase of \$3,087,168 in net position from \$45,699,998 at June 30, 2014, as restated, to \$48,787,166 at June 30, 2015. The increase is the result of current year operations as addressed in Table 3. Significant changes from 2014 to 2015 in the condensed Statements of Net Position and the reasons for the changes are:

- Total deferred outflows of resources decreased by \$1,816,216 following the May 2015 bond refunding, which terminated the derivate swap agreement.
- Total liabilities decreased \$5,033,811. The majority of the decrease was a result of amounts due to the Water Authority for current and future debt service requirements of the long-term bonded debt of the Water Authority, which are funded through operating transfers by the Water Board.

Table 2, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2—Condensed Statements of Net Position for the Fiscal Years Ended June 30, 2014 and June 30, 2013

	June 30,		Increase/(Decrease)	
	2014 (as restated)	2013	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 45,202,841	\$ 38,965,727	\$ 6,237,114	16.0
Receivables, net	6,626,179	5,638,416	987,763	17.5
Other current assets	349,021	345,440	3,581	1.0
Total current assets	<u>52,178,041</u>	<u>44,949,583</u>	<u>7,228,458</u>	16.1
Noncurrent assets:				
Capital assets not being depreciated	1,162,308	1,131,164	31,144	2.8
Capital assets being depreciated	<u>128,796,756</u>	<u>128,911,548</u>	<u>(114,792)</u>	(0.1)
Total noncurrent 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>123,086,246</u>	<u>127,084,363</u>	<u>(3,998,117)</u>	(3.1)
Total liabilities	<u>136,437,107</u>	<u>139,003,186</u>	<u>(2,566,079)</u>	(1.8)
Net position:				
Net investment in capital assets	11,536,770	8,914,136	2,622,634	29.4
Unrestricted	<u>34,163,228</u>	<u>30,303,925</u>	<u>3,859,303</u>	12.7
Total net position	<u>\$ 45,699,998</u>	<u>\$ 39,218,061</u>	<u>\$ 6,481,937</u>	16.5

The condensed Statements of Net Position show, as restated, net position of \$45,699,998 at June 30, 2014 as compared to \$39,218,061 at June 30, 2013. The increase is the direct result of current year operations as addressed in Table 4. Significant changes from 2013 to 2014 in the condensed Statements of Net Position and the reasons for the changes 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 3, as presented below, shows changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

Table 3—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Fiscal Years Ended June 30, 2015 and June 30, 2014

	Year Ended June 30,		Increase/(Decrease)	
	2015	2014 (as restated)	Dollars	Percent (%)
Revenues:				
Operating	\$ 43,104,054	\$ 44,413,422	\$ (1,309,368)	(2.9)
Nonoperating	586,759	1,143,238	(556,479)	(48.7)
Total revenues	<u>43,690,813</u>	<u>45,556,660</u>	<u>(1,865,847)</u>	<u>(4.1)</u>
Expenses:				
Services and supplies	10,258,595	9,259,852	998,743	10.8
Water meter repairs and other expenses	755,971	324,048	431,923	133.3
Depreciation	5,144,214	4,949,048	195,166	3.9
Operating transfers	12,361,358	11,622,977	738,381	6.4
Interest	6,404,449	6,759,811	(355,362)	(5.3)
Total expenses	<u>34,924,587</u>	<u>32,915,736</u>	<u>2,008,851</u>	<u>6.1</u>
Income before transfers to the City's General Fund	<u>8,766,226</u>	<u>12,640,924</u>	<u>(3,874,698)</u>	n/a
Transfers to the City's General Fund	<u>(5,679,058)</u>	<u>(5,408,626)</u>	<u>(270,432)</u>	5.0
Change in net position	3,087,168	7,232,298	(4,145,130)	n/a
Net position - beginning	45,699,998	39,218,061	6,481,937	16.5
Restatement (Note 2)	-	(750,361)	750,361	(100.0)
Net position - ending	<u>\$ 48,787,166</u>	<u>\$ 45,699,998</u>	<u>\$ 3,087,168</u>	6.8

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 insight as to the nature and source of these changes.

Significant changes from the year ended June 30, 2014 to the year ended June 30, 2015 in revenues and expenses for the Water Board include the following:

- Operating revenues decreased \$1,309,368, or 2.9 percent from prior year as a result of lost water meter revenues from the cold winter endured in the current fiscal year.
- Nonoperating revenues decreased \$556,479, or 48.7 percent from prior year. This is a result of a \$512,152 one-time grant from the New York State Energy Research and Development Authority awarded in 2014. The Water Board did not receive a similar grant in 2015.
- Services and supplies expenses increased \$998,743, or 10.8 percent from prior year, primarily caused by an increase in engineering/technical services and utilities.
- Water meter repairs and other expenses increased \$431,923, or 133.3 percent from prior year, primarily as a result of increased water meter repair costs.

