

# BUFFALO Sewer Authority

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE  
FISCAL YEAR ENDED  
JUNE 30, 2016

BUFFALO, NEW YORK





**BUFFALO SEWER AUTHORITY  
BUFFALO, NY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**PREPARED BY:**

**ADMINISTRATIVE DEPARTMENT  
RONALD BROWN, EXECUTIVE SECRETARY**



**BUFFALO SEWER AUTHORITY**  
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# INTRODUCTORY SECTION





**ADMINISTRATIVE OFFICES**

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

**BIRD ISLAND**

**WATER RESOURCE RECOVERY FACILITY**

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



September 23, 2016

To the Citizens of the City of Buffalo and Erie County:

The comprehensive annual financial report of the Buffalo Sewer Authority (the “Authority”) for the fiscal year ended June 30, 2016, is hereby submitted. This report consists of management’s representation concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”). Because the cost of internal control should not outweigh their benefits, the Authority’s framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Drescher & Malecki LLP, a firm of licensed certified public accountants, has audited the Authority’s financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority’s financial statements for the fiscal year ended June 30, 2016 are fairly stated. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority’s MD&A can be found immediately following the independent auditor’s report.

## **Profile of the Authority**

The Authority was created in 1935, by an Act of the State Legislature, as a public benefit corporation that is legally and financially independent of the City of Buffalo. The Authority is managed by a five-member board appointed by the Mayor of the City of Buffalo, subject to confirmation by the Common Council, and is regulated by the Public Authorities Law. The Authority's powers include fixing and collecting rates, borrowing money and issuing negotiable bonds, and acquiring, holding and disposing of personal property for its corporate purpose.

The Authority operates the second largest Water Resource Recovery Facility (WRRF) in New York State and provides collection and treatment services for the City of Buffalo and neighboring communities.

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

The budgetary and fiscal operations of the Authority are comparable to that of a governmental rather than a proprietary unit and, therefore, the Board has opted to record such activity in a governmental fund type (General Fund) rather than in a proprietary fund type (Enterprise Fund).

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

## **Local Economic Condition and Outlook**

The City of Buffalo is located on the western border of New York State and the eastern shore of Lake Erie. Buffalo is the second largest city in the State and serves as the seat of Erie County government. The City boundaries cover 52.5 square miles and the population is estimated at 258,066. The Peace Bridge, which connects downtown Buffalo with the Province of Ontario, serves as a major link between the United States and Canada.

The Buffalo-Niagara region has been in a constant struggle to rebuild its economic strength that existed prior to the diminishment of its manufacturing sector throughout the 1980s. To promote economic advancement, many municipalities have been working relentlessly to pursue and attract high-tech, specialty manufacturing and service industries. Such economic diversification has allowed the area to manage national economic downturns.

## **Major Initiatives**

The Authority received approval of its Combined Sewer Overflow Long Term Control Plan on March 18, 2014 from the US Environmental Protection Agency and NYS Department of Environmental Conservation, which lays the foundation for our 20-year documented promise to protect public health and water quality.

With our noted focus, the Authority collects and treats wastewater for the City of Buffalo and various neighboring communities. During the 2015-2016 fiscal year the Authority dedicated over

\$20 million in construction improvement projects in the areas of delivering Green Streets, Smart Sewers and water resource recovery projects.

The “Greening” of our City through storm management efforts has fostered synergy with our environmental partners: PUSH Buffalo, Community Foundation for Greater Buffalo, Buffalo Niagara RIVERKEEPER and University at Buffalo. In addition, our Raincheck Buffalo campaign to encourage community support toward our water quality goals, has distributed over 1000 free rainbarrels throughout the City. Significant progress was made to transform Kenmore Avenue, Genesee Street, and Niagara Street into green streetscape corridors, effectively minimizing storm flows in these areas.

As part of our efforts to maximize in-system storage, the Authority has completed two in-line real-time control “Smart Sewers” on Bird and Lang Avenues. Collectively, these \$3.2 million projects will use computer actuated control gates to maximize system capacity by storing wastewater during wet weather before sending those flows to our water resource recovery facility for treatment following peak events. The Authority has initiated a third Smart Sewer along Smith Street, expected to store over 1 million gallons of stormwater during each major wet weather event.

The Authority, through a \$3.1 million system-wide hydraulic model analysis works to accurately characterize system behavior during dry and wet weather. This program has placed over 140 active flow monitors and two dozen rain gauges throughout the City to evaluate capacity, and challenges throughout the Authority’s 850 mile collection system.

The Authority continues its commitment to its long-term capital plan for the Bird Island Water Resource Recovery Facility. The Authority has embarked on a wholesale \$2.9 million upgrade in its Supervisory Control and Data Acquisition (SCADA) system which allows computerized control of facility assets through analysis of real time data. In addition, the Authority has proceeded with full replacement of the influent trash racks, in place for over 35 years, which serve as initial facility protection elements. Significant progress was made to upgrade the WRRF indoor and road lighting through a \$1.5 million project that replaced high energy use bulbs with optimized low energy LED fixtures. A third Centrifuge was added to provide system redundancy and accurate process balancing. Over \$2.8 million was dedicated to improve Incinerator ash handling and controls allowing for major process upgrades to be constructed as part of sludge processing.

### **Five Year Capital Plan**

According to the Supplemental Bond Resolution, adopted by the Authority on May 3, 1993, a five-year capital plan is adopted as a part of the annual budget process. Funding for each capital project is based on the most cost effective method available. A bond sale, lease purchase or the use of reserve funds for capital projects may be used to fund these projects. The capital plan for 2016-2017 totals \$37,284,000. Of this amount, \$20,825,000 is for the Bird Island water resource recovery facility rehabilitation projects and \$16,459,000 is estimated for the installation of green and smart collection system infrastructure.

### **Awards and Acknowledgements**

**Awards**—The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the

Buffalo Sewer Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports.

In order to be awarded a Certificate of Achievement, the Authority published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual finance reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Buffalo Sewer Authority has received a Certificate of Achievement for the last twenty-nine consecutive years. We believe that our current report continues to conform to the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements**—In submitting this Comprehensive Annual Financial Report, I wish to express my thanks and appreciation to my staff who have diligently and faithfully contributed to the continued improvement of the Authority's accounting and reporting function. I would also like to thank our independent auditors, Drescher & Malecki LLP.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'O. McFoy', followed by a long horizontal flourish.

Oluwole A. McFoy, P.E.  
General Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Buffalo Sewer Authority  
New York**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO





**BUFFALO SEWER AUTHORITY**  
**Officials**  
**June 30, 2016**

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**Board Members**

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

**Professional Staff**

Oluwole A. McFoy, P.E., General Manager  
Thomas Smith, Secretary to the General Manager  
Julie Barrett-O'Neill, Esq., General Counsel  
Ronald Brown, Executive Secretary  
Catherine H. Knab, P.E., Principal Sanitary Engineer  
Michael Letina, Treatment Plant Superintendent  
Roberta Gaiek, P.E., Treatment Plant Administrator  
Scott Steinwald, Intergovernmental Coordinator

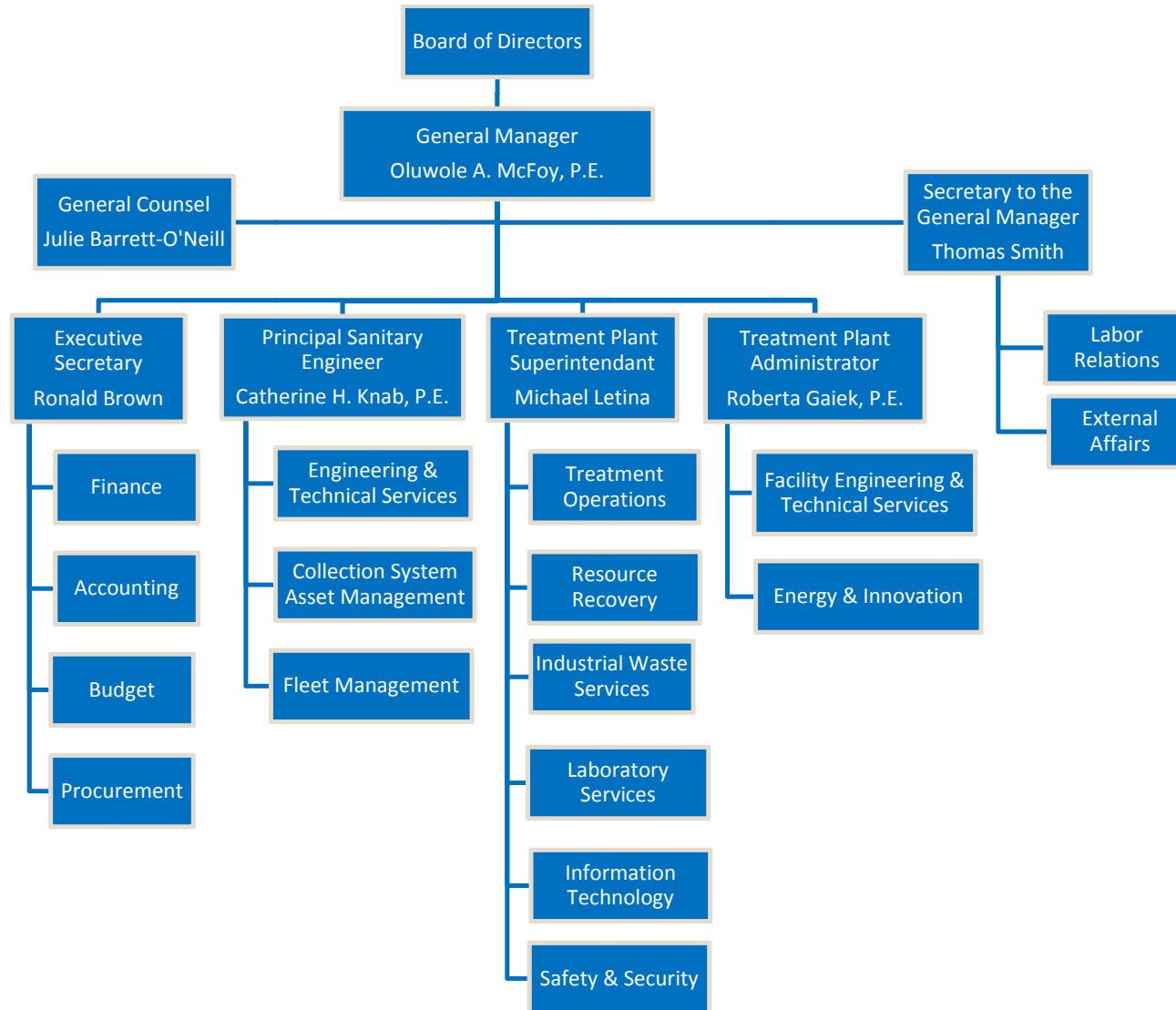
**Address of the Authority**

Room 1038  
Buffalo, New York 14202





**BUFFALO SEWER AUTHORITY**  
**Organizational Chart**  
**June 30, 2016**





## FINANCIAL SECTION



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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buffalo Sewer Authority, New York (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



September 23, 2016



**BUFFALO SEWER AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

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As management of the Buffalo Sewer Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2016. This document should be read in conjunction with additional information that we have furnished in the Authority's financial statements and notes to the financial statements, which follow this narrative.

**Financial Highlights**

- ◆ The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources as of June 30, 2016 by \$322,039,392 (*net position*). This consists of \$243,612,081 net investment in capital assets and unrestricted net position of \$78,427,311.
- ◆ The Authority's net position increased \$9,721,612 during the year ended June 30, 2016.
- ◆ At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$96,130,885, a decrease of \$5,573,506 in comparison with the prior year's fund balance of \$101,704,391.
- ◆ At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$10,000,000, or approximately 16.9 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Authority's discretion and constitutes approximately 29.0 percent of the General Fund's total fund balance of \$34,508,316 at June 30, 2016.
- ◆ The Authority's total bonded indebtedness decreased by \$2,032,438.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected charges and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 18-19 of this report.

**Fund financial statements**—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, General Projects Fund, and Debt Service Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the Authority. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Authority's own programs. The Authority is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Authority maintains one fiduciary fund, the Agency Fund.

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

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-50 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* concerning the Authority's progress in funding its obligation to provide post-employment benefits to its employees, the Authority's net pension liability and the Authority's budgetary comparison for the General Fund. Required Supplementary Information can be found on pages 51-55 of this report.

The Supplementary Information, as listed in the table of contents, can be found on pages 56-64 of this report.

Finally, the Statistical Section of this report can be found on pages 65-83.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$322,039,392 at June 30, 2016 as compared to \$312,317,780 at the close of the fiscal year ended June 30, 2015.

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

**Table 1—Condensed Statements of Net Position**

	June 30,	
	2016	2015
Current assets	\$ 101,790,065	\$ 106,344,798
Capital assets	280,707,684	266,136,000
Total assets	382,497,749	372,480,798
Deferred outflows of resources	5,456,108	723,816
Current liabilities	6,676,202	6,040,792
Noncurrent liabilities	58,568,411	54,846,042
Total liabilities	65,244,613	60,886,834
Deferred inflows of resources	669,852	-
Net Position:		
Net investment in capital assets	243,612,081	229,110,179
Unrestricted	78,427,311	83,207,601
Total net position	\$ 322,039,392	\$ 312,317,780

The largest portion of the Authority's net position, \$243,612,081, reflects its investment in capital assets (such as land, buildings, machinery and equipment, etc.), less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the Authority's investment in capital assets is

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the Authority's net position represents unrestricted net position, \$78,427,311, which may be used to meet the Authority's ongoing obligations to citizens and creditors.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2016 and June 30, 2015.

**Table 2—Condensed Statement of Changes in Net Position**

	Year Ended June 30,	
	2016	2015
Program revenues:		
Charges for services	\$ 54,155,310	\$ 57,473,938
Capital grants and contributions	636,523	2,439,183
General revenues	2,080,254	1,917,177
Total revenues	56,872,087	61,830,298
Program expenses	47,150,475	46,820,215
Change in net position	9,721,612	15,010,083
Net position—beginning	312,317,780	297,307,697
Net position—ending	\$ 322,039,392	\$ 312,317,780

Overall revenues decreased 8.0 percent from the year ended June 30, 2015 due to a decrease in charges for services primarily related to connection privileges outside city, combined with a decrease in capital grants and contributions related to several one-time grants received in the prior year. Total expenses increased 0.7 percent from the year ended June 30, 2015, due to increases relating to the other post-employment benefits obligation and net pension liability.

A summary of sources of revenues for the years ended June 30, 2016 and June 30, 2015 is presented below in Table 3.

