

BUFFALO Sewer Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2017

BUFFALO, NEW YORK



**BUFFALO SEWER AUTHORITY
BUFFALO, NY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

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 25, 2017

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, 2017, 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, 2017 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, 2017 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 256,902. The Peace Bridge, which connects downtown Buffalo with the Province of Ontario, serves as a major link between the United States and Canada.

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

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 2016-2017 fiscal year the Authority dedicated

nearly \$25 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 Waterkeeper and University at Buffalo. The Authority invested over \$500,000 towards reimagining vacant lots as green stormwater capture lots throughout the City. 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 Willam Street, Genesee Street, and Niagara Street into green streetscape corridors, effectively minimizing storm flows in these areas. In addition, the Authority partnered with Forest Lawn, Army Corp of Engineers and NYS Environmental Facilities Corporation on a \$3.6 million project to eliminate historic contaminated sediment and establish wetlands and natural habitats along Scajaquada Creek

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 use computer actuated control gates to maximize system capacity by storing wastewater during wet weather before sending those flows to our WRRF for treatment following peak events. The Authority is nearing completion of 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 continues to focus on air quality and green energy as it commits over \$6 million to upgrade the multiple hearth furnaces used for solids handling and resource recovery. Also, the Authority is nearing completion 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 replaced the influent trash racks, and upgraded the Incinerator Ash System to facilitate air quality improvements. 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.

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 2017-2018 totals \$19,150,000. Of this amount, \$13,030,000 is for the Bird Island water resource recovery facility rehabilitation projects and \$6,120,000 is estimated for the installation of green and smart sewer system infrastructure.

Awards and Acknowledgements

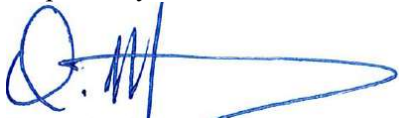
Awards—The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Buffalo Sewer Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The Buffalo Sewer Authority has received a Certificate of Achievement for the last thirty 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, 2016

Executive Director/CEO

BUFFALO SEWER AUTHORITY
Officials
June 30, 2017

Board Members

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

Professional Staff

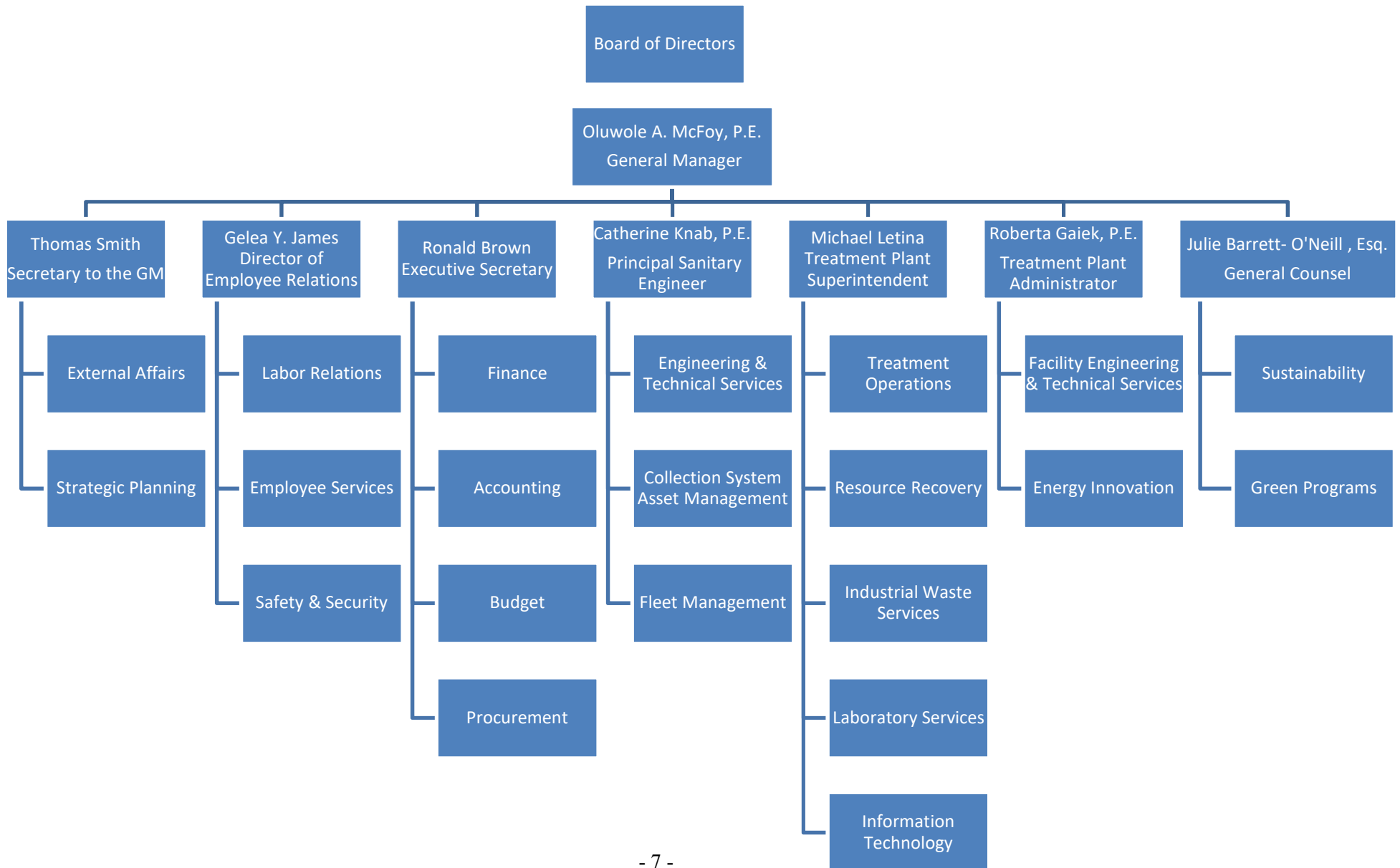
Oluwole A. McFoy, P.E., General Manager
Thomas Smith, Secretary to the General Manager
Julie Barrett-O'Neill, Esq., General Counsel
Ronald Brown, Executive Secretary
Catherine H. Knab, P.E., Principal Sanitary Engineer
Michael Letina, Treatment Plant Superintendent
Roberta Gaiek, P.E., Treatment Plant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