Table 4, as presented below, shows changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 4—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 (as restated)	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	<u>45,556,660</u>	<u>45,078,120</u>	<u>478,540</u>	1.1
Expenses:				
Services and supplies	9,259,852	8,508,815	751,037	8.8
Water meter repairs and other expenses	324,048	879,256	(555,208)	(63.1)
Depreciation	4,949,048	4,851,160	97,888	2.0
Operating transfers	11,622,977	11,587,686	35,291	0.3
Interest	6,759,811	7,093,430	(333,619)	(4.7)
Total expenses	<u>32,915,736</u>	<u>32,920,347</u>	<u>(4,611)</u>	(0.0)
Income before transfers to the City's General Fund	<u>12,640,924</u>	<u>12,157,773</u>	<u>483,151</u>	n/a
Transfers to the City's General Fund	<u>(5,408,626)</u>	<u>(5,151,073)</u>	<u>(257,553)</u>	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
Restatement (Note 2)	<u>(750,361)</u>	-	<u>(750,361)</u>	n/a
Net position - ending	<u>\$ 45,699,998</u>	<u>\$ 39,218,061</u>	<u>\$ 6,481,937</u>	16.5

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

- Nonoperating revenues increased \$200,242, or 21.2 percent. This is a result of a \$512,152 one-time grant from the New York State Energy Research and Development Authority awarded in 2014, offset by a \$252,401 decrease of federal subsidy for Build America Bonds, and 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.
- Water meter repairs and other expenses decreased \$555,208 or 63.1 percent, primarily as a result decreased water meter repair costs.

Budgetary Highlights

Budgetary comparison schedules are presented as supplementary information.

Original budget compared to final budget—For the fiscal year ended June 30, 2015, the total of expenses and transfers out in the Water Board's 2014-2015 amended operating budget were \$10,357,324

greater than the original budget as a result of the appropriation of \$8,385,178 of net position for anticipated capital improvements. For budgeting purposes, the Board includes these items as other financing sources (uses). The other significant amendment to operating expenses was an increase of \$1,972,146 to professional services, which represents amounts re-appropriated for prior year encumbrances.

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.

Final budget compared to actual results—A review of the actual operating revenues and estimated operating revenues for the fiscal year ended June 30, 2015 shows a favorable variance of \$61,294 as a result of excess unanticipated miscellaneous revenues.

A review of the actual expenses and estimated expenses for the fiscal year ended June 30, 2015 indicates that actual expenses were below budgeted amounts. Comparing the final budget with actual results, total operating expenses were \$6,604,886 below budget. This favorable variance was primarily the result of fewer professional services than anticipated, along with a conservative budget regarding depreciation

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. The federal subsidy for bond interest, a nonoperating revenue, 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 actual expenses were below budgeted amounts. Comparing the final budget with actual results, total operating expenses had a favorable variance of \$13,937,943 due to budgeted transfers of \$17,108,688 to the Water Authority for debt service and depreciation payments on behalf of the Board. This favorable variance was offset by unfavorable variances of \$6,759,811 and \$4,949,048 for the related interest and depreciation expense not budgeted for during the year ending June 30, 2014.

Capital Assets and Debt Administration

Capital assets—At June 30, 2015 and 2014, the Board had \$128,298,264 and \$129,959,064, respectively, invested in capital assets, as reflected in Table 5 on the following page. At June 30, 2015, the change represents a net decrease of \$1,660,800, or 1.3 percent, from June 30, 2014, resulting from depreciation expense exceeding net additions. At June 30, 2014, the net decrease of \$83,648, or 0.1 percent, from June 30, 2013, also results from excess depreciation over asset additions.

Table 5, as presented on the following page, shows changes in capital assets for the fiscal years ended June 30, 2015 and June 30, 2014.

Table 5—Summary of Capital Assets

	June 30,		Increase/(Decrease)	
	2015	2014	Dollars	Percent (%)
Land	\$ 145,116	\$ 145,116	\$ -	0.0
Construction in progress	1,622,745	1,017,192	605,553	59.5
Buildings and improvements	98,194,798	97,516,306	678,492	0.7
Machinery and equipment	712,597	140,411	572,186	407.5
Infrastructure	<u>101,982,731</u>	<u>100,355,548</u>	<u>1,627,183</u>	1.6
Total capital assets	202,657,987	199,174,573	3,483,414	1.7
Accumulated depreciation	<u>(74,359,723)</u>	<u>(69,215,509)</u>	<u>(5,144,214)</u>	7.4
Net capital assets	<u>\$128,298,264</u>	<u>\$129,959,064</u>	<u>\$ (1,660,800)</u>	(1.3)

	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	<u>100,355,548</u>	<u>98,121,746</u>	<u>2,233,802</u>	2.3
Total capital assets	199,174,573	194,817,400	4,357,173	2.2
Accumulated depreciation	<u>(69,215,509)</u>	<u>(64,774,688)</u>	<u>(4,440,821)</u>	6.9
Net capital assets	<u>\$129,959,064</u>	<u>\$130,042,712</u>	<u>\$ (83,648)</u>	(0.1)

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 \$651,416 and \$967,268 of outstanding General Obligation Bonds at June 30, 2015 and 2014, respectively, which were issued to finance water projects. This debt is scheduled to be fully paid in 2018. The Water Authority has \$136,915,000 and \$152,105,000 of Revenue Bonds outstanding at June 30, 2015 and 2014, respectively, which will be fully paid in 2043. The Water Board reports the liability for these bonds as Due to City of Buffalo Division of Water and Due to the Buffalo Municipal Water Finance Authority. 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 9 to the financial statements.

Next Year's Budget

The Water Board's management considered many factors when setting the fiscal year 2016 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.