**Table 3—Summary of Sources of Revenues**

	Year Ended June 30,		Increase/(decrease)	
	2016	2015	Dollars	Percent
Charges for services	\$ 54,155,310	\$ 57,473,938	\$ (3,318,628)	(5.8)
Capital grants and contributions	636,523	2,439,183	(1,802,660)	(73.9)
Unrestricted investment earnings	343,483	259,373	84,110	32.4
Miscellaneous	1,736,771	1,657,804	78,967	4.8
Total revenues	\$ 56,872,087	\$ 61,830,298	\$ (4,958,211)	(8.0)

For the year ended June 30, 2016, the most significant source of revenues was charges for services, which accounted for \$54,155,310, or 95.2 percent of total revenues. The next largest source of revenue was

miscellaneous revenue of \$1,736,771, or 3.1 percent of total revenues. For the year ended June 30, 2015, the most significant source of revenues was charges for services, which accounted for \$57,473,938, or 93.0 percent of total revenues. The next largest source of revenue was classified as capital grants and contributions, which comprised \$2,439,183, or 3.9 percent of total revenues for the year ended June 30, 2015.

A summary of program expenses for the years ended June 30, 2016 and June 30, 2015 is presented below in Table 4.

**Table 4—Summary of Program Expenses**

	Year Ended June 30,		Increase/(decrease)	
	2016	2015	Dollars	Percent
General administration	\$ 2,532,347	\$ 2,376,046	\$ 156,301	6.6
Wastewater treatment facilities	34,482,810	34,608,043	(125,233)	(0.4)
Industrial waste	777,510	766,238	11,272	1.5
Engineering	2,123,261	1,918,665	204,596	10.7
Sewer maintenance	5,039,476	5,162,776	(123,300)	(2.4)
Interest and other fiscal charges	2,195,071	1,988,447	206,624	10.4
Total program expenses	<u>\$ 47,150,475</u>	<u>\$ 46,820,215</u>	<u>\$ 330,260</u>	0.7

For the year ended June 30, 2016, the Authority's most significant expense items were wastewater treatment facilities of \$34,482,810, or 73.1 percent of total expenses (primarily sewer, water, and sanitation services) and sewer maintenance costs of \$5,039,476, or 10.7 percent of total expenses. For the year ended June 30, 2015 the most significant expense items were wastewater treatment facilities of \$34,608,043, or 73.9 percent of total expenses (primarily sewer, water, and sanitation services) and sewer maintenance costs of \$5,162,776, or 11.0 percent of total expenses.

### **Financial Analysis of the Authority's Funds**

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

**Governmental funds**—The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the Authority itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board.

At June 30, 2016, the Authority's governmental funds reported combined ending fund balances of \$96,130,885, a decrease of \$5,573,506 from the prior year. Approximately 10.4 percent of this amount, \$10,000,000, constitutes *unassigned fund balance*, which is available for spending at the Authority's discretion. The remainder of fund balance is either *nonspendable*, *restricted* or *committed* to indicate that it is 1) not in spendable form (\$130,385), 2) restricted for particular purposes (\$4,735,110), or 3) committed for particular purposes (\$81,265,390).

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,000,000, while the total fund balance decreased by \$2,956,986 to \$34,508,316. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 16.9 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 58.5 percent of that same amount.

The Authority's total fund balance in the General Fund decreased by \$2,956,986 during the current year. The Authority anticipated using \$1,768,734 of fund balance from funds re-appropriated by prior year's encumbrances. Normal operations and efficiencies provided budgetary savings with regards to expenditures. However, these savings were outweighed by additional transfers to the General Projects Fund.

The General Projects Fund has a total fund balance of \$57,292,958, a decrease of \$2,041,680 from the prior year. During the year ended June 30, 2016, the Authority's General Fund transferred \$20,566,048 to the General Projects Fund to support ongoing capital projects. The Authority spent \$21,846,324 from the General Projects Fund for capital outlay. Of the total fund balance, \$405,499 represents amounts restricted for debt, while the remaining \$56,887,459 has been committed to fund future capital projects.

Fund balance in the Debt Service Fund at June 30, 2016 was \$4,329,611, a decrease of \$574,840 from the prior year. The primary reason for this was that debt service and related expenditures exceeded transfers in during the current year. All of the fund balance within the Debt Service Fund is restricted for future debt payments.

### General Fund Budgetary Highlights

The Authority adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule within the Required Supplementary Information section of this report has been provided to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended June 30, 2016 is presented in Table 5 below:

**Table 5—Summary of General Fund Results of Operations for the Year Ended June 30, 2016**

	Budgeted Amounts		Budgetary	Variance with
	Original	Final	Actual	Final Budget
Revenues and other financing sources	\$ 53,950,000	\$ 53,950,000	\$ 56,081,241	\$ 2,131,241
Expenditures and other financing uses	<u>55,718,734</u>	<u>57,060,559</u>	<u>60,654,680</u>	<u>(3,594,121)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,768,734)</u>	<u>\$ (3,110,559)</u>	<u>\$ (4,573,439)</u>	<u>\$ (1,462,880)</u>

**Original budget compared to final budget**—During the fiscal year, budgeted appropriations increased through budget amendments by \$1,341,825. Appropriations were increased primarily due to increases in wastewater treatment facilities related expenditures that were not foreseen when the budget was adopted. These amendments were supported by the use of available fund balance.

**Final budget compared to actual results**—Actual expenditures during the year were significantly lower as a result of savings in wastewater treatment facilities largely related to utilities. However, these cost savings were offset by unbudgeted transfers to the General Projects Fund to support ongoing capital projects.

## Capital Asset and Debt Administration

**Capital Assets**—The Authority’s investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$280,707,684 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements, machinery and equipment, and sanitary and storm relief systems.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Authority’s capital asset policy.

Capital assets net of depreciation for the governmental activities at the years ended June 30, 2016 and 2015 are presented in Table 6 below.

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

	June 30,	
	2016	2015
Land	\$ 10,586,171	\$ 10,586,171
Construction in progress	59,640,900	40,722,524
Buildings	116,844,298	120,796,331
Building improvements	3,894,134	3,782,394
Machinery & equipment	2,059,162	2,138,597
Sanitary & storm relief systems	87,683,019	88,109,983
Total	<u>\$ 280,707,684</u>	<u>\$ 266,136,000</u>

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

**Long-term liabilities**—At June 30, 2016, the Authority had bonded debt outstanding of \$41,830,713, as compared to \$43,863,151 in the prior year.

A summary of the Authority’s long-term liabilities at June 30, 2016 and June 30, 2015 is presented below in Table 7.

**Table 7—Summary of Long-Term Liabilities**

	June 30,	
	2016	2015
Bonds payable	\$ 41,830,713	\$ 43,863,151
Compensated absences	1,401,155	1,544,027
OPEB obligation	7,951,361	6,381,591
Judgments and claims	1,734,012	1,923,898
Net pension liability	5,651,170	1,133,375
	<u>\$ 58,568,411</u>	<u>\$ 54,846,042</u>

Additional information on the Authority's long-term liabilities can be found in Note 9 of this report.

### **Economic Factors and Next Year's Budget and Rates**

The unemployment rate, not seasonally adjusted, for the region at June 30, 2016 was 4.4 percent. This compares favorably to New York State's average unemployment rate of 4.9 percent. These factors are considered in preparing the Authority's budget.

Considering the condition of the General and General Projects Funds, respectively, the Authority's overall financial position decreased during the fiscal year ended June 30, 2016. Total appropriations within the 2016-2017 adopted budget are \$54,400,000, an increase of 0.8 percent from the 2015-2016 adopted budget, and are projected to be funded solely by revenues. Consequently, the Authority is not required to designate any of the unassigned General Fund fund balance for spending in the subsequent year.

Additionally, the Authority's five-year capital plan requires \$212 million of future appropriations. Management anticipates financing the aforementioned plan through the current designation, future contributions from operations and/or debt financing.

The Authority's primary source of revenues is derived from sewer rents. There are two types of sewer rents. Sewer rents based on assessed valuation of real estate and the other based on the use of water. All real property, both developed and undeveloped, must pay the sewer rent based on assessed valuation.

The levy of Sewer Rents based on assessed value will be \$12,050,000 for the 2016-2017 budget. This represents the amount of Sewer Rent that the Authority will collect from all real property in the City of Buffalo except those properties exempt by law. This amount, when spread over the total estimated assessment for sewer purposes from the Department of Assessment, will result in an annual sewer rent of \$1.64919227 for each for each \$1,000 of assessed valuation.

Sewer rents based on water use are billed as flat rate or metered accounts. Flat rate sewer rents continue to be charged based on property characteristics (i.e. number of stories, front footage, etc.). There will be no increases to those charges. The sewer rent meter charges will continue at the same rate of \$11.09 per 1,000 cubic feet. All flat and meter accounts will continue to be assessed a capacity/drainage charge at a minimum of \$6.00 per month

### **Contacting the Authority's Financial Management**

This financial report is designed to provide citizens, ratepayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability. Questions concerning this report or requests for additional financial information should be directed toward the Buffalo Sewer Authority, General Manager, 1038 City Hall, Buffalo, New York 14202.



## BASIC FINANCIAL STATEMENTS



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**BUFFALO SEWER AUTHORITY**  
**Statement of Net Position**  
**June 30, 2016**

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	<b><u>Primary Government Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,145,579
Designated cash and cash equivalents	81,852,605
Restricted cash and cash equivalents	655,614
Restricted investments	4,329,611
Receivables (net of allowances for uncollectible receivables)	12,270,772
Intergovernmental receivables	405,499
Prepaid items	130,385
Capital assets not being depreciated	70,227,071
Capital assets, net of accumulated depreciation	<u>210,480,613</u>
Total assets	<u>382,497,749</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows—relating to pension plans	<u>5,456,108</u>
Total deferred outflows of resources	<u>5,456,108</u>
<b>LIABILITIES</b>	
Accounts payable	4,606,150
Interest payable	360,594
Accrued liabilities	426,649
Intergovernmental payables	376,266
Retainages payable	656,428
Unearned revenues	250,115
Noncurrent liabilities:	
Due within one year	1,796,759
Due within more than one year	<u>56,771,652</u>
Total liabilities	<u>65,244,613</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows—relating to pension plans	<u>669,852</u>
Total deferred outflows of resources	<u>669,852</u>
<b>NET POSITION</b>	
Net investment in capital assets	243,612,081
Unrestricted	<u>78,427,311</u>
Total net position	<u><u>\$ 322,039,392</u></u>

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

**BUFFALO SEWER AUTHORITY**  
**Statement of Activities**  
**Year Ended June 30, 2016**

Functions/programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Position
				Primary Governmental Activities
Governmental activities:				
General administration	\$ 2,532,347	\$ 3,545,483	\$ -	\$ 1,013,136
Wastewater treatment facilities	34,482,810	36,874,506	-	2,391,696
Industrial waste	777,510	1,096,414	-	318,904
Engineering	2,123,261	2,990,783	-	867,522
Sewer maintenance	5,039,476	9,648,124	636,523	5,245,171
Interest and fiscal charges	2,195,071	-	-	(2,195,071)
Total governmental activities	<u>\$ 47,150,475</u>	<u>\$ 54,155,310</u>	<u>\$ 636,523</u>	<u>7,641,358</u>
General revenues:				
				343,483
				<u>1,736,771</u>
				<u>2,080,254</u>
				9,721,612
				<u>312,317,780</u>
				<u>\$ 322,039,392</u>

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

**BUFFALO SEWER AUTHORITY**  
**Balance Sheet—Governmental Funds**  
**June 30, 2016**

	<u>General</u>	<u>General Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,145,579	\$ -	\$ -	\$ 2,145,579
Designated cash and cash equivalents	22,761,478	59,091,127	-	81,852,605
Restricted cash and cash equivalents	250,115	405,499	-	655,614
Restricted investments	-	-	4,329,611	4,329,611
Receivables (net of allowance for uncollectibles)	12,270,772	-	-	12,270,772
Due from other funds	57,136	-	-	57,136
Intergovernmental receivables	-	405,499	-	405,499
Prepaid items	130,385	-	-	130,385
Total assets	<u>\$ 37,615,465</u>	<u>\$ 59,902,125</u>	<u>\$ 4,329,611</u>	<u>\$ 101,847,201</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,054,119	\$ 2,552,031	\$ -	\$ 4,606,150
Accrued liabilities	426,649	-	-	426,649
Due to other funds	-	57,136	-	57,136
Intergovernmental payables	376,266	-	-	376,266
Unearned revenue	250,115	-	-	250,115
Total liabilities	<u>3,107,149</u>	<u>2,609,167</u>	<u>-</u>	<u>5,716,316</u>
<b>FUND BALANCES</b>				
Nonspendable	130,385	-	-	130,385
Restricted	-	405,499	4,329,611	4,735,110
Committed	24,377,931	56,887,459	-	81,265,390
Unassigned	10,000,000	-	-	10,000,000
Total fund balances	<u>34,508,316</u>	<u>57,292,958</u>	<u>4,329,611</u>	<u>96,130,885</u>
Total liabilities and fund balances	<u>\$ 37,615,465</u>	<u>\$ 59,902,125</u>	<u>\$ 4,329,611</u>	<u>\$ 101,847,201</u>

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

**BUFFALO SEWER AUTHORITY**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**June 30, 2016**

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

Total fund balances—governmental funds (page 20)	\$ 96,130,885
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$532,872,229 and the accumulated depreciation is \$252,164,545.	280,707,684
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to employer contributions	\$ 376,062	
Deferred outflows related to experience, changes in assumptions and investment earnings	5,080,046	
Deferred inflows related to pensions	(669,852)	4,786,256

Net accrued interest expense for bonds, notes and special program bonds not reported in the funds.	(360,594)
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Retainages payable are not a current liability and, therefore, are not reported in the funds.	(656,428)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:

Bonds payable	\$ (41,830,713)	
Compensated absences	(1,401,155)	
Other postemployment benefits obligation	(7,951,361)	
Judgments and claims	(1,734,012)	
Net pension liability	(5,651,170)	(58,568,411)

Net position of governmental activities	\$ 322,039,392
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The notes to the financial statements are an integral part of this statement.