Address of the Authority

Room 1038
Buffalo, New York 14202



BUFFALO SEWER AUTHORITY
Organizational Chart
June 30, 2017



FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Buffalo Sewer Authority, New York (the "Authority"), as of and for the year ended June 30, 2017, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2017 the Authority implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 25, 2017

BUFFALO SEWER AUTHORITY
Management's Discussion and Analysis
Year Ended June 30, 2017

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, 2017. 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. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights

- ◆ The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources as of June 30, 2017 by \$261,580,037 (*net position*). This consists of \$261,619,145 net investment in capital assets and unrestricted net position of \$(39,108).
- ◆ The Authority's net position decreased by \$60,459,355 as a result of a restatement totaling \$72,456,528 related to the implementation of GASB Statement No. 75, offset by an increase from operations totaling \$11,997,173 for the year ended June 30, 2017.
- ◆ At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$92,988,282, a decrease of \$3,142,603 in comparison with the prior year's fund balance of \$96,130,885.
- ◆ At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$10,000,000, or approximately 17.5 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Authority's discretion and constitutes approximately 26.9 percent of the General Fund's total fund balance of \$37,165,150 at June 30, 2017.
- ◆ The Authority's total bonded indebtedness decreased by \$1,640,000.

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 19-20 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 21-24 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 25 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 26-53 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* concerning the Authority's net pension liability, the Authority's progress in funding its obligation to provide post-employment benefits to its employees, and the Authority's budgetary comparison for the General Fund. Required Supplementary Information can be found on pages 54-58 of this report.

The Supplementary Information, as listed in the table of contents, can be found on pages 59-67 of this report.

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$261,580,037 at June 30, 2017 as compared to \$249,582,864 (as restated) at the close of the fiscal year ended June 30, 2016.

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,	
	2017	2016 (as restated)
Current assets	\$ 99,771,642	\$ 101,790,065
Capital assets	297,294,067	280,707,684
Total assets	397,065,709	382,497,749
Deferred outflows of resources	10,847,424	5,456,108
Current liabilities	8,309,380	6,676,202
Noncurrent liabilities	133,261,051	131,024,939
Total liabilities	141,570,431	137,701,141
Deferred inflows of resources	4,762,665	669,852
Net Position:		
Net investment in capital assets	261,619,145	243,612,081
Unrestricted	(39,108)	5,970,783
Total net position	\$ 261,580,037	\$ 249,582,864

The largest portion of the Authority's net position, \$261,619,145, 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, \$(39,108), is considered to be unrestricted.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2017 and June 30, 2016.