BASIC FINANCIAL STATEMENTS

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Statements of Net Position
June 30, 2015 and 2014

	June 30,	
	2015	2014 (as restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 45,432,033	\$ 45,202,841
Receivables—water (less allowance for doubtful accounts of \$16,061,421 and \$15,102,217 at June 30, 2015 and 2014, respectively)	5,241,004	5,693,354
Other receivables	1,091,736	932,825
Due from other agencies	127,425	127,425
Due from other governments	-	221,596
Total current assets	<u>51,892,198</u>	<u>52,178,041</u>
Noncurrent assets:		
Capital assets not being depreciated:		
Land	145,116	145,116
Construction in progress	1,622,745	1,017,192
Capital assets being depreciated:		
Buildings and improvements	98,194,798	97,516,306
Machinery and equipment	712,597	140,411
Infrastructure	101,982,731	100,355,548
Accumulated depreciation	<u>(74,359,723)</u>	<u>(69,215,509)</u>
Total capital assets being depreciated	<u>126,530,403</u>	<u>128,796,756</u>
Total noncurrent assets	<u>128,298,264</u>	<u>129,959,064</u>
Total assets	<u>180,190,462</u>	<u>182,137,105</u>
DEFERRED OUTFLOWS OF RESOURCES		
Change in value of derivative - interest rate swap	-	1,816,216
Total deferred outflows of resources	<u>-</u>	<u>1,816,216</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,322,770	2,850,187
Due to Buffalo Municipal Water Finance Authority	6,209,109	7,790,898
Due to City of Buffalo Division of Water	2,746,329	2,514,765
Due to City of Buffalo	195,011	195,011
Total current liabilities	<u>10,473,219</u>	<u>13,350,861</u>
Noncurrent liabilities:		
Accrued derivative liability	-	1,816,216
Due to Buffalo Municipal Water Finance Authority	107,497,200	109,664,128
Due to City of Buffalo Division of Water	13,432,877	13,422,118
Total noncurrent liabilities	<u>120,930,077</u>	<u>124,902,462</u>
Total liabilities	<u>131,403,296</u>	<u>138,253,323</u>
NET POSITION		
Net investment in capital assets	13,940,539	11,536,770
Unrestricted	<u>34,846,627</u>	<u>34,163,228</u>
Total net position	<u>\$ 48,787,166</u>	<u>\$ 45,699,998</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, 2015 and 2014

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u> <u>(as restated)</u>
Operating revenues:		
Charges for services	\$ 42,550,935	\$ 44,162,233
Other	553,119	251,189
Total operating revenues	<u>43,104,054</u>	<u>44,413,422</u>
Operating expenses:		
Services and supplies	10,258,595	9,259,852
Water meter repairs and other expenses	755,971	324,048
Depreciation	5,144,214	4,949,048
Net operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	<u>12,361,358</u>	<u>11,622,977</u>
Total operating expenses	<u>28,520,138</u>	<u>26,155,925</u>
Operating income	<u>14,583,916</u>	<u>18,257,497</u>
Nonoperating revenues (expenses):		
Interest income	144,043	187,894
Interest expense	(6,404,449)	(6,759,811)
Other	442,716	955,344
Total nonoperating revenues (expenses)	<u>(5,817,690)</u>	<u>(5,616,573)</u>
Income before transfers to the City's General Fund	8,766,226	12,640,924
Transfers to the City's General Fund	<u>(5,679,058)</u>	<u>(5,408,626)</u>
Change in net position	3,087,168	7,232,298
Total net position—beginning	45,699,998	39,218,061
Restatement (Note 2)	-	(750,361)
Total net position—ending	<u>\$ 48,787,166</u>	<u>\$ 45,699,998</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, 2015 and 2014

	Year Ended June 30,	
	2015	2014
		(as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 43,397,493	\$ 43,409,525
Operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	(12,361,358)	(11,622,980)
Payments to suppliers for goods and services	<u>(9,487,149)</u>	<u>(8,426,930)</u>
Net cash provided by operating activities	<u>21,548,986</u>	<u>23,359,615</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City's General Fund	(5,679,058)	(5,408,626)
Advances from other funds	<u>(5,615,857)</u>	<u>(703,055)</u>
Net cash used for noncapital financing activities	<u>(11,294,915)</u>	<u>(6,111,681)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition/construction of capital assets	(3,483,414)	(5,390,523)
Interest payments	<u>(6,685,508)</u>	<u>(5,808,048)</u>
Net cash used for capital and related financing activities	<u>(10,168,922)</u>	<u>(11,198,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on short-term investments	<u>144,043</u>	<u>187,751</u>
Net cash provided by investing activities	<u>144,043</u>	<u>187,751</u>
Net increase in cash and cash equivalents	229,192	6,237,114
Cash and cash equivalents—beginning	<u>45,202,841</u>	<u>38,965,727</u>
Cash and cash equivalents—ending	<u>\$ 45,432,033</u>	<u>\$ 45,202,841</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 14,583,916	\$ 18,257,497
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	5,144,214	4,949,048
Changes in assets and liabilities:		
Decrease in receivables	293,439	4,024,400
Increase (Decrease) in accounts and retainages payable	<u>1,527,417</u>	<u>(3,871,330)</u>
Net cash provided by operating activities	<u>\$ 21,548,986</u>	<u>\$ 23,359,615</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, 2015 and 2014

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 at 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—The Water Board’s cash and cash equivalents include 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, 2015 and 2014; 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. Water meters are not capitalized unless they are purchased in bulk (i.e., repairs and minor replacements are expensed). 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 market 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:

	Estimated Useful Life (Years)
Buildings	50
Building improvements	20
Machinery and equipment	5
Infrastructure	40

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, 2015, the Water Board does not have any items that qualify in this category. At June 30, 2014, the Board reported \$1,816,216 of deferred outflows 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, 2015 and 2014, 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, 2015 and 2014, the Water Board transferred \$5,679,058 and \$5,408,626, 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 disclosures 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.