**BUFFALO SEWER AUTHORITY**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances—Governmental Funds**  
**Year Ended June 30, 2016**

	<u>General</u>	<u>General Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Sewer rents—general consumers	\$ 52,900,843	\$ -	\$ -	\$ 52,900,843
Interest on delinquent sewer rents	1,254,467	-	-	1,254,467
Interest on investments	244,776	-	98,707	343,483
Miscellaneous	1,347,984	-	388,787	1,736,771
State aid	-	255,616	-	255,616
Federal aid	-	380,907	-	380,907
Total revenues	<u>55,748,070</u>	<u>636,523</u>	<u>487,494</u>	<u>56,872,087</u>
<b>EXPENDITURES</b>				
Current:				
General administration	1,246,161	-	-	1,246,161
Wastewater treatment facilities	16,698,109	-	-	16,698,109
Industrial waste	426,198	-	-	426,198
Engineering	1,145,216	-	-	1,145,216
Sewer maintenance	3,124,741	1,010,719	-	4,135,460
Miscellaneous	4,138,690	-	-	4,138,690
Employee benefits	8,564,882	-	-	8,564,882
Debt service:				
Principal	-	-	2,032,438	2,032,438
Interest and fiscal charges	-	-	2,212,115	2,212,115
Capital outlay	-	21,846,324	-	21,846,324
Total expenditures	<u>35,343,997</u>	<u>22,857,043</u>	<u>4,244,553</u>	<u>62,445,593</u>
Excess (deficiency) of revenues over expenditures	<u>20,404,073</u>	<u>(22,220,520)</u>	<u>(3,757,059)</u>	<u>(5,573,506)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	333,171	20,566,048	3,295,390	24,194,609
Transfers out	(23,694,230)	(387,208)	(113,171)	(24,194,609)
Issuance of refunding bonds	-	-	7,094,679	7,094,679
Payment to refunded bond escrow agent	-	-	(7,094,679)	(7,094,679)
Total other financing sources (uses)	<u>(23,361,059)</u>	<u>20,178,840</u>	<u>3,182,219</u>	<u>-</u>
Net change in fund balances	(2,956,986)	(2,041,680)	(574,840)	(5,573,506)
Fund balances—beginning	37,465,302	59,334,638	4,904,451	101,704,391
Fund balances—ending	<u>\$ 34,508,316</u>	<u>\$ 57,292,958</u>	<u>\$ 4,329,611</u>	<u>\$ 96,130,885</u>

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



**BUFFALO SEWER AUTHORITY**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended June 30, 2016**

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances—total governmental funds (page 15) \$ (5,573,506)

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

Capital asset additions, net	\$ 23,736,154	
Depreciation expense	<u>(9,164,470)</u>	14,571,684

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

Authority pension contributions	\$ 376,062	
Cost of benefits earned net of employee contributions	<u>3,686,378</u>	4,062,440

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 17,044

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities, retained percentages on construction contracts are reported as expenses as they accrue. 366,319

The issuance of long-term debt (e.g. bonds payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of bonds payable	\$ 2,032,438	
Issuance of refunding bonds	7,094,679	
Principal repayment from refunding bonds	(7,094,679)	
Changes in compensated absences	142,872	
Changes in other postemployment benefits obligation	(1,569,770)	
Changes in judgments and claims	189,886	
Changes in net pension liability	<u>(4,517,795)</u>	<u>(3,722,369)</u>

Change in net position of governmental activities \$ 9,721,612

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

**BUFFALO SEWER AUTHORITY**  
**Statement of Fiduciary Net Position—Agency Fund**  
**June 30, 2016**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$     34,676
Total assets	<u>\$     34,676</u>
<b>LIABILITIES</b>	
Bankruptcy funds held	\$     34,676
Total liabilities	<u>\$     34,676</u>

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

**BUFFALO SEWER AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Description of Government-Wide Financial Statements***

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

***Reporting Entity***

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

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

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

The budgetary and fiscal operations of the Authority are comparable to that of a governmental rather than a proprietary unit and, therefore, the Board has opted to record such activity in a governmental fund type (General Fund) rather than in a proprietary fund type (Enterprise Fund).

***Basis of Presentation – Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial

statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule are chargeback for services, such as printing and computer services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### ***Basis of Presentation – Fund Financial Statements***

The fund financial statements provide information about the Authority's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Authority reports the following major governmental funds:

- ◆ *General Fund*—The General Fund constitutes the primary operating fund of the Authority and includes all operations not required to be recorded in other funds. The principal source of revenues for the General Fund is sewer rents.
- ◆ *General Projects Fund*—The General Projects Fund accounts for the acquisition and construction of major capital facilities and capital assets financed primarily with proceeds of both long and short-term debt and transfers from the General Fund.
- ◆ *Debt Service Fund*—The Debt Service Fund is used to maintain a debt service reserve required under the sewer system bond resolutions and related amendments. The Debt Service Fund also accounts for payments made for principal and interest on long-term general obligation debt of governmental funds. Investment earnings are considered revenues of the General Fund.

Additionally, the Authority reports the following fund type:

- ◆ *Fiduciary Fund*—The *Agency Fund* is used to account for assets held by the Authority as an agent for individuals, private organizations, and/or other governmental units. The Agency Fund accounts for amounts held from bankruptcies.

During the course of operations the Authority has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sewer rents and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

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

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

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

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

***Restricted Cash and Cash Equivalents***—Restricted cash represents unspent proceeds of debt, unearned revenues and amounts to support restricted fund balances.

**Prepaid Items**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Capital Assets**—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, machinery and equipment and sanitary and storm relief systems, are reported in the government-wide financial statements. The Authority’s capitalization policy requires the Authority to record capital assets purchased or constructed having a useful life of two or more years and a cost in excess of \$10,000. Capital assets are reported in the government-wide financial statements at cost (or estimated historical cost). The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend to an asset’s useful life is not capitalized.

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

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

**Deferred Outflows/Inflows of Resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2016, the Authority has one item that qualifies for reporting in this category. The item is related to pensions, reported in the government-wide financial statements, which represents the effect of the net change in the Authority’s proportion of the collective net pension liability, and the difference during the measurement period between the Authority’s contributions and its proportionate share of the total contribution to the pension system not include in the pension expense and any contributions to the pension system made subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2016, the Authority reports a deferred inflow of resources on the government-wide financial statements related to pensions. This item represents the effect of the net change in the Authority’s proportion of the collective net pension liability and the difference during the measurement periods between the Authority’s contributions, and its proportionate share of the total contributions to the pension systems not included in pension expense.

***Net Position Flow Assumption***—Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purposes, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the Authority’s highest level of decision-making authority. The Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as committed. The Board has by resolution authorized the General Manager to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenditures/Expenses***

***Program Revenues***—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General revenues are those that cannot be associated directly with program activities.

The Authority raises revenues from sewer rents from a variety of sources including assessed valuation of real property, water use, industrial waste charges and sewer connection agreements with neighboring communities.

The City's Department of Assessment bills sewer rents based on assessed valuation for the Authority in the same manner as that used for billing of City taxes.

The Authority contracts with an outside agency to act as the managers of the City's Division of Water. The agency bills sewer rents based on water use for the Authority as a separate item on each water bill. Such sewer rents are based on water consumption for metered accounts or a percent of water billings for unmetered accounts.

Agreements between neighboring communities and the Authority provide for charges based on the actual cost of receiving and treating sewage discharged into the Authority's facilities or based upon the rated capacity of the respective connections as apportioned to the total capacity of the Sewage Treatment Plant.

***Unearned Revenue***—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2016, the Authority reported \$250,115 of unearned revenues in the General Fund. The Authority has collected sewer rent money in advance, but has not performed the services and therefore recognizes a liability.

***Compensated Absences***—The Authority's two labor agreements provide for sick leave, vacations and miscellaneous other paid absences. Upon retirement certain eligible employees qualify for payment for unused vacation and fractional values of unused sick leave. Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

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

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

#### ***Other***

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



***Adoption of New Accounting Pronouncements***—During the year ended June 30, 2016, the Authority implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 76 reduces the GAAP hierarchy into two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

***Future Impacts of Accounting Pronouncements***—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, effective for the fiscal year ending June 30, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending June 30, 2018. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 77, 78, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

### ***Stewardship, Compliance and Accountability***

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

- ◆ In accordance with bond resolutions and related amendments, prior to the forty-fifth day before the beginning of the next fiscal year, the Authority files an adopted budget with the Trustee for the fiscal year to commence July 1. This budget includes appropriations, estimated revenues and amounts necessary for the payment of subordinated indebtedness incurred by the Authority.
- ◆ On or before July 1 of each fiscal year, the Authority adopts the annual budget for such fiscal year. The budget is adopted at the activity level.
- ◆ During the fiscal year, management can transfer appropriations within the activity level without the approval of the Authority Board. The Authority Board can legally amend the operating budget and is empowered to implement supplemental appropriations. Budget amendments beyond the activity level of control require Board approval.
- ◆ Formal annual budgetary accounts are employed as a management control device for the General Fund. This budget is adopted on a budgetary basis which takes into consideration encumbrances. The budgeted funds of the General Fund lapse at the end of the fiscal year. However, a five-year plan does exist for capital projects.

- ◆ The Authority's legal level of budgetary control is at the activity level. Total expenditures for each department may not legally exceed the total appropriations at the activity level. Encumbrances outstanding at year end are accounted for by a commitment of fund balance. All encumbered appropriations lapse and revert to fund balance at the end of the fiscal year.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Authority has its own written investment policy in accordance with Title 7, Section 2925 of the Public Authorities Law. Monies in any fund held by a Trustee, or the Authority provide reasonable liquidity in the highest yield investment securities. Permissible investments include:

- ◆ Direct obligations of or obligations insured or guaranteed by the United States of America;
- ◆ Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Export-Import Bank of the United States; Federal Home Loan Bank System; Federal Housing Administration; Federal National Mortgage Association; General Services Administration; Government National Mortgage Association; Small Business Administration; Student Loan Marketing Association; U.S. Department of Housing of Urban Development; U.S. Maritime Administration; the Resolution Funding Corporation; Federal Land Banks; the Government National Mortgage Association; the Tennessee Value Authority or the Washington Metropolitan Area Transit Authority;
- ◆ Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that fully and timely payment of such deposit or similar obligation is enforceable against the principle office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's Investor Service and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's Corporation;
- ◆ Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.
- ◆ Investments in money-market funds rated "AAAm" or "AAAM-G" by Standard & Poor's Corporation;
- ◆ Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided a master repurchase agreement or specific written repurchase agreement governs the transaction;
- ◆ Direct and general obligations of any State of the United States, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, but only if, at the time of

their purchase here under, such obligations are rated in either of the two highest rating categories by either Standard and Poor's Corporation or Moody's Investors Services.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The Authority has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents at June 30, 2016 are shown below.

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 2,250	\$ -	\$ 2,250
Deposits	14,561,433	34,676	14,596,109
Other cash and cash equivalents	70,090,115	-	70,090,115
Total	<u>\$ 84,653,798</u>	<u>\$ 34,676</u>	<u>\$ 84,688,474</u>

**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2016 as follows:

	Bank Balance	Carrying Balance
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the Authority's name	14,125,042	14,096,109
Total	<u>\$ 14,625,042</u>	<u>\$ 14,596,109</u>

**Custodial Credit Risks—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2016, the Authority's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Authority's name.

**Other Cash and Cash Equivalents**—Other cash and cash equivalents are held as U.S. Treasury money market investments, cash equivalents, savings, certificates of deposits and time deposits at their market value of \$70,090,115.

**Restricted Cash and Cash Equivalents**—At June 30, 2016, the Authority reported \$655,614 of restricted cash and cash equivalents. Of this amount \$250,115 is reported in the General Fund to support unearned revenues and \$405,499 is reported in the General Projects Fund to support restricted fund balances.

**Designated Cash and Cash Equivalents**—The Authority reports amounts as designated cash and cash equivalents to support fund balances committed to capital projects and future loss contingencies. At June 30, 2016, the Authority reported \$22,761,478 and \$59,091,127 of designated cash and cash equivalents within the General Fund and General Projects Fund, respectively.

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

	Interest Rate	Maturity Date	Par or Face Value	Fair Value
U.S. Treasury note	2.42%	4/15/2032	\$ 2,167,157	\$ 2,167,157
U.S. Treasury note	2.70%	2/15/2033	361,415	361,415
U.S. Treasury note	2.70%	11/15/2033	515,879	515,879
U.S. Treasury note	2.44%	10/1/2035	689,547	689,547
U.S. Treasury note	2.70%	5/1/2044	595,613	595,613
Total Debt Service Fund			<u>\$ 4,329,611</u>	<u>\$ 4,329,611</u>

**Credit Ratings**—The Authority has government notes with U.S. Treasury notes maturing April 15, 2032, February 15, 2033, November 15, 2033, October 1, 2035 and May 1, 2044. All of these investments have an S&P credit rating of A-1+ and a Moody's credit rating of P-1.

**Credit Risk—Investments**—In compliance with State law, the Authority's investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts, and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint ventures or cooperative investment programs.

**Interest Rate Risk**—In the case of investments, this is the risk that potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. There is the prospect of a loss should those securities be sold prior to maturity. The Authority follows a policy to specifically identify the maturity for each individual investment and evaluate risk accordingly. There are no requirements limiting maturity of investments.

### 3. RECEIVABLES

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

Flat rate receivables	\$ 2,572,657	
Allowance: flat rate receivables	<u>(2,155,185)</u>	\$ 417,472
Metered receivables	8,161,517	
Allowance: metered receivables	<u>(4,159,048)</u>	4,002,469
Industrial waste receivables	200,403	
Allowance: industrial waste receivables	<u>(8,042)</u>	192,361
Outside district receivables	7,087,904	
Allowance: outside district receivables	<u>(5,596)</u>	7,082,308
Other miscellaneous receivables		<u>576,162</u>
		<u>\$ 12,270,772</u>

***Intergovernmental Receivables***—The Authority has an amount due from the New York State Environmental Facilities Corporation (“NYS EFC”) of \$405,499. The Authority will use these funds to offset future debt payments.

#### 4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2016 was as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 10,586,171	\$ -	\$ -	\$ 10,586,171
Construction in progress	<u>40,722,524</u>	<u>23,309,017</u>	<u>(4,390,641)</u>	<u>59,640,900</u>
Total capital assets, not being depreciated	<u>51,308,695</u>	<u>23,309,017</u>	<u>(4,390,641)</u>	<u>70,227,071</u>
Capital assets, being depreciated:				
Land improvements	455,703	-	-	455,703
Buildings	248,641,507	1,040,683	-	249,682,190
Building improvements	9,817,487	400,442	-	10,217,929
Machinery & equipment	30,088,649	427,136	-	30,515,785
Sanitary & storm relief systems	<u>168,824,034</u>	<u>2,949,517</u>	<u>-</u>	<u>171,773,551</u>
Total capital assets, being depreciated	<u>457,827,380</u>	<u>4,817,778</u>	<u>-</u>	<u>462,645,158</u>
Less accumulated depreciation for:				
Land improvements	(455,703)	-	-	(455,703)
Buildings	(127,845,176)	(4,992,716)	-	(132,837,892)
Building improvements	(6,035,093)	(288,702)	-	(6,323,795)
Machinery & equipment	(27,950,052)	(506,571)	-	(28,456,623)
Sanitary & storm relief systems	<u>(80,714,051)</u>	<u>(3,376,481)</u>	<u>-</u>	<u>(84,090,532)</u>
Total accumulated depreciation	<u>(243,000,075)</u>	<u>(9,164,470)</u>	<u>-</u>	<u>(252,164,545)</u>
Total capital assets, being depreciated, net	<u>214,827,305</u>	<u>(4,346,692)</u>	<u>-</u>	<u>210,480,613</u>
Governmental activities capital assets, net	<u>\$ 266,136,000</u>	<u>\$ 18,962,325</u>	<u>\$ (4,390,641)</u>	<u>\$ 280,707,684</u>

Depreciation expense totaling \$9,164,470 is reported within the government-wide statements and has been allocated to wastewater treatment plant expenses of \$8,657,899 and sewer maintenance expenses of \$506,571.