Table 2—Condensed Statement of Changes in Net Position

	Year Ended June 30,	
	2017	2016
Program revenues:		
Charges for services	\$ 57,883,355	\$ 54,155,310
Capital grants and contributions	1,340,322	636,523
General revenues	2,725,292	2,080,254
Total revenues	<u>61,948,969</u>	<u>56,872,087</u>
Program expenses	<u>49,951,796</u>	<u>47,150,475</u>
Change in net position	11,997,173	9,721,612
Net position—beginning	249,582,864	312,317,780
Restatement	-	(72,456,528)
Net position—ending	<u>\$ 261,580,037</u>	<u>\$ 249,582,864</u>

Overall revenues increased 8.9 percent from the year ended June 30, 2016 due to an increase in charges for services primarily related to connection privileges outside city. Total expenses increased 5.9 percent from the year ended June 30, 2016, due to increases relating to the other post-employment benefits obligation.

A summary of sources of revenues for the years ended June 30, 2017 and June 30, 2016 is presented below in Table 3.

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(decrease)	
	2017	2016	Dollars	Percent
Charges for services	\$ 57,883,355	\$ 54,155,310	\$ 3,728,045	6.9
Capital grants and contributions	1,340,322	636,523	703,799	110.6
Unrestricted investment earnings	809,462	343,483	465,979	135.7
Miscellaneous	1,915,830	1,736,771	179,059	10.3
Total revenues	<u>\$ 61,948,969</u>	<u>\$ 56,872,087</u>	<u>\$ 5,076,882</u>	8.9

For the year ended June 30, 2016, the most significant source of revenues was charges for services, which accounted for \$57,883,355, or 93.4 percent of total revenues. The next largest source of revenue was miscellaneous revenue of \$1,915,830 (primarily due to certain debt subsidies and refunds of prior years' expenses), or 3.1 percent of total revenues. 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.

A summary of program expenses for the years ended June 30, 2017 and June 30, 2016 is presented below in Table 4.

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(decrease)	
	2017	2016	Dollars	Percent
General administration	\$ 2,472,798	\$ 2,532,347	\$ (59,549)	(2.4)
Wastewater treatment facilities	37,671,328	34,482,810	3,188,518	9.2
Industrial waste	921,260	777,510	143,750	18.5
Engineering	1,521,624	2,123,261	(601,637)	(28.3)
Sewer maintenance	5,498,222	5,039,476	458,746	9.1
Interest and other fiscal charges	1,866,564	2,195,071	(328,507)	(15.0)
Total program expenses	<u>\$ 49,951,796</u>	<u>\$ 47,150,475</u>	<u>\$ 2,801,321</u>	5.9

For the year ended June 30, 2017, the Authority's most significant expense items were wastewater treatment facilities of \$37,671,328, or 75.4 percent of total expenses (primarily sewer, water, and sanitation services) and sewer maintenance costs of \$5,498,222, or 11.0 percent of total expenses. 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.

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 \$92,988,282, a decrease of \$3,142,603 from the prior year. Approximately 10.8 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 for, \$130,324, 2) restricted for particular purposes, \$4,515,791, or 3) committed for particular purposes \$78,342,167.

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 increased by \$2,656,834 to \$37,165,150. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 17.5 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 65.2 percent of that same amount.

As stated, the Authority's total fund balance in the General Fund increased by \$2,656,834 during the current year. The Authority anticipated using \$1,616,453 of fund balance from funds re-appropriated by prior year's encumbrances. Normal operations and efficiencies provided budgetary savings with regards to expenditures. Additionally, sewer rents, primarily connection privileges outside city increased due to the cost allocation of the Authority's ongoing projects.

The General Projects Fund has a total fund balance of \$51,493,521, a decrease of \$5,799,437 from the prior year. During the year ended June 30, 2017, the Authority's General Fund transferred \$17,761,478 to the General Projects Fund to support ongoing capital projects. The Authority spent \$24,929,531 from the General Projects Fund for capital outlay. Of the total fund balance, \$186,180 represents amounts restricted for debt, while the remaining \$51,307,341 has been committed to fund future capital projects.

Fund balance in the Debt Service Fund at June 30, 2017 and 2016 was \$4,329,611. 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, 2017 is presented in Table 5 below:

Table 5—Summary of General Fund Results of Operations for the Year Ended June 30, 2017

	Budgeted Amounts		Budgetary	Variance with
	Original	Final	Actual	Final Budget
Revenues and other financing sources	\$ 53,950,000	\$ 54,400,000	\$ 60,580,353	\$ 6,180,353
Expenditures and other financing uses	55,566,453	74,541,488	59,929,776	14,611,712
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,616,453)</u>	<u>\$ (20,141,488)</u>	<u>\$ 650,577</u>	<u>\$ 20,792,065</u>

Original budget compared to final budget—During the fiscal year, budgeted appropriations increased through budget amendments by \$19,975,035. Appropriations were increased primarily to increase transfers to the General Projects Fund, the amount for which was not known when the budget was adopted. These amendments were supported by the use of available fund balance.