Pensions—The Water System 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 related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. 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.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2015, the Water Board implemented 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—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and 71 improve accounting and recognizing liabilities/(assets), deferred outflows of resources, deferred inflows of resources and expenses related to pensions. GASB Statement No. 69 improves the accounting and financial reporting for reporting mergers, acquisitions, and transfers of operations by providing specific guidance for combinations and disposals in the governmental environment.

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. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016; No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; and No. 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, effective for the year ending June 30, 2018. The Board is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, and 77 will have on its financial position and results of operations when such statements are adopted.

2. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the Water Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of an additional liability due to the City of Buffalo Division of Water for Net Pension.

The Water Board's net position has been restated as follows:

Net position—June 30, 2014, as previously stated	\$ 46,450,359
GASB Statements No. 68 and 71 implementation:	
Due to the City of Buffalo Division of	
Water—Net Pension Liability	<u>(750,361)</u>
Net position—June 30, 2014, as restated	<u>\$ 45,699,998</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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.

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at June 30, 2015 and 2014 as follows:

	June 30, 2015		June 30, 2014	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	\$ 254,660	\$ 255,000	\$ 255,000	\$ 255,000
Uninsured:				
Collateral held by pledging bank's agent in Water Board's name	<u>44,919,131</u>	<u>45,177,033</u>	<u>44,654,040</u>	<u>44,947,841</u>
Total	<u>\$ 45,173,791</u>	<u>\$ 45,432,033</u>	<u>\$ 44,909,040</u>	<u>\$ 45,202,841</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, 2015 and 2014, the Water Board's deposits were FDIC insured or collateralized with securities held by the pledging bank's agent in the Water Board's name.

Investments—The Water Board 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, 2015 and 2014, the Water Board does not have any investments.

4. RECEIVABLES

Receivables as of year-end for the Water Board, and related allowance for uncollectible accounts, as of June 30, 2015 and 2014, are as follows:

	June 30, 2015		
	Receivable	Allowance	Net
Receivables—water	\$ 21,302,425	\$ (16,061,421)	\$ 5,241,004
Other receivables	1,091,736	-	1,091,736
Due from other agencies	127,425	-	127,425
	<u>\$ 22,521,586</u>	<u>\$ (16,061,421)</u>	<u>\$ 6,460,165</u>

	June 30, 2014		
	Receivable	Allowance	Net
Receivables—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	221,596	-	221,596
	<u>\$ 22,077,417</u>	<u>\$ (15,102,217)</u>	<u>\$ 6,975,200</u>

5. CAPITAL ASSETS

A summary of capital asset activity for the fiscal years ended June 30, 2015 and 2014 are as follows:

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Capital assets, not being depreciated:				
Land	\$ 145,116	\$ -	\$ -	\$ 145,116
Construction in progress	1,017,192	2,709,621	2,104,068	1,622,745
Total capital assets, not being depreciated	<u>1,162,308</u>	<u>2,709,621</u>	<u>2,104,068</u>	<u>1,767,861</u>
Capital assets, being depreciated:				
Buildings and improvements	97,516,306	678,492	-	98,194,798
Machinery and equipment	140,411	572,186	-	712,597
Infrastructure	100,355,548	1,627,183	-	101,982,731
Total capital assets, being depreciated	<u>198,012,265</u>	<u>2,877,861</u>	<u>-</u>	<u>200,890,126</u>
Less accumulated depreciation for:				
Buildings and improvements	23,133,012	2,500,162	-	25,633,174
Machinery and equipment	9,319	116,128	-	125,447
Infrastructure	46,073,178	2,527,924	-	48,601,102
Total accumulated depreciation	<u>69,215,509</u>	<u>5,144,214</u>	<u>-</u>	<u>74,359,723</u>
Total capital assets being depreciated, net	<u>128,796,756</u>	<u>(2,266,353)</u>	<u>-</u>	<u>126,530,403</u>
Capital assets, net	<u>\$ 129,959,064</u>	<u>\$ 443,268</u>	<u>\$ 2,104,068</u>	<u>\$ 128,298,264</u>

	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>

6. PENSION OBLIGATIONS

The Water Board 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 retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

The City's Division of Water makes ERS payments on behalf of the Water Board, accordingly, the deferred outflow of resources, net pension liability and pension expense related to the Water System are recorded within the City's Division of Water. The Water Board records a liability related to the net pension liability, which is included in the amount Due to the City of Buffalo Division of Water.