## 5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2016, were as follows:

	General Fund
Salary and other employee benefits	\$ 426,649
Total accrued liabilities	<u>\$ 426,649</u>

## 6. PENSION OBLIGATIONS

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

### *Plan Description and Benefits Provided*

**Employees' Retirement System ("ERS")**—The Authority 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 New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance ("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. The report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—The net pension liability was measured as of March 31, 2016 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of April 1, 2015, with update procedures used to roll forward the total pension liability/(asset) to the measurement date. The Authority's proportion of the net pension liability/(asset) was based on a projection of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the Authority.

	<u>ERS</u>
Measurement date	March 31, 2016
Net pension liability	\$ 5,651,170
Authority's portion of the Plan's total net pension liability	0.0352092%

For the year ended June 30, 2016, the Authority recognized a pension expense of \$2,074,008 for ERS. At June 30, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 28,557	\$ 669,852
Change of assumptions	1,506,997	-
Net difference between projected and actual earnings on pension plan investments	3,352,584	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	191,908	-
Authority contributions subsequent to the measurement date	<u>376,062</u>	<u>-</u>
Total	<u>\$ 5,456,108</u>	<u>\$ 669,852</u>

Authority 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>
2017	\$ 1,125,010
2018	1,125,010
2019	1,125,010
2020	1,035,164

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

	ERS
Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Discount rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

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

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

	Target Allocation	Long-Term Expected Real Rate of Return
	ERS	ERS
Measurement date		March 31, 2016
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
Alternative investments	0.0	0.0
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 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart below presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

ERS	Decrease (6.0%)	Assumption (7.0%)	Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 12,742,977	\$ 5,651,170	\$ (341,105)

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

	(Dollars in Thousands)
	ERS
Valuation date	April 1, 2015
Employers' total pension liability(asset)	\$ 172,303,544
Plan fiduciary net position	156,253,265
Employers' net pension (asset)/liability	\$ 16,050,279
System fiduciary net position as a percentage of total pension liability	90.68%

**Payables to the Pension Plan**—Employer contributions are paid annually based on the System’s fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$376,062.

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

**Plan Description**—In addition to pension benefits, the Authority provides health care benefits for retirees, spouses, and their covered dependents at no cost to the retirees under a single-employer postemployment benefit plan. There is no separate, audit GAAP-basis postemployment benefit plan report available for the plan. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Authority provides one traditional indemnity plan option for its retirees under 65. In addition, the Authority provides a Medicare Supplement plan option for

their Medicare eligible retirees over 65. Retirees who have alternate insurance and desire to waive medical insurance through the Authority will receive an in-lieu payment from the Authority each year. These payments total \$1,200, \$1,800, and \$2,400, to waive single coverage, two-person coverage, and family coverage, respectively. However, the Authority does not cover surviving spouses. There were 122 retirees receiving health care benefits at June 30, 2016. The General Fund of the Authority is typically used to liquidate the net OPEB obligation.

**Funding Policy**—Authorization for the Authority to pay all of retiree health insurance premiums was enacted by resolution of the Authority Board or through union contracts, which are ratified by the Authority Board. For an employee to be eligible for the Authority's postemployment health plan they must have been employed by the Authority for a minimum of five consecutive years prior to retirement and qualify for retirement as a member of the New York State retirement system. All current retirees, receive full health care coverage with no contribution requirements for themselves, dependents, and spouses.

The Authority's annual OPEB cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years.

The table below shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and the changes in the Authority's net OPEB obligation.

	Year Ended June 30,	
	2016	2015
Annual required contribution ("ARC")	\$ 4,183,747	\$ 4,183,747
Interest on net OPEB obligation	255,264	215,913
Adjustment to annual required contribution	(260,536)	(223,597)
Annual OPEB cost (expense)	4,178,475	4,176,063
Contributions made	(2,608,705)	(3,192,300)
Increase in net OPEB	1,569,770	983,763
Net OPEB obligation - beginning of the year	6,381,591	5,397,828
Net OPEB obligation - end of the year	<u>\$ 7,951,361</u>	<u>\$ 6,381,591</u>

**Funding Status and Funding Progress**—As of June 30, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$73,396,419.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This schedule presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The Authority'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
2016	\$ 4,178,475	\$ 2,608,705	62.4%	\$ 7,951,361
2015	4,176,063	3,192,300	76.4%	6,381,591
2014	2,735,893	2,094,433	76.6%	5,397,828

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

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

In the June 30, 2015 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation and measurement date of June 30, 2015. The interest rate, salary scale and inflation rate used are 4.0%, 3.0% and 2.5%, respectively. The RP-2014 Mortality Table separate for males and females is used for mortality rates. The rates of termination are based on 2003 Society of Actuaries small plan withdrawal. Upon retirement it is assumed that 100% of eligible employees and their spouses will elect for post-employment health care benefits, while it is assumed that 70% of retirees will be married at the time of their retirement. At June 30, 2015, healthcare costs are expected to increase at a rate of 6.4%. The unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay, open group basis, therefore the remaining amortization period at June 30, 2016 was twenty-two years.

## 8. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; vehicle liability, injuries to employees; health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority purchases insurance for: commercial property coverage, commercial general liability coverage, commercial automotive coverage and commercial crime coverage. Property insurance is limited based on scheduled locations. The general liability insurance is limited to \$7 million per occurrence. Real Property and Personal Property Coverage is limited to \$493,168,295 million. Automobile insurance is limited to \$3,493,320 million per accident. Crime coverage is limited to \$1 million per occurrence with a \$2 million annual aggregate limit.

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

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

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

Year Ended June 30,	Beginning Balance	Claims and Changes in Estimates	Payments and Changes in Estimates	Ending Balance
2016	\$ 1,923,898	\$ 610,459	\$ (800,345)	\$ 1,734,012
2015	1,189,750	934,680	(200,532)	1,923,898

At June 30, 2016, \$5,000,000 of the General Fund fund balance was committed to loss contingencies for the purpose of funding the Authority’s future claims liabilities.

## 9. LONG TERM LIABILITIES

Long-term debt and other long-term obligations are reported in the government-wide financial statements.

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

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

A summary of changes in the Authority’s long-term liabilities at June 30, 2016 follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Bonds payable	\$ 43,863,151	\$ 7,094,679	\$ (9,127,117)	\$ 41,830,713	\$ 1,640,000
Compensated absences	1,544,027	607,272	(750,144)	1,401,155	70,058
OPEB obligation	6,381,591	4,178,475	(2,608,705)	7,951,361	-
Judgments and claims	1,923,898	610,459	(800,345)	1,734,012	86,701
Net pension liability*	1,133,375	4,517,795	-	5,651,170	-
Total	<u>\$ 54,846,042</u>	<u>\$ 17,008,680</u>	<u>\$ (13,286,311)</u>	<u>\$ 58,568,411</u>	<u>\$ 1,796,759</u>

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

## ***Bonds Payable***

**Series L**—On July 13, 2007, the Authority issued \$9,526,664 of State Clean Water and Drinking Water Revolving Funds Revenue Bonds, Series 2007C (“L”) dated July 27, 2007 with an interest range of 3.601%-4.861%. The proceeds, after \$133,774 of issuance costs, were used to refinance short-term EFC debt, \$5,551,594, as a deposit to the Project Construction Fund held by EFC, \$2,888,630 and the remainder deposited in the Debt Service reserve, \$952,666. The bonds mature on October 1, 2035.

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

**Series N**—On November 15, 2012, through EFC, the Authority issued replacement bonds for the outstanding EFC Sewer System Revenue Bonds, Series H bonds with EFC Sewer System Revenue Bonds, Series N in the amount of \$21,671,564. Prior to issuing the replacement note, the Authority paid \$658,436 in Series H principal payments in the current year. Interest on the Series N bond ranges from 3.85%-4.90% and the bonds mature on April 15, 2032. As a result, \$21,671,564 of Series H Bonds were considered defeased and the liability for those bonds has been removed from the Authority’s financial statements. The replacement bonds were issued for the same amount outstanding on the Series H Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$772,721.

**Series J1**—On July 2, 2014, through EFC, the Authority issued replacement bonds for the outstanding EFC Sewer System Revenue Bonds, Series J bonds with EFC Sewer System Revenue Bonds, Series J1 in the amount of \$5,353,126. Interest on the Series J1 bond ranges from 4.06%-4.63% and the bonds mature on November 15, 2033. As a result, \$5,353,126 of Series J Bonds were considered defeased and the liability for those bonds has been removed from the Authority’s financial statements. The replacement bonds were issued for the same amount outstanding on the Series J Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$607,254.

**Series K1**—On July 2, 2014, through EFC, the Authority issued replacement bonds for the outstanding EFC Sewer System Revenue Bonds, Series K bonds with EFC Sewer System Revenue Bonds, Series K1 in the amount of \$3,614,143. Interest on the Series K1 bond ranges from 4.25%-5.15% and the bonds mature on February 15, 2033. As a result, \$3,614,143 of Series K Bonds were considered defeased and the liability for those bonds has been removed from the Authority’s financial statements. The replacement bonds were issued for the same amount outstanding on the Series K Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$395,499.

**Series L1**—On August 20, 2015, through EFC, the Authority issued replacement bonds for the outstanding EFC Sewer System Revenue Bonds, Series L bonds with EFC Sewer System Revenue Bonds, Series L1 in the amount of \$7,094,679. Prior to issuing the replacement note, the Authority paid \$430,321 in Series L principal payments in the current year. Interest on the Series L1 bond ranges from 4.17-4.86% and the bonds mature on October 1, 3025. As a result, \$7,094,679 of Series

L Bonds were considered defeased and the liability for those bonds has been removed from the Authority's financial statements. The replacement bonds were issued for the same amount outstanding on the Series L Sewer System Revenue bonds at the time of issuance. The refund resulted in an estimated net present benefit of \$680,873.

**Rate Covenant**—The Authority has covenanted that from time to time and as often as it shall appear necessary, the rates, charges, rents, sewer rents, fees and assessments established for the Sewer System will be adjusted whenever necessary to cause the revenues collected in each fiscal year from the Sewer System to be at least equal to the Minimum Revenue Requirement, which shall be equal to the sum of (i) the amount estimated to be required in the current fiscal year to pay operating expenses and to meet the debt service reserve requirement and the Renewal and Extension Requirement, plus (ii) 115% of debt service for such fiscal year.

The following is a summary of Sewer System Revenue Bond transactions of the Authority for the year ended June 30, 2016:

Description	Interest Rate	Year of Issue/ Maturity	Balance 7/1/2015	Additions	Payments	Balance 6/30/2016
Series L	3.60-4.86	2007/2036	\$ 7,525,000	\$ -	\$ (7,525,000)	\$ -
Series M	4.25-5.15	2015/2044	8,334,319	-	(219,319)	8,115,000
Series N	3.85-4.90	2012/2031	19,386,564	-	(795,000)	18,591,564
Series J1	4.06-4.63	2014/2033	5,138,126	-	(220,000)	4,918,126
Series K1	4.25-5.15	2014/2033	3,479,142	-	(135,000)	3,344,142
Series L1	4.17-4.86	2015/2035	-	7,094,679	(232,798)	6,861,881
Total			<u>\$ 43,863,151</u>	<u>\$ 7,094,679</u>	<u>\$ (9,127,117)</u>	<u>\$ 41,830,713</u>

**Compensated Absences**—The Authority records the value of compensated absences in the government wide financial statements. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. The annual budgets of the operating funds provide for these benefits as they become due.

**OPEB Obligation**—As explained in Note 7, the Authority provides health care benefits for retirees, spouses, and their covered dependents at no cost to the retirees. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Authority's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The Authority's long-term OPEB obligation is estimated to be \$7,951,361 at June 30, 2016.

**Judgments and Claims**—As explained in Note 8, judgments and claims represents workers' compensation and general liability claims incurred. The value of the liability within the government-wide statements at June 30, 2016 is \$1,734,012, with \$86,701 representing the estimated amount due within one year.

**Net Pension Liability**—The Authority reported a liability, \$5,651,170, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 6 for additional information related to the Authority’s net pension liability.

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

Year Ending June 30,	Bond Principal	Compensated Absences*	OPEB Obligation	Judgments and Claims*	Net Pension Liability	Total
2017	\$ 1,640,000	\$ 70,058	\$ -	\$ 86,701	\$ -	\$ 1,796,759
2018	1,685,000	-	-	-	-	1,685,000
2019	1,720,000	-	-	-	-	1,720,000
2020	1,770,000	-	-	-	-	1,770,000
2021	1,810,000	-	-	-	-	1,810,000
2022-2026	9,825,000	-	-	-	-	9,825,000
2027-2031	11,275,000	-	-	-	-	11,275,000
2032-2036	9,060,713	-	-	-	-	9,060,713
2037-2041	1,495,000	-	-	-	-	1,495,000
2042 and beyond	1,550,000	-	-	-	-	1,550,000
Various	-	1,331,097	7,951,361	1,647,311	5,651,170	16,580,939
	<u>\$ 41,830,713</u>	<u>\$ 1,401,155</u>	<u>\$ 7,951,361</u>	<u>\$ 1,734,012</u>	<u>\$ 5,651,170</u>	<u>\$ 58,568,411</u>

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

\*Payment of compensated absences and judgments and claims are dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management has estimated its current portion of such liabilities.

Interest requirements on serial bonds payable are as follows:

Year Ended June 30,	Interest
2017	\$ 1,733,171
2018	1,674,060
2019	1,611,798
2020	1,545,602
2021	1,475,822
2022-2026	6,207,670
2027-2031	3,937,697
2032-2036	1,337,194
2037-2041	525,744
2042 and beyond	159,036
	<u>\$ 20,207,794</u>

**Defeased Debt**—The Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. In each instance, the principal amount of the replacement bonds was equivalent to the amount outstanding of the old bonds at the time of issuance. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority’s financial statements. Principal balances of bonds outstanding at June 30, 2016 that are considered defeased include:

Series H	\$ 19,250,000
Series J	4,918,126
Series K	3,344,142
Series L	<u>6,861,881</u>
Total	<u>\$ 34,374,149</u>

## 10. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ◆ **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construct or improvement of these assets reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), net of total bonded indebtedness to net assets invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation	\$ 280,707,684
Less: Outstanding bonds payable issued for capital acquisition	(41,830,713)
Add: Remaining debt reserve from issuance not used for capital asset acquisition	<u>4,735,110</u>
Net investment in capital assets	<u>\$ 243,612,081</u>

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by Authority at June 30, 2016 includes:

- ◆ **Prepaid Items**—Representing the portion of fund balance, \$130,385 composed of prepaid expenditures. This balance is nonspendable as the balance does not represent an available resource.