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

Capital Asset and Debt Administration

Capital Assets—The Authority’s investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$297,294,067 (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, 2017 and 2016 are presented in Table 6 below.

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

	June 30,	
	2017	2016
Land	\$ 10,586,171	\$ 10,586,171
Construction in progress	59,505,045	59,640,900
Buildings	114,623,613	116,844,298
Building improvements	3,585,410	3,894,134
Machinery & equipment	1,767,305	2,059,162
Sanitary & storm relief systems	107,226,523	87,683,019
Total	<u>\$ 297,294,067</u>	<u>\$ 280,707,684</u>

Additional information on the Authority’s capital assets can be found in Note 5 of this report.

Long-term liabilities—At June 30, 2017, the Authority had bonded debt outstanding of \$40,190,713, as compared to \$41,830,713 in the prior year.

A summary of the Authority's long-term liabilities at June 30, 2017 and June 30, 2016 is presented in Table 7 below.

Table 7—Summary of Long-Term Liabilities

	June 30,	
		2016
	2017	(as restated)
Bonds payable	\$ 40,190,713	\$ 41,830,713
Compensated absences	1,518,225	1,401,155
OPEB obligation	86,070,122	80,407,889
Judgments and claims	2,062,905	1,734,012
Net pension liability	3,419,086	5,651,170
	<u>\$ 133,261,051</u>	<u>\$ 131,024,939</u>

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

Economic Factors and Next Year's Budget and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2017 was 5.1 percent. This compares unfavorably to New York State's average unemployment rate of 4.5 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, 2017. Total appropriations within the 2017-2018 adopted budget are \$54,950,000, an increase of 1.0 percent from the 2016-2017 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 \$277 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 2017-2018 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 \$1.63110990 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.

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BASIC FINANCIAL STATEMENTS

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BUFFALO SEWER AUTHORITY
Statement of Net Position
June 30, 2017

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,895,122
Designated cash and cash equivalents	79,462,141
Restricted cash and cash equivalents	418,217
Restricted investments	4,329,611
Receivables (net of allowance for uncollectibles)	11,350,047
Intergovernmental receivables	186,180
Prepaid items	130,324
Capital assets not being depreciated	70,091,216
Capital assets, net of accumulated depreciation	<u>227,202,851</u>
Total assets	<u>397,065,709</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	2,573,943
Deferred outflows—relating to OPEB	<u>8,273,481</u>
Total deferred outflows of resources	<u>10,847,424</u>
LIABILITIES	
Accounts payable	5,567,415
Interest payable	359,169
Accrued liabilities	527,271
Intergovernmental payables	456,637
Retainages payable	1,166,851
Unearned revenues	232,037
Noncurrent liabilities:	
Due within one year	1,864,056
Due within more than one year	<u>131,396,995</u>
Total liabilities	<u>141,570,431</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	519,207
Deferred inflows—relating to OPEB	<u>4,243,458</u>
Total deferred inflows of resources	<u>4,762,665</u>
NET POSITION	
Net investment in capital assets	261,619,145
Unrestricted	<u>(39,108)</u>
Total net position	<u><u>\$ 261,580,037</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, 2017

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Primary Governmental Activities
Governmental activities:				
General administration	\$ 2,472,798	\$ 2,976,670	\$ -	\$ 503,872
Wastewater treatment facilities	37,671,328	45,347,454	-	7,676,126
Industrial waste	921,260	1,108,981	-	187,721
Engineering	1,521,624	1,831,679	-	310,055
Sewer maintenance	5,498,222	6,618,571	1,340,322	2,460,671
Interest and fiscal charges	1,866,564	-	-	(1,866,564)
Total governmental activities	<u>\$ 49,951,796</u>	<u>\$ 57,883,355</u>	<u>\$ 1,340,322</u>	<u>9,271,881</u>
General revenues:				
Unrestricted investment earnings				809,462
Unallocable aid				<u>1,915,830</u>
Total general revenues				<u>2,725,292</u>
Change in net position				11,997,173
Net position—beginning, as restated				<u>249,582,864</u>
Net position—ending				<u>\$ 261,580,037</u>