Plan Description and Benefits Provided

Employees' Retirement System ("ERS")—The Water Board participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing multiple-employer retirement system. 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 NYSRSSL. 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 Water Board also participates in the Public Employees' Group Life Insurance ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That 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 10, 2010 who generally contribute 3.0 to 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. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions—
 At June 30, 2015, the Water Board reported the following liability to the City of Buffalo Division of Water for the Water System's proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to the measurement date. The Water System's proportion of the net pension liability was based on a projection of the Water System's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the City.

	<u>ERS</u>
Measurement date	March 31, 2015
Net pension liability	\$ 560,961
Water System 's portion of the Plan's total net pension liability	0.0166051%

For the year ended June 30, 2015, the Water System recognized a pension expense of \$242,124 for the ERS. At June 30, 2015, the City's Division of Water reported deferred outflows of resources and deferred inflows of resources for the Water System related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
	<u>ERS</u>
Differences between expected and actual experiences	\$ 17,957
Net difference between projected and actual earnings on pension plan investments	97,432
Changes in proportion and differences between the Water System 's contributions and proportionate share of contributions	52,191
Water System contributions subsequent to the measurement date	<u>197,606</u>
Total	<u>\$ 365,186</u>

The Water System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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 Ended June 30,</u>	<u>ERS</u>
2016	\$ 41,895
2017	41,895
2018	41,895
2019	41,895
2020	-
Thereafter	-

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 valuations used the following actuarial assumptions:

	<u>ERS</u>
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.50%
Salary scale	4.90%
Decrement tables	April 1, 2005- March 31, 2010
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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 are summarized on the following page.

Measurement date	ERS	
	March 31, 2015	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liability was 7.5%. 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, ERS' 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 below presents the Water System's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Water System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

ERS	Decrease (6.5%)	Assumption (7.5%)	Increase (8.5%)
Employer's proportionate share of the net pension liability	\$ 3,739,043	\$ 560,960	\$ (2,122,129)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability of the employers as of the valuation dates, were as follows:

Valuation date	ERS
	March 31, 2015
	(Dollars in Thousands)
Employers' total pension liability	\$ 164,591,504
Plan fiduciary net position	<u>161,213,259</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
System fiduciary net position as a percentage of total pension liability	97.95%

Payables to the Pension Plan—Employer contributions are paid annually based on ERS’ fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 and 2014 amounted to \$265,236 and \$234,450, respectively.

7. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

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.

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 System as of July 1, 2014, 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	86
Retired employees	<u>89</u>
Total	<u><u>175</u></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, 2015 and 2014, the Water Board’s annual OPEB cost (expense) was approximately \$2,036,000 and \$2,983,000, respectively, while the annual required contribution was approximately \$2,024,700 and \$2,973,600, respectively. Considering the annual expense as well as payment for current health insurance premiums, which totaled approximately \$1,603,000 and \$1,629,000 for the years ended June 30, 2015 and 2014, respectively, for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of approximately \$433,000 and \$1,354,000 for the years ended June 30, 2015 and 2014, respectively.

The table below shows the components of the Water Board's annual OPEB cost, the amount actually contributed to the plan, and the changes in the Water Board's net OPEB obligation.

	Year Ended June 30,	
	2015	2014
Annual OPEB Cost and Net OPEB Obligation		
Actuarial accrued liability ("AAL")	\$ 32,213,200	\$ 42,305,200
Unfunded actuarial accrued liability ("UAAL")	32,213,200	42,305,200
Normal cost—beginning of the year	754,100	1,195,200
Amortization factor based on 30 years	26.2	26.2
Annual covered payroll	6,530,111	6,339,914
UAAL as a percentage of covered payroll	493.30%	667.28%
Level Dollar Amortization		
Calculation of ARC Under Projected Unit Credit Method		
Annual required contribution ("ARC")	\$ 2,024,700	\$ 2,973,600
Interest on net OPEB obligation	416,040	361,880
Adjustment to ARC	<u>(404,740)</u>	<u>(352,480)</u>
Annual OPEB cost (expense)	2,036,000	2,983,000
Contributions made	<u>(1,603,000)</u>	<u>(1,629,000)</u>
Increase in net OPEB obligation	433,000	1,354,000
Net OPEB obligation—beginning of year	<u>10,401,000</u>	<u>9,047,000</u>
Net OPEB obligation—end of year	<u>\$ 10,834,000</u>	<u>\$ 10,401,000</u>

Funded Status and Funding Progress—As of July 1, 2014, the most recent actuarial valuation date, the OPEB plan for the Water System was unfunded, resulting in an unfunded accrued liability of \$32,213,200.

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
2015	\$ 2,036,000	\$ 1,603,000	79%	\$ 10,834,000
2014	2,983,000	1,629,000	55%	10,401,000
2013	2,876,000	1,448,000	50%	9,047,000

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

Actuarial Methods and Assumptions—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, 2014 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, 8.2%; all reduced by decrements to reach a rate of 4.4% in 2088.

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.

8. 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 \$889,860 and \$750,827 at June 30, 2015 and 2014, respectively.