In the fund financial statements, restricted fund balance are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or



by enabling legislation. Restricted fund balance amounts are approved by the Board that will be placed in legal reserves (and thereby restricted), but at the end of the fiscal year the dollar amount is unknown. As such, the General Manager is authorized by the Board to establish a funding plan with specific dollar amounts to be determined subsequent to the Authority's fiscal year end. The amounts must be approved by the majority vote of the Board prior to the release of the audited financial statements. Restrictions of the Authority at June 30, 2016 includes:

- ◆ ***Restricted for Debt Service***—Represents resources, \$4,735,110, that have been legally restricted for principal and interest payments that will be made in future periods.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Authority's highest level of decision-making authority. Fund balances are committed by the Chair of the Board and approved by the Board; however, at the end of the fiscal year the dollar amount is unknown. As such, with the exception of committed to encumbrances, the amounts are to be determined by the General Manager based upon the amounts available, the planned projects and other financing sources. Commitments of the Authority at June 30, 2016 include:

- ◆ ***Committed to encumbrances***—Represents resources to cover the amount of outstanding purchase orders or encumbrances related to unperformed (executory) contracts for goods and services. At June 30, 2016, the Authority has \$1,616,453 and \$19,647,206 of fund balance committed to encumbrances within its General Fund and General Projects Fund, respectively.
- ◆ ***Committed to loss contingencies***—Representing funds, \$5,000,000, accumulated for noninsured liability and casualty losses within the General Fund.
- ◆ ***Committed to capital projects***—Representing funds set aside for the centrifuge project, incinerator rehabilitation, sewer relining and various other improvements. The Authority's five-year capital plan requires future financing. Management anticipates financing the aforementioned plan through the current designation, future contributions from operations and/or debt financing. At June 30, 2016, the Authority has \$17,761,478 and \$37,240,253 of fund balance committed to capital projects within its General Fund and General Projects Fund, respectively.

In the fund financial statements, assignments are amounts that are subject to a purpose constraint that represents an intended use established by the Board, or by their designated body or official. The Board has authorized the General Manager to make a determination of the assigned amounts of fund balance. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of June 30, 2016, the Authority did not report any assigned fund balance.

Unassigned fund balance represents General Fund amounts that are available for any purpose. The Authority's target is to maintain an unassigned fund balance of not less than 15% of annual operating expenditures for the fiscal year.

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

## 11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2016 is as follows:

	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 57,136	\$ -
General Projects Fund	-	57,136
Total governmental funds	<u>\$ 57,136</u>	<u>\$ 57,136</u>

These outstanding balances between funds result from payments made on behalf of other funds, interest accruals within certain funds that are payable to other funds, or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

	Transfers in:			
Fund	General Fund	General Projects Fund	Debt Service Fund	Total
Transfers out:				
General Fund	\$ -	\$ 20,566,048	\$ 3,128,182	\$ 23,694,230
General Projects Fund	220,000		167,208	387,208
Debt Service Fund	113,171	-	-	113,171
Total	<u>\$ 333,171</u>	<u>\$ 20,566,048</u>	<u>\$ 3,295,390</u>	<u>\$ 24,194,609</u>

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

## 12. AGENCY FUND

An agency fund exists to account for funds held from bankruptcies. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2016:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 35,297</u>	<u>\$ 2,104</u>	<u>\$ 2,725</u>	<u>\$ 34,676</u>
Total assets	<u>\$ 35,297</u>	<u>\$ 2,104</u>	<u>\$ 2,725</u>	<u>\$ 34,676</u>
<b>LIABILITIES</b>				
Bankruptcy funds held	<u>\$ 35,297</u>	<u>\$ 7,339</u>	<u>\$ 7,960</u>	<u>\$ 34,676</u>
Due to other funds	<u>-</u>	<u>2,925</u>	<u>2,925</u>	<u>-</u>
Total liabilities	<u>\$ 35,297</u>	<u>\$ 10,264</u>	<u>\$ 10,886</u>	<u>\$ 34,676</u>

### 13. LABOR RELATIONS

Authority employees are represented by two bargaining units. The CSEA contract was negotiated through June 30, 2014 and the CWA contract has been negotiated through June 30, 2018.

### 14. COMMITMENTS

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

The Authority considers encumbrances significant if they are in excess of \$400,000. As of June 30, 2016, the Authority reported the following significant encumbrances:

General Projects Fund:	
Hydraulic model calibration	\$ 3,044,433
Miscellaneous system-wide sewer repairs project	2,812,672
Sewer cleaning and internal television inspection	2,024,580
Multiple hearth furnace upgrade	1,875,067
Post-demolition green infrastructure services	1,470,854
Professional services	1,042,556
Dissolved air flotation separator	991,442
Incinerator ash system upgrades	990,948
Centrifuge equipment	581,050
Distribution control systems	569,076
Professional consulting engineering agreement	425,100
Combined heat & power project	406,354

### 15. CONTINGENCIES

**Litigation**—The Authority is involved in various litigation arising in the ordinary course of its operations. Based on consultation with its Law Department and Counsel, it is the opinion of the Authority that the settlement of such pending litigation, if any, is adequately provided for with amounts accumulated in the designation for loss contingencies.

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

## **16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 23, 2016, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

## REQUIRED SUPPLEMENTARY INFORMATION



**BUFFALO SEWER AUTHORITY**  
**Schedule of Funding Progress—Other Post-Employment Benefits Plan**  
**Year Ended June 30, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a-b)</b>	<b>Covered Payroll (c)</b>	<b>Percentage of Covered Payroll ((b-a)/c)</b>
As of June 30, 2015	\$ -	\$ 73,396,419	\$ 73,396,419	-	\$ 8,353,278	8.79%
As of June 30, 2013	-	49,430,275	49,430,275	-	9,220,610	5.36%
As of June 30, 2011	-	39,701,868	39,701,868	-	9,302,030	4.27%

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

	Year Ended June 30,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
Authority's proportion of the net pension liability	0.0352092%	0.0335492%	0.0335492%
Authority's proportionate share of the net pension liability	<u>\$ 5,651,170</u>	<u>\$ 1,133,375</u>	<u>\$ 1,516,043</u>
Authority's covered-employee payroll	\$ 10,139,681	\$ 9,405,983	\$ 9,457,414
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.7%	12.0%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%	97.2%

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



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

	Year Ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 1,618,550	\$ 1,784,922	\$ 1,973,788
Contributions in relation to the contractually required contribution	<u>(1,618,550)</u>	<u>(1,784,922)</u>	<u>(1,973,788)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 10,139,681	\$ 9,405,983	\$ 9,457,414
Contributions as a percentage of covered-employee payroll	16.0%	19.0%	20.9%

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

**BUFFALO SEWER AUTHORITY**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Sewer rents—general consumers	\$ 52,134,600	\$ 52,134,600	\$ 52,900,843	\$ 766,243
Interest on delinquent sewer rents	806,000	806,000	1,254,467	448,467
Interest on investments	100,400	100,400	244,776	144,376
Miscellaneous	909,000	909,000	1,347,984	438,984
Total revenues	<u>53,950,000</u>	<u>53,950,000</u>	<u>55,748,070</u>	<u>1,798,070</u>
<b>EXPENDITURES</b>				
Current:				
General administration	1,615,832	1,738,899	1,298,058	440,841
Wastewater treatment facilities	24,566,380	25,522,256	18,104,295	7,417,961
Industrial waste	521,193	536,507	431,715	104,792
Engineering	1,071,148	1,560,669	1,230,854	329,815
Sewer maintenance	4,538,203	4,949,479	3,174,065	1,775,414
Miscellaneous	6,550,143	5,910,781	4,138,690	1,772,091
Employee benefits	<u>11,386,170</u>	<u>11,372,303</u>	<u>8,582,773</u>	<u>2,789,530</u>
Total expenditures	<u>50,249,069</u>	<u>51,590,894</u>	<u>36,960,450</u>	<u>14,630,444</u>
Excess of revenues over expenditures	<u>3,700,931</u>	<u>2,359,106</u>	<u>18,787,620</u>	<u>16,428,514</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	333,171	333,171
Transfers out	<u>(5,469,665)</u>	<u>(5,469,665)</u>	<u>(23,694,230)</u>	<u>(18,224,565)</u>
Total other financing sources (uses)	<u>(5,469,665)</u>	<u>(5,469,665)</u>	<u>(23,361,059)</u>	<u>(17,891,394)</u>
Net change in fund balances*	(1,768,734)	(3,110,559)	(4,573,439)	(1,462,880)
Fund balances—beginning	<u>37,465,302</u>	<u>37,465,302</u>	<u>37,465,302</u>	<u>-</u>
Fund balances—ending	<u>\$ 35,696,568</u>	<u>\$ 34,354,743</u>	<u>\$ 32,891,863</u>	<u>\$ (1,462,880)</u>

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

The note to the Required Supplementary Information is an integral part of this statement.

**BUFFALO SEWER AUTHORITY**  
**Note to the Required Supplementary Information**  
**Year Ended June 30, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Budgetary Basis of Accounting***—An annual budget is adopted on a basis of consistent with generally accepted accounting principles for the General Fund. The General Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Debt Service Fund as it is maintained based on debt schedules.

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e. purchase orders, contracts, and commitments). Encumbrance accounting utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. Under this method, encumbrances outstanding at year-end are reported as commitments of fund balances since they do not constitute expenditures or liabilities. A reconciliation of General Fund fund balance on the GAAP basis to the non-GAAP budgetary basis is shown below.

General Fund fund balance—GAAP basis	\$ 34,508,316
Less: Encumbrances	<u>(1,616,453)</u>
General Fund fund balance—Non-GAAP budgetary basis	<u><u>\$ 32,891,863</u></u>

***Excess of Expenditures over Appropriations***—The Authority's appropriations for General Fund transfers out for the year ended June 30, 2016 exceeded the adjusted budget due to a transfer to the General Projects Fund not included within the budget. The amount of this transfer is not determinable when the budget is adopted.

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## SUPPLEMENTARY INFORMATION



**BUFFALO SEWER AUTHORITY**  
**Schedule of Revenues and Other Financing Sources—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
SEWER RENTS—GENERAL CONSUMERS				
Assessed sewer rent	\$ 12,082,600	\$ 12,082,600	\$ 12,247,660	\$ 165,060
Water sewer rent	26,430,000	26,430,000	27,177,999	747,999
Industrial waste	2,622,000	2,622,000	2,425,996	(196,004)
Connection privileges outside city	11,000,000	11,000,000	11,049,188	49,188
Total sewer rents—general consumers	<u>52,134,600</u>	<u>52,134,600</u>	<u>52,900,843</u>	<u>766,243</u>
INTEREST ON DELINQUENT SEWER RENTS				
Interest and penalties on delinquent assessed sewer rent	175,000	175,000	281,832	106,832
Interest and penalties on delinquent sewer rents	<u>631,000</u>	<u>631,000</u>	<u>972,635</u>	<u>341,635</u>
Total interest on delinquent sewer rents	<u>806,000</u>	<u>806,000</u>	<u>1,254,467</u>	<u>448,467</u>
INTEREST ON INVESTMENTS	<u>100,400</u>	<u>100,400</u>	<u>244,776</u>	<u>144,376</u>
MISCELLANEOUS	<u>909,000</u>	<u>909,000</u>	<u>1,347,984</u>	<u>438,984</u>
TOTAL REVENUES	<u>53,950,000</u>	<u>53,950,000</u>	<u>55,748,070</u>	<u>1,798,070</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>333,171</u>	<u>333,171</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>333,171</u>	<u>333,171</u>
TOTAL REVENUES AND AND OTHER FINANCING SOURCES	<u>\$ 53,950,000</u>	<u>\$ 53,950,000</u>	<u>\$ 56,081,241</u>	<u>\$ 2,131,241</u>

**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
GENERAL ADMINISTRATION				
Authority Board Members:				
Personal services - Executive	\$ 13,500	\$ 13,500	\$ 11,001	\$ 2,499
Operating expenditures	<u>5,500</u>	<u>8,471</u>	<u>7,197</u>	<u>1,274</u>
Total Authority Board Members	<u>19,000</u>	<u>21,971</u>	<u>18,198</u>	<u>3,773</u>
Administrative Offices:				
Personal services - Executive	598,123	567,881	415,399	152,482
Personal services - Clerical	643,496	673,739	607,959	65,780
Operating expenditures	<u>267,750</u>	<u>475,308</u>	<u>256,502</u>	<u>218,806</u>
Total Administrative Offices	<u>1,509,369</u>	<u>1,716,928</u>	<u>1,279,860</u>	<u>437,068</u>
GENERAL ADMINISTRATION TOTAL	<u>1,528,369</u>	<u>1,738,899</u>	<u>1,298,058</u>	<u>440,841</u>
WASTEWATER TREATMENT FACILITIES				
Plant Administration:				
Personal services - Executive	529,529	304,964	304,610	354
Personal services - Clerical	495,430	514,207	513,520	687
Personal services - Supervision	664,480	682,250	681,327	923
Operating expenditures	<u>962,779</u>	<u>1,392,828</u>	<u>1,115,110</u>	<u>277,718</u>
Total Plant Administration	<u>2,652,218</u>	<u>2,894,249</u>	<u>2,614,567</u>	<u>279,682</u>
Raw Wastewater Pump Station:				
Personal services - Operators	256,300	122,770	108,981	13,789
Operating expenditures	<u>95,104</u>	<u>117,707</u>	<u>40,507</u>	<u>77,200</u>
Total Raw Wastewater Pump Station	<u>351,404</u>	<u>240,477</u>	<u>149,488</u>	<u>90,989</u>
Screen Room:				
Operating expenditures	<u>88,000</u>	<u>39,109</u>	<u>34,091</u>	<u>5,018</u>
Total Screen Room	<u>88,000</u>	<u>39,109</u>	<u>34,091</u>	<u>5,018</u>
Grit Room:				
Personal services - Operators	129,291	171,619	136,997	34,622
Operating expenditures	<u>270,971</u>	<u>333,822</u>	<u>104,159</u>	<u>229,663</u>
Total Grit Room	<u>400,262</u>	<u>505,441</u>	<u>241,156</u>	<u>264,285</u>

(continued)



**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Primary Sedimentation:				
Personal services - Operators	132,087	141,981	96,511	45,470
Operating expenditures	<u>80,600</u>	<u>458,062</u>	<u>410,060</u>	<u>48,002</u>
Total Primary Sedimentation	<u>212,687</u>	<u>600,043</u>	<u>506,571</u>	<u>93,472</u>
Secondary Control:				
Personal services - Operators	136,697	139,088	81,682	57,406
Operating expenditures	<u>5,500</u>	<u>9,830</u>	<u>1,677</u>	<u>8,153</u>
Total Secondary Control	<u>142,197</u>	<u>148,918</u>	<u>83,359</u>	<u>65,559</u>
Primary Control:				
Personal services - Operators	153,561	201,116	165,287	35,829
Operating expenditures	<u>22,000</u>	<u>5,169</u>	<u>1,535</u>	<u>3,634</u>
Total Primary Control	<u>175,561</u>	<u>206,285</u>	<u>166,822</u>	<u>39,463</u>
Gas Compressor Building:				
Operating expenditures	<u>149,750</u>	<u>249,345</u>	<u>56,602</u>	<u>192,743</u>
Settled Wastewater Pump Station:				
Personal services - Operators	89,198	89,723	39,388	50,335
Operating expenditures	<u>258,000</u>	<u>187,474</u>	<u>66,435</u>	<u>121,039</u>
Total Settled Wastewater Pump Station	<u>347,198</u>	<u>277,197</u>	<u>105,823</u>	<u>171,374</u>
Aeration:				
Personal services - Operators	507,062	516,372	291,258	225,114
Operating expenditures	<u>353,700</u>	<u>599,667</u>	<u>370,937</u>	<u>228,730</u>
Total Aeration	<u>860,762</u>	<u>1,116,039</u>	<u>662,195</u>	<u>453,844</u>
Blower Building:				
Operating expenditures	<u>6,047,750</u>	<u>5,818,583</u>	<u>3,801,935</u>	<u>2,016,648</u>
Total Blower Building	<u>6,047,750</u>	<u>5,818,583</u>	<u>3,801,935</u>	<u>2,016,648</u>
Chemical Handling Building:				
Operating expenditures	<u>17,800</u>	<u>17,800</u>	<u>16,887</u>	<u>913</u>
Total Chemical Handling Building	<u>17,800</u>	<u>17,800</u>	<u>16,887</u>	<u>913</u>
Final Effluent Building:				
Personal services - Operators	55,000	110,564	110,564	-
Operating expenditures	<u>625,727</u>	<u>675,291</u>	<u>571,759</u>	<u>103,532</u>
Total Final Effluent Building	<u>680,727</u>	<u>785,855</u>	<u>682,323</u>	<u>103,532</u>

(continued)

**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Thickener Area:				
Operating expenditures	<u>338,600</u>	<u>349,972</u>	<u>318,978</u>	<u>30,994</u>
Total Thickener Area	<u>338,600</u>	<u>349,972</u>	<u>318,978</u>	<u>30,994</u>
Filter Feed Area:				
Operating expenditures	<u>11,500</u>	<u>25,976</u>	<u>16,813</u>	<u>9,163</u>
Total Filter Feed Area	<u>11,500</u>	<u>25,976</u>	<u>16,813</u>	<u>9,163</u>
Sludge Disposal:				
Personal services - Operators	572,632	523,572	518,630	4,942
Operating expenditures	<u>1,518,256</u>	<u>2,590,568</u>	<u>1,712,250</u>	<u>878,318</u>
Total Sludge Disposal	<u>2,090,888</u>	<u>3,114,140</u>	<u>2,230,880</u>	<u>883,260</u>
Centrifuge:				
Operating expenditures	<u>67,600</u>	<u>200,973</u>	<u>180,761</u>	<u>20,212</u>
Incineration:				
Personal services - Supervision	83,217	114,258	114,258	-
Personal services - Operators	955,018	983,966	858,598	125,368
Operating expenditures	<u>3,416,763</u>	<u>3,264,997</u>	<u>2,091,662</u>	<u>1,173,335</u>
Total Incineration	<u>4,454,998</u>	<u>4,363,221</u>	<u>3,064,518</u>	<u>1,298,703</u>
Hamburg Drain Float:				
Operating expenditures	<u>40,800</u>	<u>48,423</u>	<u>40,561</u>	<u>7,862</u>
South Buffalo:				
Personal services - Operators	51,883	52,585	702	51,883
Operating expenditures	<u>74,700</u>	<u>146,275</u>	<u>91,878</u>	<u>54,397</u>
Total South Buffalo	<u>126,583</u>	<u>198,860</u>	<u>92,580</u>	<u>106,280</u>
Hamburg Street:				
Operating expenditures	<u>38,700</u>	<u>75,607</u>	<u>43,711</u>	<u>31,896</u>
Amherst Quarry:				
Operating expenditures	<u>26,300</u>	<u>26,802</u>	<u>24,698</u>	<u>2,104</u>
Babcock Street:				
Operating expenditures	<u>10,100</u>	<u>10,567</u>	<u>10,490</u>	<u>77</u>

(continued)

**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Kelly Island (S):				
Operating expenditures	<u>13,700</u>	<u>26,125</u>	<u>11,770</u>	<u>14,355</u>
Kelly Island (F):				
Operating expenditures	<u>3,100</u>	<u>3,550</u>	<u>3,494</u>	<u>56</u>
Kelly Island (X):				
Operating expenditures	<u>9,600</u>	<u>10,192</u>	<u>6,536</u>	<u>3,656</u>
Waterfront Village:				
Operating expenditures	<u>1,700</u>	<u>2,956</u>	<u>2,081</u>	<u>875</u>
Tifft Street:				
Operating expenditures	<u>2,000</u>	<u>2,250</u>	<u>1,319</u>	<u>931</u>
Niagara Metering:				
Operating expenditures	<u>7,400</u>	<u>9,117</u>	<u>8,035</u>	<u>1,082</u>
Walden Heights				
Operating expenditures	<u>2,200</u>	<u>3,032</u>	<u>1,937</u>	<u>1,095</u>
Laboratory:				
Personal Services - Technical	520,383	524,061	322,444	201,617
Personal services - Operators	130,855	143,945	133,334	10,611
Operating expenditures	<u>91,800</u>	<u>122,540</u>	<u>88,148</u>	<u>34,392</u>
Total Laboratory	<u>743,038</u>	<u>790,546</u>	<u>543,926</u>	<u>246,620</u>
Maintenance:				
Personal services - Supervision	192,545	202,722	202,722	-
Personal services - Operators	327,147	272,364	189,011	83,353
Personal services - Repair Mechanics	1,435,338	1,443,892	1,049,179	394,713
Operating expenditures	<u>579,146</u>	<u>680,830</u>	<u>364,083</u>	<u>316,747</u>
Total Maintenance	<u>2,534,176</u>	<u>2,599,808</u>	<u>1,804,995</u>	<u>794,813</u>
Yards and Grounds:				
Personal services - Supervision	120,277	125,007	72,246	52,761
Personal services - Operators	592,028	592,803	470,757	122,046
Operating expenditures	<u>39,850</u>	<u>42,988</u>	<u>31,390</u>	<u>11,598</u>
Total Yards and Grounds	<u>752,155</u>	<u>760,798</u>	<u>574,393</u>	<u>186,405</u>
WASTEWATER TREATMENT FACILITIES TOTAL	<u>23,401,454</u>	<u>25,522,256</u>	<u>18,104,295</u>	<u>7,417,961</u>

(continued)

**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
<b>INDUSTRIAL WASTE</b>				
Industrial Waste Section:				
Personal services - Clerical	45,831	31,534	-	31,534
Personal services - Tech and Professional	97,315	97,814	97,747	67
Personal services - Operators	209,311	209,311	174,814	34,497
Operating expenditures	<u>153,826</u>	<u>197,848</u>	<u>159,154</u>	<u>38,694</u>
Total Industrial Waste Section	<u>506,283</u>	<u>536,507</u>	<u>431,715</u>	<u>104,792</u>
<b>INDUSTRIAL WASTE TOTAL</b>	<u>506,283</u>	<u>536,507</u>	<u>431,715</u>	<u>104,792</u>
<b>ENGINEERING</b>				
Engineering Department:				
Personal services - Executive	105,126	80,220	64,203	16,017
Personal services - Clerical	39,261	39,261	-	39,261
Personal services - Operators	840,431	865,337	699,400	165,937
Operating expenditures	<u>64,200</u>	<u>575,851</u>	<u>467,251</u>	<u>108,600</u>
Total Engineering Department	<u>1,049,018</u>	<u>1,560,669</u>	<u>1,230,854</u>	<u>329,815</u>
<b>ENGINEERING TOTAL</b>	<u>1,049,018</u>	<u>1,560,669</u>	<u>1,230,854</u>	<u>329,815</u>
<b>SEWER MAINTENANCE DEPARTMENT</b>				
Sewer Maintenance Office:				
Personal services - Clerical	60,699	61,400	60,186	1,214
Personal services - Supervision	138,438	150,986	136,316	14,670
Operating expenditures	<u>197,033</u>	<u>236,964</u>	<u>117,747</u>	<u>119,217</u>
Total Sewer Maintenance Office	<u>396,170</u>	<u>449,350</u>	<u>314,249</u>	<u>135,101</u>
Sewer - Repairs:				
Personal services - Supervision	170,569	170,569	83,808	86,761
Personal services - Repair Mechanics	387,029	352,987	189,522	163,465
Operating expenditures	<u>373,500</u>	<u>732,406</u>	<u>357,667</u>	<u>374,739</u>
Total Sewer - Repairs	<u>931,098</u>	<u>1,255,962</u>	<u>630,997</u>	<u>624,965</u>
Sewer - Cleaning:				
Personal services - Supervision	472,644	488,135	395,373	92,762
Personal services - Operators	1,578,574	1,579,655	964,120	615,535
Operating expenditures	<u>62,500</u>	<u>84,932</u>	<u>74,809</u>	<u>10,123</u>
Total Sewer - Cleaning	<u>2,113,718</u>	<u>2,152,722</u>	<u>1,434,302</u>	<u>718,420</u>

(continued)

**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
SWRI:				
Operating expenditures	-	1,054	963	91
Total Sewer - Cleaning	-	1,054	963	91
Automotive Equipment Service - Garage:				
Personal services - Repairman	121,875	125,517	123,040	2,477
Operating expenditures	523,000	964,874	670,514	294,360
Total Auto Equipment Service - Garage	644,875	1,090,391	793,554	296,837
SEWER MAINTENANCE				
DEPARTMENT TOTAL	4,085,861	4,949,479	3,174,065	1,775,414
MISCELLANEOUS				
City of Buffalo services	3,899,690	3,899,690	3,899,690	-
Fiscal agent expense	100,000	107,551	107,551	-
Sewer rent adjustment fund	50,000	68,696	130,076	(61,380)
Judgments and claims	225,000	225,242	1,373	223,869
Bond sale expense	25,000	25,000	-	25,000
Contingency	2,250,000	1,584,602	-	1,584,602
MISCELLANEOUS TOTAL	6,549,690	5,910,781	4,138,690	1,772,091
EMPLOYEE BENEFITS				
Hospital and surgical insurance - retirees	3,500,000	3,490,512	2,612,467	878,045
Hospital and surgical insurance - active	3,566,460	3,508,073	2,562,610	945,463
Group life insurance	30,000	30,000	28,941	1,059
Group dental insurance	135,000	135,000	114,950	20,050
Payments in lieu of health insurance	50,000	50,000	48,320	1,680
Health and welfare plan	78,000	105,954	56,883	49,071
Education, licenses and training	10,000	22,987	22,987	-
Social security	850,000	850,000	837,034	12,966
State retirement system	2,200,000	2,167,423	1,589,974	577,449
Unemployment insurance	10,000	10,000	59	9,941
Workers' compensation and death awards	475,000	547,154	547,154	-
Plan Administration	1,200	1,200	440	760
Reserve pay for unused sick leave	180,000	180,000	160,954	19,046
Rx Copay	22,000	22,000	-	22,000
Medical services	2,000	2,000	-	2,000
Salary adjustment	250,000	250,000	-	250,000
EMPLOYEE BENEFITS TOTAL	11,359,660	11,372,303	8,582,773	2,789,530

(continued)

**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2016**

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(concluded)

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
TOTAL OPERATING EXPENDITURES	<u>48,480,335</u>	<u>51,590,894</u>	<u>36,960,450</u>	<u>14,630,444</u>
OPERATING TRANSFERS				
Transfers to construction	-	-	20,566,048	(20,566,048)
Transfers to debt service fund	<u>5,469,665</u>	<u>5,469,665</u>	<u>3,128,182</u>	<u>2,341,483</u>
TOTAL OPERATING TRANSFERS	<u>5,469,665</u>	<u>5,469,665</u>	<u>23,694,230</u>	<u>(18,224,565)</u>
TOTAL EXPENDITURES AND OPERATING TRANSFERS	<u>\$ 53,950,000</u>	<u>\$ 57,060,559</u>	<u>\$ 60,654,680</u>	<u>\$ (3,594,121)</u>

**BUFFALO SEWER AUTHORITY**  
**Schedule of Sewer Rents Receivable—General Fund**  
**June 30, 2016**

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	<u>Sewer Rents Receivable</u>	<u>Allowance for Uncollectible Receivables</u>	<u>Net Sewer Rents Receivable</u>
SEWER RENTS:			
Based on assessed value:			
General consumers - current and prior years	\$ 950,039	\$ 614,740	\$ 335,299
Outside district	7,506	5,596	1,910
Based on water consumption:			
Flat rate	2,572,657	2,155,185	417,472
Metered rates:			
Monthly	774,020	211,939	562,081
Quarterly - District W-E-S	7,387,497	3,947,109	3,440,388
Miscellaneous - current year	52,239	-	52,239
Outside connection privileges	7,080,398	-	7,080,398
Industrial waste treatment surcharge	200,403	8,042	192,361
Late payment penalties	<u>6,874,902</u>	<u>6,686,278</u>	<u>188,624</u>
 TOTAL	 <u>\$ 25,899,661</u>	 <u>\$ 13,628,889</u>	 <u>\$ 12,270,772</u>

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# STATISTICAL SECTION

## (UNAUDITED)

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents	Page
Financial Trends .....	65
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
Revenue Capacity .....	73
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue source, the charges for services.</i>	
Debt Capacity .....	78
<i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	
Demographic and Economic Information .....	80
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
Operating Information .....	82
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	