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

Shown 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, 2015 and 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, 2015 and June 30, 2014, is as follows:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
2002	\$ 11,785,000	2.5-4.8	2018	\$ 1,290,000	\$ -	\$ 300,000	\$ 990,000	\$ 315,000
2003	3,901,741	5.6-6.3	2031	240,000	-	115,000	125,000	125,000
2006	19,917,236	3.6-4.8	2028	13,955,000	-	815,000	13,140,000	835,000
2007	13,010,000	3.6-4.4	2038	11,505,000	-	285,000	11,220,000	300,000
2007	29,220,000	5.0	2027	25,460,000	-	3,610,000	21,850,000	3,395,000
2008	62,020,000	3.7-5.1	2036	55,645,000	-	55,645,000	-	-
2010	23,975,000	2.0-6.9	2040	22,565,000	-	490,000	22,075,000	505,000
2011	2,720,000	1.5-5.1	2022	2,065,000	-	230,000	1,835,000	235,000
2012	17,150,000	1.8-4.0	2043	16,805,000	-	355,000	16,450,000	370,000
2012	2,575,000	5.6-6.3	2031	2,575,000	-	-	2,575,000	-
2015	46,655,000	2.0-5.0	2036	-	46,655,000	-	46,655,000	-
Total				152,105,000	46,655,000	61,845,000	136,915,000	6,080,000
Unamortized bond premium				746,984	6,158,955	165,710	6,740,229	138,921
Unamortized bond discount				(243,417)	-	(9,811)	(233,606)	(9,812)
Net bonded debt				<u>\$ 152,608,567</u>	<u>\$ 52,813,955</u>	<u>\$ 62,000,899</u>	<u>\$ 143,421,623</u>	<u>\$ 6,209,109</u>

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 Water 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, 2015, was \$121,774,318 (which represents the outstanding proceeds of \$136,915,000, net of the unexpended funds of \$15,140,682 still held by the Authority). Additionally, the Water Authority owes the Water Board \$8,068,009 as of June 30, 2015, 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 \$113,706,309, of which \$6,209,109 is recorded as a current liability and \$107,497,200 as a noncurrent liability.

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 liability and \$109,664,128 as a noncurrent liability.

Remaining annual maturities on long-term obligations of the Buffalo Municipal Water Finance Authority at June 30, 2015 are presented below:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 6,080,000	\$ 5,573,197
2017	8,000,000	6,229,895
2018	8,255,000	5,879,553
2019	8,410,000	5,487,456
2020	8,390,000	5,090,612
2021-2025	31,065,000	20,887,754
2026-2030	35,900,000	12,619,359
2031-2035	14,315,000	6,209,267
2036-2040	12,440,000	2,636,590
2041-2043	4,060,000	211,192
Total	<u>\$ 136,915,000</u>	<u>\$ 70,824,875</u>

Accrued Derivative Liability—On May 9, 2008, the Water System issued \$62,020,000 par revenue bonds to refund \$62,300,000 of previously existing debt. The Water System 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 were variable rate demand obligations backed by a direct pay letter of credit.

Of the \$62,020,000 variable bonds issued, \$61,500,000 were hedged by an interest rate swap agreement between the Water System and Citibank, N.A, NY (“Swap Provider”) that converted the Water System’s variable rate exposure relating to the Series 2008A Bonds to a fixed rate. 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 system under the Swap Agreement does not affect the Water System’s obligation to pay, when due, the principal and interest on the Series 2008A Bonds. The Water System entered into this swap agreement to hedge its interest rate exposure over the life of the bonds.

As part of the June 3, 2015 refunding bonds, the Water System was granted the right to terminate the swap at par. During the year ended June 30, 2015, the Series 2008A bonds were refunded with the Series 2015 refunding bonds. This qualified as a terminating event under the requirements set forth in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments Standards of Governmental Accounting and Financial Reporting*, thereby resulting in the accrued derivative liability being removed from the Authority’s Statement of Net Position as of June 30, 2015.

General Bonded Debt—Total general bonded debt as financed through the City of Buffalo Division of Water at June 30, 2015, and June 30, 2014 is presented below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
2005	\$ 6,552,147	5.0	2018	\$ 967,268	\$ -	\$ 315,852	\$ 651,416	\$ 331,797

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	\$ 1,268,405	\$ -	\$ 301,137	\$ 967,268	\$ 315,852

Due to the City of Buffalo Division of Water:

Fiscal Year Ending June 30,	Bonds	Due to Retirement System	Compensated Absences*	Workers' Compensation*	OPEB Obligation	Net Pension Liability	Other Payables	Total
2016	\$ 331,797	\$ 265,236	\$ 53,921	\$ 356,049	\$ -	\$ -	\$ 1,739,326	\$ 2,746,329
2017	152,152	-	-	-	-	-	16,800	168,952
2018	167,467	-	-	-	-	-	8,366	175,833
2019	-	-	-	-	-	-	-	-
2020-beyond	-	-	711,489	533,811	10,834,000	560,961	883,761	13,524,022
Total	\$ 651,416	\$ 265,236	\$ 765,410	\$ 889,860	\$ 10,834,000	\$ 560,961	\$ 2,648,253	\$ 16,615,136

* Payment of the long-term portion of compensated absences, workers' compensation, other post-employment benefits, and net pension liability 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, 2015:

Fiscal Year	Water Authority	Division of Water
2016	\$ 5,573,197	\$ 32,571
2017	6,229,895	15,981
2018	5,879,553	8,373
2019	5,489,456	-
2020	5,090,612	-
2021-2025	20,887,754	-
2026-2030	12,619,359	-
2031-2035	6,209,267	-
2036-2040	2,636,590	-
2041-2043	211,192	-
	\$ 70,826,875	\$ 56,925

Due to Retirement System—Represents amounts due to the New York State and Local Employees Retirement System (“ERS”) for retirement contributions for wages paid through June 30, 2015. Due to retirement systems was \$265,236 and \$234,450 at June 30, 2015 and 2014, respectively.