**BUFFALO SEWER AUTHORITY**  
**Table I—Net Position by Component**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net position:										
Net investment in										
capital assets	\$ 185,702,185	\$ 189,585,231	\$ 199,570,027	\$ 191,369,143	\$ 201,331,335	\$ 211,769,730	\$ 218,730,301	\$ 224,785,386	\$ 229,110,179	\$ 243,612,081
Unrestricted	<u>41,051,768</u>	<u>46,960,490</u>	<u>45,103,136</u>	<u>65,320,945</u>	<u>63,283,838</u>	<u>62,722,484</u>	<u>65,257,721</u>	<u>73,592,123</u>	<u>83,207,601</u>	<u>78,427,311</u>
Total net position	<u>\$ 226,753,953</u>	<u>\$ 236,545,721</u>	<u>\$ 244,673,163</u>	<u>\$ 256,690,088</u>	<u>\$ 264,615,173</u>	<u>\$ 274,492,214</u>	<u>\$ 283,988,022</u>	<u>\$ 298,377,509</u>	<u>\$ 312,317,780</u>	<u>\$ 322,039,392</u>

Source: Buffalo Sewer Authority Annual Financial Statements

**BUFFALO SEWER AUTHORITY**  
**Table II—Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015 <sup>1</sup>	2016
Program revenues:										
Charges for services	\$ 52,591,900	\$ 51,761,911	\$ 52,482,745	\$ 54,582,051	\$ 52,201,066	\$ 53,531,965	\$ 53,688,824	\$ 52,022,482	\$ 57,473,938	\$ 54,155,310
Capital grants and contributions	-	-	-	-	-	-	-	9,031,991	2,439,183	636,523
Total program revenues	<u>52,591,900</u>	<u>51,761,911</u>	<u>52,482,745</u>	<u>54,582,051</u>	<u>52,201,066</u>	<u>53,531,965</u>	<u>53,688,824</u>	<u>61,054,473</u>	<u>59,913,121</u>	<u>54,791,833</u>
Program expenses										
Operating expenses	39,984,952	41,668,324	43,483,378	41,767,776	43,606,009	43,683,336	43,940,249	46,950,146	44,831,768	44,955,404
Non-operating expenses	<u>4,393,071</u>	<u>4,427,571</u>	<u>4,105,633</u>	<u>2,922,952</u>	<u>2,526,003</u>	<u>2,255,451</u>	<u>2,444,482</u>	<u>1,863,920</u>	<u>1,988,447</u>	<u>2,195,071</u>
Total program expenses	<u>44,378,023</u>	<u>46,095,895</u>	<u>47,589,011</u>	<u>44,690,728</u>	<u>46,132,012</u>	<u>45,938,787</u>	<u>46,384,731</u>	<u>48,814,066</u>	<u>46,820,215</u>	<u>47,150,475</u>
Total net program revenue	<u>8,213,877</u>	<u>5,666,016</u>	<u>4,893,734</u>	<u>9,891,323</u>	<u>6,069,054</u>	<u>7,593,178</u>	<u>7,304,093</u>	<u>12,240,407</u>	<u>13,092,906</u>	<u>7,641,358</u>
General revenues:										
Unrestricted investment earnings	2,665,991	2,667,752	1,808,526	748,172	348,572	507,775	357,126	374,859	259,373	343,483
Unallocated revenues	<u>1,789,071</u>	<u>1,458,000</u>	<u>1,425,182</u>	<u>1,377,430</u>	<u>1,507,459</u>	<u>1,776,088</u>	<u>1,834,589</u>	<u>1,774,221</u>	<u>1,657,804</u>	<u>1,736,771</u>
Total general revenues	<u>4,455,062</u>	<u>4,125,752</u>	<u>3,233,708</u>	<u>2,125,602</u>	<u>1,856,031</u>	<u>2,283,863</u>	<u>2,191,715</u>	<u>2,149,080</u>	<u>1,917,177</u>	<u>2,080,254</u>
Change in net position	12,668,939	9,791,768	8,127,442	12,016,925	7,925,085	9,877,041	9,495,808	14,389,487	15,010,083	9,721,612
Net position beginning of year	214,085,014	226,753,953	236,545,721	244,673,163	256,690,088	264,615,173	274,492,214	283,988,022	298,377,509	312,317,780
Restatement <sup>1</sup>	-	-	-	-	-	-	-	-	(1,069,812)	-
Net position end of year	<u>\$ 226,753,953</u>	<u>\$ 236,545,721</u>	<u>\$ 244,673,163</u>	<u>\$ 256,690,088</u>	<u>\$ 264,615,173</u>	<u>\$ 274,492,214</u>	<u>\$ 283,988,022</u>	<u>\$ 298,377,509</u>	<u>\$ 312,317,780</u>	<u>\$ 322,039,392</u>

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

Source: Buffalo Sewer Authority Annual Financial Statements

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

<b>Operating Revenue—Charges for Services</b>							
<b>Year Ended June 30,</b>	<b>Total</b>	<b>Assessed Sewer Rent</b>	<b>Water Sewer Rent</b>	<b>Industrial Waste</b>	<b>Connection Privileges O/S City</b>	<b>Interest and Penalties</b>	
						<b>Delinquent Assessed Sewer Rent</b>	<b>Sewer Rent</b>
2007	\$ 52,591,900	\$ 12,113,115	\$ 29,006,882	\$ 1,310,393	\$ 9,024,341	\$ 325,807	\$ 811,362
2008	51,761,911	12,042,687	28,254,493	1,346,429	9,246,051	175,938	696,313
2009	52,482,745	12,043,868	27,369,921	1,930,133	10,239,645	146,284	752,894
2010	54,582,051	12,050,286	27,362,677	1,992,467	12,322,894	135,927	717,800
2011	52,201,066	12,053,431	27,212,053	2,050,716	10,322,482	127,925	434,459
2012	53,531,965	12,070,207	27,880,651	1,769,262	11,110,756	141,833	559,256
2013	53,688,824	12,097,746	27,285,139	1,850,214	11,501,201	244,666	709,858
2014	52,022,482	12,076,196	27,275,233	2,045,476	9,561,086	221,920	842,571
2015	57,473,938	12,254,685	27,065,019	2,081,615	14,993,203	210,573	868,843
2016	54,155,310	12,247,660	27,177,999	2,425,996	11,049,188	281,832	972,635

Source: Buffalo Sewer Authority Annual Financial Statements

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

---

<b>Year Ended June 30,</b>	<b>Total</b>	<b>General Administration</b>	<b>Wastewater Treatment Facilities</b>	<b>Industrial Waste</b>	<b>Engineering</b>	<b>Sewer Maintenance</b>
2007	\$ 39,984,952	\$ 1,830,539	\$ 31,996,818	\$ 857,847	\$ 1,184,184	\$ 4,115,564
2008	41,668,324	1,773,364	33,922,290	833,874	1,044,499	4,094,297
2009	43,483,378	1,920,815	35,240,768	905,196	1,245,462	4,171,137
2010	41,767,776	1,959,820	32,787,165	939,501	1,350,303	4,730,987
2011	43,606,009	2,044,403	33,281,903	922,556	1,271,881	6,085,266
2012	43,683,336	2,293,974	33,681,046	908,867	1,152,899	5,646,550
2013	43,940,249	2,206,256	33,773,830	909,499	1,379,289	5,671,375
2014	46,950,146	2,261,187	33,457,338	879,550	1,569,317	8,782,754
2015	44,831,768	2,376,046	34,608,043	766,238	1,918,665	5,162,776
2016	44,955,404	2,532,347	34,482,810	777,510	2,123,261	5,039,476

Source: Buffalo Sewer Authority Annual Financial Statements

**BUFFALO SEWER AUTHORITY**  
**Table V—Nonoperating Revenues and Expenses**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Year Ended June 30,</b>	<b>Nonoperating Revenues</b>		<b>Total Nonoperating Revenues</b>	<b>Nonoperating Expenses</b>	
	<b>Interest Revenue</b>	<b>Other Revenue</b>		<b>Interest and Fiscal Charges</b>	
2007	\$ 2,665,991	\$ 1,789,071	\$ 4,455,062	\$ (4,393,071)	
2008	2,667,752	1,458,000	4,125,752	(4,427,571)	
2009	1,808,526	1,425,182	3,233,708	(4,105,633)	
2010	748,172	1,377,430	2,125,602	(2,922,951)	
2011	348,572	1,507,459	1,856,031	(2,526,003)	
2012	507,775	1,776,088	2,283,863	(2,265,947)	
2013	357,126	1,834,589	2,191,715	(2,444,482)	
2014	374,859	1,774,221	2,149,080	(1,863,920)	
2015	259,373	1,657,804	1,917,177	(1,988,447)	
2016	343,483	1,736,771	2,080,254	(2,195,071)	

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011<sup>1</sup></u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	\$ 828,424	\$ 511,483	\$ 552,475	\$ 810,446	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved	<u>20,612,356</u>	<u>19,782,352</u>	<u>18,977,868</u>	<u>19,157,305</u>	n/a	n/a	n/a	n/a	n/a	n/a
Total General Fund	<u>\$ 21,440,780</u>	<u>\$ 20,293,835</u>	<u>\$ 19,530,343</u>	<u>\$ 19,967,751</u>	n/a	n/a	n/a	n/a		
All other governmental funds:										
Reserved	\$ 17,891,018	\$ 19,057,169	\$ 22,250,147	\$ 34,121,128	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved, reported in:										
General Projects	27,523,532	34,252,220	32,095,083	20,925,211	n/a	n/a	n/a	n/a	n/a	n/a
Capital Improvements	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	n/a	n/a	n/a	n/a	n/a	n/a
Total all other governmental funds	<u>\$ 45,914,550</u>	<u>\$ 53,809,389</u>	<u>\$ 54,845,230</u>	<u>\$ 55,546,339</u>	n/a	n/a	n/a	n/a	n/a	n/a
General Fund										
Nonspendable	n/a	n/a	n/a	n/a	\$ 114,707	\$ 202,958	\$ 225,832	\$ 283,064	\$ 130,520	\$ 130,385
Committed	n/a	n/a	n/a	n/a	11,631,026	13,084,147	20,170,249	30,534,049	27,334,782	24,377,931
Unassigned	n/a	n/a	n/a	n/a	<u>6,144,693</u>	<u>6,000,000</u>	<u>8,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total General Fund	n/a	n/a	n/a	n/a	<u>\$ 17,890,426</u>	<u>\$ 19,287,105</u>	<u>\$ 28,396,081</u>	<u>\$ 40,817,113</u>	<u>\$ 37,465,302</u>	<u>\$ 34,508,316</u>
All other governmental funds:										
Restricted	n/a	n/a	n/a	n/a	\$ 17,174,157	\$ 17,316,136	\$ 16,510,258	\$ 4,711,045	\$ 6,837,330	\$ 4,735,110
Committed	n/a	n/a	n/a	n/a	<u>31,633,677</u>	<u>29,466,917</u>	<u>27,504,465</u>	<u>41,346,402</u>	<u>57,401,759</u>	<u>56,887,459</u>
Total all other governmental funds	n/a	n/a	n/a	n/a	<u>\$ 48,807,834</u>	<u>\$ 46,783,053</u>	<u>\$ 44,014,723</u>	<u>\$ 46,057,447</u>	<u>\$ 64,239,089</u>	<u>\$ 61,622,569</u>

Note: <sup>1</sup> During the fiscal year ended June 30, 2011, the Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Source: Buffalo Sewer Authority Annual Financial Statements



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>REVENUES</b>										
Sewer rents—general consumers	\$ 51,454,731	\$ 50,889,660	\$ 51,583,567	\$ 53,728,324	\$ 51,638,682	\$ 52,830,876	\$ 52,734,300	\$ 50,957,991	\$ 56,394,522	\$ 52,900,843
Interest on delinquent sewer rents	1,137,169	872,251	899,178	853,727	562,384	701,090	954,524	1,064,491	1,079,416	1,254,467
Interest on investments	2,665,991	2,667,752	1,808,526	748,172	348,572	507,774	357,126	374,859	259,373	343,483
Miscellaneous	1,789,071	1,458,000	1,425,182	1,377,430	1,507,459	1,776,088	1,834,589	1,774,221	1,657,804	1,736,771
State aid	-	-	-	-	-	-	-	-	2,439,183	255,616
Federal aid	-	-	-	-	-	-	-	9,031,991	-	380,907
Total revenues	<u>57,046,962</u>	<u>55,887,663</u>	<u>55,716,453</u>	<u>56,707,653</u>	<u>54,057,097</u>	<u>55,815,828</u>	<u>55,880,539</u>	<u>63,203,553</u>	<u>61,830,298</u>	<u>56,872,087</u>
<b>EXPENDITURES</b>										
Current:										
General administration	1,057,909	1,061,521	1,188,235	1,140,518	1,161,674	1,300,917	1,133,203	1,165,918	1,148,367	1,246,161
Wastewater treatment facilities	16,777,862	19,008,811	19,980,132	18,018,680	18,027,494	17,683,807	16,912,279	16,921,866	17,015,818	16,698,109
Industrial waste	530,628	520,684	579,950	568,124	543,074	542,419	513,905	508,944	428,252	426,198
Engineering	673,809	594,109	728,026	737,214	683,679	596,009	664,940	753,015	888,776	1,145,216
Sewer maintenance	2,511,285	2,651,214	2,658,698	2,906,835	3,868,978	3,420,720	3,114,988	5,784,233	2,918,739	4,135,460
Miscellaneous	3,517,138	3,364,532	3,161,446	3,157,403	4,123,581	4,062,822	4,180,866	4,391,943	4,500,706	4,138,690
Employee benefits	5,829,954	5,753,945	5,355,330	5,946,912	6,478,895	7,091,923	7,505,907	8,256,431	8,601,974	8,564,882
Debt service:										
Principal	7,069,915	7,202,295	7,410,932	8,566,664	8,945,000	6,270,000	3,488,436	10,769,723	1,580,000	2,032,438
Interest and fiscal charges	4,545,510	4,476,867	4,250,753	3,076,897	2,680,650	2,265,947	1,957,709	1,800,298	1,966,969	2,212,115
Bond issuance costs	133,774	-	-	-	-	-	-	-	-	-
Capital lease payment	55,064	25,583	26,508	6,836	-	-	-	-	-	-
Capital outlay	<u>5,146,511</u>	<u>4,480,208</u>	<u>10,104,094</u>	<u>11,443,053</u>	<u>16,359,902</u>	<u>13,208,466</u>	<u>10,067,659</u>	<u>13,546,682</u>	<u>10,372,920</u>	<u>21,846,324</u>
Total expenditures	<u>47,849,359</u>	<u>49,139,769</u>	<u>55,444,104</u>	<u>55,569,136</u>	<u>62,872,927</u>	<u>56,443,030</u>	<u>49,539,892</u>	<u>63,899,053</u>	<u>49,422,521</u>	<u>62,445,593</u>
Excess (deficiency) of revenues over expenditures	<u>9,197,603</u>	<u>6,747,894</u>	<u>272,349</u>	<u>1,138,517</u>	<u>(8,815,830)</u>	<u>(628,102)</u>	<u>6,340,647</u>	<u>(695,500)</u>	<u>12,407,777</u>	<u>(5,573,506)</u>