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 \$765,410 and \$742,372 at June 30, 2015 and 2014, respectively.

OPEB Obligation—As explained in Note 7, the City provides medical insurance coverage for certain retirees. The Water Board’s annual post-employment benefits (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is \$10,834,000 and \$10,401,000 at June 30, 2015 and 2014, respectively.

Net Pension Liability—The Water System reported a liability, \$560,961 at June 30, 2015, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 6 for additional information related to the Water System’s net pension liability.

Other Payables—Represents allocated costs payable to the City for their services in the operation of the Water Board. The Water Board recorded other payables of \$2,648,253 and \$2,090,605 at June 30, 2015 and 2014, 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 Finance Authority and City of Buffalo Division of Water for the years ended June 30, 2015 and 2014:

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015	Due Within One Year
Due to Buffalo Municipal Water Finance Authority	\$ 117,455,026	\$ 4,042,181	\$ 7,790,898	\$ 113,706,309	\$ 6,209,109
Due to City of Buffalo Division of Water	<u>15,936,883</u>	<u>3,382,418</u>	<u>2,704,165</u>	<u>16,615,136</u>	<u>2,746,329</u>
Total	<u>\$ 133,391,909</u>	<u>\$ 7,424,599</u>	<u>\$ 10,495,063</u>	<u>\$ 130,321,445</u>	<u>\$ 8,955,438</u>
	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014	Due Within One Year
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>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2015 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.

* * * * *

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, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of July 1, 2014	\$ -	\$ 32,213,200	\$ 32,213,200	0.0%	\$ 6,530,111	493.3%
As of July 1, 2012	-	42,305,200	42,305,200	0.0%	6,339,914	667.3%
As of July 1, 2010	-	43,295,900	43,295,900	0.0%	5,975,977	724.5%

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of the Water Board's Proportionate Shares of the
Net Pension Liability—Employees' Retirement System
Last Two Fiscal Years

	Year Ended June 30,	
	2015	2014
Measurement date	March 31, 2015	March 31, 2014
Water Board's proportion of the net pension liability	0.0166051%	0.0166051%
Water Board's proportionate share of the net pension liability	<u>\$ 560,961</u>	<u>\$ 750,361</u>
Water Board's covered payroll	\$ 4,492,148	\$ 4,420,756
Water Board's proportionate share of the net pension liability as a percentage of its covered payroll	12.5%	17.0%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of the Water Board's Contributions—
Employees' Retirement System
Last Two Fiscal Years

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 877,702	\$ 898,655
Contributions in relation to the contractually required contribution	<u>(877,702)</u>	<u>(898,655)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Water Board's covered payroll	\$ 4,492,148	\$ 4,420,756
Contributions as a percentage of covered payroll	19.5%	20.3%

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

SUPPLEMENTARY INFORMATION

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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, 2015

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services:				
Meter rates	\$ 35,500,000	\$ 35,500,000	\$ 35,608,029	\$ 108,029
Flat rates	4,700,000	4,700,000	4,522,323	(177,677)
Charges for collection services	170,060	170,060	46,152	(123,908)
Buffalo Sewer Authority	514,700	514,700	517,666	2,966
Hydrant rates	73,000	73,000	107,956	34,956
General labor and supplies	270,000	270,000	301,237	31,237
Utility turn-on fees	200,000	200,000	189,183	(10,817)
Installation of corporation cocks	100,000	100,000	83,624	(16,376)
Installation and repair of meters	132,000	132,000	234,505	102,505
Interest on meter rates receivable	736,000	746,000	503,962	(242,038)
Interest on flat rates receivable	400,000	400,000	436,298	36,298
Total charges for services	<u>42,795,760</u>	<u>42,805,760</u>	<u>42,550,935</u>	<u>(254,825)</u>
Other:				
Miscellaneous	<u>237,000</u>	<u>237,000</u>	<u>553,119</u>	<u>316,119</u>
Total other	<u>237,000</u>	<u>237,000</u>	<u>553,119</u>	<u>316,119</u>
Total operating revenues	<u>43,032,760</u>	<u>43,042,760</u>	<u>43,104,054</u>	<u>61,294</u>
Operating expenses:				
Service and supplies:				
Services	9,392,675	11,364,821	10,258,595	1,106,226
Water meter repairs and other expenses	1,000,001	1,000,001	755,971	244,030
Depreciation	8,270,852	8,270,852	5,144,214	3,126,638
Operating transfers to:				
City of Buffalo Division of Water	11,656,710	11,656,710	11,280,969	375,741
Water Authority	<u>2,832,640</u>	<u>2,832,640</u>	<u>1,080,389</u>	<u>1,752,251</u>
Total operating expenses	<u>33,152,878</u>	<u>35,125,024</u>	<u>28,520,138</u>	<u>6,604,886</u>
Operating income	<u>9,879,882</u>	<u>7,917,736</u>	<u>14,583,916</u>	<u>6,666,180</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, 2015

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Nonoperating revenues (expenses):				
Interest income	212,000	212,000	144,043	(67,957)
Interest expense	(7,168,964)	(7,168,964)	(6,404,449)	764,515
Bond interest subsidy	443,000	443,000	442,716	61,297
Total nonoperating revenues (expenses)	<u>(6,513,964)</u>	<u>(6,513,964)</u>	<u>(5,817,690)</u>	<u>757,855</u>
Excess of revenues over expenses	<u>3,365,918</u>	<u>1,403,772</u>	<u>8,766,226</u>	<u>7,424,035</u>
Other financing sources (uses):				
Transfers in	2,313,140	10,698,318	-	(10,698,318)
Transfers out:				
City of Buffalo's General Fund	(5,679,058)	(5,679,058)	(5,679,058)	-
Capital purchases	<u>-</u>	<u>(8,385,178)</u>	<u>-</u>	<u>8,385,178</u>
Total other financing sources (uses)	<u>(3,365,918)</u>	<u>(3,365,918)</u>	<u>(5,679,058)</u>	<u>(2,313,140)</u>
Change in net position	-	(1,962,146)	3,087,168	5,110,895
Net position—beginning, as restated	<u>45,699,998</u>	<u>45,699,998</u>	<u>45,699,998</u>	<u>-</u>
Net position—ending	<u>\$ 45,699,998</u>	<u>\$ 43,737,852</u>	<u>\$ 48,787,166</u>	<u>\$ 5,110,895</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, 2014

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
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	237,000	237,000	251,189	14,189
Total other revenues	<u>237,000</u>	<u>237,000</u>	<u>251,189</u>	<u>14,189</u>
Total operating revenues	<u>41,660,000</u>	<u>41,660,000</u>	<u>44,413,422</u>	<u>2,753,422</u>
Operating expnses:				
Service and supplies:				
Services	3,744,390	5,129,825	3,354,315	1,775,510
Water meter repairs and other expenses	662,507	662,507	324,048	338,459
Payment to operator	5,905,537	5,905,537	5,905,537	-
Depreciation	-	-	4,949,048	(4,949,048)
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 operating expenses	<u>38,708,433</u>	<u>40,093,868</u>	<u>26,155,925</u>	<u>13,937,943</u>
Operating income	<u>2,951,567</u>	<u>1,566,132</u>	<u>18,257,497</u>	<u>16,691,365</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</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Nonoperating revenues (expenses):				
Interest income	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>3,165,317</u>	<u>1,779,882</u>	<u>12,640,924</u>	<u>10,861,042</u>
Other financing uses:				
Transfers in	2,243,310	3,919,310	-	(3,919,310)
Transfers out:				
City of Buffalo's General Fund	(5,408,627)	(5,408,627)	(5,408,626)	1
Capital purchases	-	(944,588)	-	944,588
Total other financing uses	<u>(3,165,317)</u>	<u>(2,433,905)</u>	<u>(5,408,626)</u>	<u>(2,974,721)</u>
Change in net position	-	(654,023)	7,232,298	7,886,321
Net position—beginning	39,218,061	39,218,061	39,218,061	-
Restatement	(750,361)	(750,361)	(750,361)	-
Net position—ending, as restated	<u>\$ 38,467,700</u>	<u>\$ 37,813,677</u>	<u>\$ 45,699,998</u>	<u>\$ 7,886,321</u>

(concluded)

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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

Effective Date	Metered Rate Bills	
	Regular (\$)	Percent Change (%)
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	-
July 1, 2014	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

Years Ended June 30,	Water Billing	Total Collections ¹
2011	\$ 4,283,447	\$ 4,378,073
2012	4,645,749	4,238,228
2013	4,823,640	4,906,826
2014	4,870,453	4,669,594
2015	4,627,013	4,714,091

METER RATE ACCOUNTS

Years Ended June 30,	Water Billing	Total Collections ¹
2011	\$ 30,997,452	\$ 26,005,348
2012	34,016,944	33,959,144
2013	36,143,865	34,995,683
2014	36,737,463	35,954,695
2015	35,503,237	35,607,363

ALL ACCOUNTS

Years Ended June 30,	Water Billing	Total Collections ¹
2011	\$ 35,280,899	\$ 30,383,421
2012	38,662,693	38,197,372
2013	40,967,505	39,902,509
2014	41,607,916	40,624,289
2015	40,130,250	40,321,454

¹Amounts collected may exceed water billings as total collections in each fiscal year represents amounts actually collected and reflect the payments of current year bills as well as prior years' past due billings.

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

Accounts	Usage (per Cubic Foot)	Charges
Aurubis Buffalo Inc.	45,249,550	\$ 1,308,923
Buffalo Sewer Authority	30,836,035	543,198
Erie County Medical Center	29,238,929	857,069
Sorrento Lactalis, Inc.	20,990,350	362,594
Roswell Park	16,700,447	520,655
Tyson Foods	12,890,550	308,715
VA Financial Services Center	11,779,040	341,580
Buffalo State College	10,266,400	320,932
Kaleida Health	9,937,091	344,778
State University of NY at Buffalo	8,233,025	269,422

Source: Veolia Water Service

**** THIS PAGE INTENTIONALLY LEFT BLANK ****