(continued)

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

(concluded)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	25,962,920	23,955,861	22,311,186	23,339,982	21,858,271	20,368,654	13,510,320	38,786,997	28,448,228	24,194,609
Transfers out	(25,962,920)	(23,955,861)	(22,311,186)	(23,339,982)	(21,858,271)	(20,368,654)	(13,510,320)	(38,786,997)	(28,448,228)	(24,194,609)
Long-term conversion of EFC loans payable expected to be refinanced	-	-	-	-	-	-	-	15,159,256	-	-
Proceeds of issuance of debt	9,526,664	-	-	-	-	-	-	-	2,422,054	-
Proceeds of refunding bonds	-	-	-	-	-	-	21,671,564	-	8,967,268	7,094,679
Payment to refunded bond escrow agent	-	-	-	-	-	-	(21,671,564)	-	(8,967,268)	(7,094,679)
Total other financing sources (uses)	9,526,664	-	-	-	-	-	-	15,159,256	2,422,054	-
Net change in fund balances	<u>\$ 18,724,267</u>	<u>\$ 6,747,894</u>	<u>\$ 272,349</u>	<u>\$ 1,138,517</u>	<u>\$ (8,815,830)</u>	<u>\$ (628,102)</u>	<u>\$ 6,340,647</u>	<u>\$ 14,463,756</u>	<u>\$ 14,829,831</u>	<u>\$ (5,573,506)</u>
Debt service as a percentage of noncapital expenditures	27.64%	26.21%	25.78%	26.40%	24.99%	17.56%	13.80%	24.96%	9.54%	10.97%

Source: Buffalo Sewer Authority Annual Financial Statements

**BUFFALO SEWER AUTHORITY**  
**Table VIII—Wastewater Treated**  
**Last Ten Fiscal Years**  
**(Unaudited)**

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<b><u>Fiscal Year</u></b>	<b><u>Gallons of Wastewater Treated<sup>1</sup></u></b>
2007	52,195
2008	49,604
2009	48,509
2010	48,691
2011	49,677
2012	45,457
2013	42,523
2014	47,815
2015	44,129
2016	41,829

Note: <sup>1</sup> In millions

Source: Buffalo Sewer Authority's internal records

**BUFFALO SEWER AUTHORITY**  
**Table IX—Sewer Tap Sales**  
**Last Ten Fiscal Years**  
**(Unaudited)**

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<u>Fiscal Year</u>	<u>Sewer Taps Sold</u>
2007	77
2008	55
2009	87
2010	70
2011	34
2012	39
2013	60
2014	71
2015	89
2016	70

Source: Buffalo Sewer Authority's internal records

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

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<b>Fiscal Year</b>	<b>Customers</b>	
	<b>Residential</b>	<b>Commercial</b>
2007	98,043	379
2008	98,536	381
2009	99,586	377
2010	99,911	379
2011	100,613	515
2012	101,462	498
2013	102,628	555
2014	103,562	563
2015	104,327	684
2016	104,920	760

Source: Buffalo Sewer Authority's internal records

**BUFFALO SEWER AUTHORITY**  
**Table XI—Combined, Authority, County and City Property Tax and**  
**Sewer Rent Rates (Per \$1,000 of Assessed Valuation)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

		<b>Buffalo Sewer Authority</b>	<b>City of Buffalo Exclusive of Buffalo Sewer Authority</b>	<b>Erie County<sup>1</sup></b>	<b>Total</b>
2007	H	\$ 1.94	\$ 20.75	\$ 5.10	\$ 27.79
	NH	1.94	36.08	5.10	43.12
2008	H	1.80	19.78	5.19	26.77
	NH	1.80	32.76	5.19	39.75
2009	H	1.77	18.83	5.40	26.00
	NH	1.77	32.76	5.40	39.93
2010	H	1.75	18.45	5.25	25.45
	NH	1.75	32.06	5.25	39.06
2011	H	1.70	17.95	5.37	25.02
	NH	1.70	32.06	5.37	39.13
2012	H	1.70	17.95	5.49	25.14
	NH	1.70	31.65	5.49	38.84
2013	H	1.70	17.95	5.45	25.10
	NH	1.70	28.97	5.45	36.12
2014	H	1.72	17.95	5.39	25.06
	NH	1.72	28.02	5.39	35.13
2015	H	1.72	17.86	5.45	25.03
	NH	1.72	27.54	5.45	34.71
2016	H	1.66	17.87	5.95	25.48
	NH	1.66	26.99	5.95	34.60

Notes: <sup>1</sup> For the calendar year beginning during Authority's fiscal year.  
H Homestead  
NH Non-homestead

Sources: City of Buffalo, Division of Accounting  
County of Erie, Division of Real Property Tax  
Buffalo Sewer Authority Annual Financial Statements

**BUFFALO SEWER AUTHORITY**  
**Table XII—Principal Customers**  
**Years Ended June 30, 2016 and June 30, 2007**  
**(Unaudited)**

**Year Ended June 30, 2016:**

<b>Customer</b>	<b>Type of Business</b>	<b>Sewer Rent on Assessed Valuation</b>	<b>Sewer Rent on Water Use</b>	<b>Industrial Waste Surcharge</b>	<b>Total Sewer Rent</b>	<b>Percentage of Total Sewer Rents (General Consumers)</b>
BMHA	Municipal Housing	\$ 173,390	\$ 472,917	\$ -	\$ 646,307	1.22%
Aurubis	Copper Mill	10,816	518,273	-	529,089	1.00%
Sorrento	Consumer Foods	5,741	2,248	458,329	466,318	0.88%
ECMC	Hospital	-	379,658	-	379,658	0.72%
Niagara Mohawk	Utility Company	184,267	11,571	-	195,838	0.37%
Buffalo Board of Education	School District	-	160,043	-	160,043	0.30%
Erie County Building and Grounds	Government	-	151,445	-	151,445	0.29%
Kaleida Health	Hospital	1,337	145,218	-	146,555	0.28%
Veterans Administration	Hospital	-	136,489	-	136,489	0.26%
CSX (Conrail Transportation)	Transportation	126,706	-	-	126,706	0.24%

**Year Ended June 30, 2007\*:**

<b>Customer</b>	<b>Type of Business</b>	<b>Sewer Rent on Assessed Valuation</b>	<b>Sewer and Water Rent on Water Use</b>	<b>Industrial Waste Surcharge</b>	<b>Total Sewer and Water Rent</b>	<b>Percentage of Total Sewer and Water Rents (General Consumers)</b>
BMHA	Municipal Housing	\$ 176,497	\$ 730,015	\$ -	\$ 906,512	2.17%
Luvata	Copper Mill	17,668	581,845	-	599,513	1.44%
ECMC	Hospital	-	237,156	-	237,156	0.57%
Buffalo Board of Education	Schools	-	204,273	-	204,273	0.49%
SUNYAB	University	-	189,468	-	189,468	0.45%
Niagara Mohawk	Utility Company	160,093	23,514	-	183,607	0.44%
Sorrento	Consumer Foods	11,895	1,461	169,065	182,421	0.44%
Russer Foods	Consumer Foods	11,908	129,463	23,670	165,041	0.40%
Roswell Park	Hospital	-	126,307	-	126,307	0.30%
Rich Products	Consumer Foods	18,239	38,018	66,955	123,212	0.30%

\* Data included from the year ended June 30, 2007 includes rents from sewer and water use. Amounts attributable only to sewer are not available.

Source: Buffalo Sewer Authority's Internal Records



**BUFFALO SEWER AUTHORITY**  
**Table XIII—Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Capital Lease Obligation</b>	<b>EFC Loan</b>	<b>Total Amount</b>	<b>Percentage of Personal Income</b>	<b>Debt per Capita<sup>1</sup></b>
2007	\$ 80,514,891	\$ 58,866	\$ -	\$ 80,573,757	0.20%	\$ 296
2008	73,312,596	33,283	-	73,345,879	0.17%	271
2009	65,901,664	6,775	-	65,908,439	0.16%	244
2010	57,335,000	-	4,198,923	61,533,923	0.14%	235
2011	48,390,000	-	12,361,291	60,751,291	0.13%	233
2012	42,120,000	-	15,665,776	57,785,776	0.12%	223
2013	38,631,564	-	15,892,314	54,523,878	0.11%	209
2014	36,893,832	-	6,127,265	43,021,097	0.09%	166
2015	43,863,151	-	-	43,863,151	0.08%	170
2016	41,830,713	-	-	41,830,713	n/a	162

Note: <sup>1</sup> Based on most recent census data for Buffalo, New York

Sources: Buffalo Sewer Authority Annual Financial Statements  
U.S. Bureau of the Census  
US Bureau of Economic Analysis

**BUFFALO SEWER AUTHORITY**  
**Table XIV—Sewer Revenue Bond Coverage**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Year Ended June 30,	Total Revenues	Direct Operating Expenditures <sup>1</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2007	\$ 57,046,962	\$ 33,235,326	\$ 23,811,636	\$ 7,069,915	\$ 4,545,510	\$ 11,615,425	2.05
2008	55,887,663	33,546,514	22,341,149	7,202,295	4,475,105	11,677,400	1.91
2009	55,716,453	34,041,872	21,674,581	7,410,932	4,250,753	11,661,685	1.86
2010	56,707,653	32,475,686	24,231,967	8,566,664	3,076,897	11,643,561	2.08
2011	54,057,097	34,887,375	19,169,722	8,945,000	2,680,650	11,625,650	1.65
2012	55,815,828	34,698,617	21,117,211	6,270,000	2,265,947	8,535,947	2.47
2013	55,880,539	34,026,088	21,854,451	3,488,436	1,957,709	5,446,145	4.01
2014 <sup>2</sup>	63,203,553	37,782,350	25,421,203	10,769,723	1,800,298	12,570,021	2.02
2015	61,830,298	35,502,632	26,327,666	1,580,000	1,966,969	3,546,969	7.42
2016	56,872,087	36,354,716	20,517,371	2,032,438	2,212,115	4,244,553	4.83

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

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

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<b>Population</b>		<b>Buffalo/Niagara Region</b>		<b>Buffalo, NY</b>	<b>New York State</b>
	<b>Buffalo<sup>2</sup></b>	<b>Erie County<sup>2</sup></b>	<b>Per Capita Income<sup>3</sup></b>	<b>Labor Force<sup>1</sup></b>	<b>Unemployment Rate<sup>1</sup></b>	<b>Unemployment Rate<sup>4</sup></b>
2007	272,632	913,338	\$ 35,669	581,162	6.0%	4.5%
2008	270,919	909,845	36,408	589,229	6.9%	5.2%
2009	270,240	909,247	37,511	597,000	10.5%	9.0%
2010	261,310	919,040	38,529	591,053	10.3%	8.2%
2011	261,025	918,028	40,457	581,166	10.2%	8.0%
2012	259,384	919,086	42,184	579,800	8.8%	8.9%
2013	261,310	919,040	42,690	537,000	7.4%	7.5%
2014	258,945	919,866	43,917	569,295	6.0%	6.6%
2015	258,699	922,835	45,769	560,431	5.3%	5.5%
2016	258,066	922,578	n/a	555,468	4.4%	4.7%

Sources: <sup>1</sup> US Department of Labor - Bureau of Labor Statistics, at June 30 of year shown  
<sup>2</sup> US Bureau of the Census  
<sup>3</sup> US Bureau of Economic Analysis  
<sup>4</sup> NYS Department of Labor – Labor Statistics, at June 30 of year shown

**BUFFALO SEWER AUTHORITY**  
**Table XVI—Principal Employers in the Buffalo Metropolitan Area**  
**Years Ended June 30, 2016 and June 30, 2007**  
**(Unaudited)**

<b>Employer</b>	<b>2016 <sup>1</sup></b>			<b>2007 <sup>2</sup></b>		
	<b>Employees</b>	<b>Rank</b>	<b>% of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total Employment</b>
State of New York	17,643	1	3.18%	16,508	1	2.84%
Federal Executive Board	10,000	2	1.80%			
Kaleida Health	8,102	3	1.46%	9,500	4	1.63%
Catholic Health System	7,069	4	1.27%	4,832	8	0.83%
Buffalo City School District	6,894	5	1.24%	5,181	7	0.89%
Employer Services Corp.	6,811	6	1.23%	4,650	9	0.80%
University at Buffalo	6,798	7	1.22%	10,651	2	1.83%
M&T Bank	6,429	8	1.16%	4,422	10	0.76%
Tops Friendly Markets	5,065	9	0.91%			
Erie County	4,000	10	0.72%	7,269	5	1.25%
United States of America				10,000	3	1.72%
HSBC Bank USA, N.A.				5,867	6	1.01%

Sources: <sup>1</sup> From the "Business First Book of Lists 2015-2016" Western New York's weekly business newspaper

<sup>2</sup> From the October 20, 2007 issue of "Business First," Western New York's weekly business newspaper

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

<b>Year Ended June 30,</b>	<b>Full-time Equivalent Employees</b>					<b>Total</b>
	<b>Administration</b>	<b>Treatment Plant</b>	<b>Industrial Waste</b>	<b>Engineering</b>	<b>Sewer Maintenance</b>	
2007	16	133	8	12	51	220
2008	17	135	8	12	45	217
2009	18	143	8	11	40	220
2010	16	137	8	12	45	218
2011	16	128	7	12	38	201
2012	15	117	6	10	38	186
2013	13	116	6	11	38	184
2014	15	109	4	12	38	178
2015	16	113	4	13	44	190
2016	21	124	6	10	46	207

Source: Buffalo Sewer Authority's internal records

**BUFFALO SEWER AUTHORITY**  
**Table XVIII—Operating and Capital Indicators**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Year Ended June 30,</b>	<b>Miles of Sewers</b>	<b>Number of Treatment Plants</b>	<b>Treatment Capacity (MGD)</b>	<b>Annual Engineering Maximum Plant Capacity<sup>1</sup></b>	<b>Amount Treated Annually<sup>1</sup></b>	<b>Unused Capacity<sup>1</sup></b>	<b>Percentage of Capacity Utilized</b>
2007	850	1	600	219,000	52,195	166,805	23.8%
2008	850	1	600	219,000	49,604	169,396	22.7%
2009	850	1	600	219,000	48,509	170,491	22.2%
2010	850	1	600	219,000	48,691	170,309	22.2%
2011	850	1	600	219,000	49,677	169,323	22.7%
2012	850	1	600	219,000	45,457	173,543	20.8%
2013	850	1	600	219,000	42,523	176,477	19.4%
2014	850	1	600	219,000	47,815	171,185	21.8%
2015	850	1	600	219,000	44,129	174,871	20.2%
2016	850	1	600	219,000	41,829	177,171	19.1%

Note: <sup>1</sup> Millions of gallons

Source: Buffalo Sewer Authority's internal records