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

BUFFALO SEWER AUTHORITY
Balance Sheet—Governmental Funds
June 30, 2017

	<u>General</u>	<u>General Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,895,122	\$ -	\$ -	\$ 3,895,122
Designated cash and cash equivalents	25,028,569	54,433,572	-	79,462,141
Restricted cash and cash equivalents	232,037	186,180	-	418,217
Restricted investments	-	-	4,329,611	4,329,611
Receivables (net of allowance for uncollectibles)	11,350,047	-	-	11,350,047
Due from other funds	691	-	-	691
Intergovernmental receivables	-	186,180	-	186,180
Prepaid items	130,324	-	-	130,324
Total assets	<u>\$ 40,636,790</u>	<u>\$ 54,805,932</u>	<u>\$ 4,329,611</u>	<u>\$ 99,772,333</u>
LIABILITIES				
Accounts payable	\$ 2,255,695	\$ 3,311,720	\$ -	\$ 5,567,415
Accrued liabilities	527,271	-	-	527,271
Due to other funds	-	691	-	691
Intergovernmental payables	456,637	-	-	456,637
Unearned revenue	232,037	-	-	232,037
Total liabilities	<u>3,471,640</u>	<u>3,312,411</u>	<u>-</u>	<u>6,784,051</u>
FUND BALANCES				
Nonspendable	130,324	-	-	130,324
Restricted	-	186,180	4,329,611	4,515,791
Committed	27,034,826	51,307,341	-	78,342,167
Unassigned	10,000,000	-	-	10,000,000
Total fund balances	<u>37,165,150</u>	<u>51,493,521</u>	<u>4,329,611</u>	<u>92,988,282</u>
Total liabilities and fund balances	<u>\$ 40,636,790</u>	<u>\$ 54,805,932</u>	<u>\$ 4,329,611</u>	<u>\$ 99,772,333</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, 2017

Amounts reported for governmental activities in the statement of net position (page 19) are different because:

Total fund balances—governmental funds (page 21)		\$ 92,988,282
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$558,263,297 and the accumulated depreciation is \$260,969,230.		297,294,067
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	\$ 408,487	
Deferred outflows related to experience, changes in assumptions, investment earnings and changes in proportion of contributions	2,165,456	
Deferred inflows related to pensions	<u>(519,207)</u>	2,054,736
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to experience	\$ 8,273,481	
Deferred inflows related to changes of assumptions	<u>(4,243,458)</u>	4,030,023
Net accrued interest expense for bonds, notes and special program bonds not reported in the funds.		(359,169)
Retainages payable are not a current liability and, therefore, are not reported in the funds.		(1,166,851)
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	\$ (40,190,713)	
Compensated absences	(1,518,225)	
Other postemployment benefits obligation	(86,070,122)	
Judgments and claims	(2,062,905)	
Net pension liability	<u>(3,419,086)</u>	<u>(133,261,051)</u>
Net position of governmental activities		<u>\$ 261,580,037</u>

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, 2017

	<u>General</u>	<u>General Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Sewer rents—general consumers	\$ 56,754,484	\$ -	\$ -	\$ 56,754,484
Interest on delinquent sewer rents	1,128,871	-	-	1,128,871
Interest on cash and investments	700,423	-	109,039	809,462
Miscellaneous	1,668,217	716,613	-	2,384,830
State aid	-	128,554	-	128,554
Federal aid	-	742,768	-	742,768
Total revenues	<u>60,251,995</u>	<u>1,587,935</u>	<u>109,039</u>	<u>61,948,969</u>
EXPENDITURES				
Current:				
General administration	1,420,367	-	-	1,420,367
Wastewater treatment facilities	16,607,884	-	-	16,607,884
Industrial waste	529,169	-	-	529,169
Engineering	874,016	-	-	874,016
Sewer maintenance	3,103,108	-	-	3,103,108
Miscellaneous	4,990,868	-	-	4,990,868
Employee benefits	9,128,640	-	-	9,128,640
Debt service:				
Principal	-	-	1,640,000	1,640,000
Interest and fiscal charges	-	-	1,867,989	1,867,989
Capital outlay	-	24,929,531	-	24,929,531
Total expenditures	<u>36,654,052</u>	<u>24,929,531</u>	<u>3,507,989</u>	<u>65,091,572</u>
Excess (deficiency) of revenues over expenditures	<u>23,597,943</u>	<u>(23,341,596)</u>	<u>(3,398,950)</u>	<u>(3,142,603)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	328,358	17,761,478	3,507,989	21,597,825
Transfers out	<u>(21,269,467)</u>	<u>(219,319)</u>	<u>(109,039)</u>	<u>(21,597,825)</u>
Total other financing sources (uses)	<u>(20,941,109)</u>	<u>17,542,159</u>	<u>3,398,950</u>	<u>-</u>
Net change in fund balances	2,656,834	(5,799,437)	-	(3,142,603)
Fund balances—beginning	<u>34,508,316</u>	<u>57,292,958</u>	<u>4,329,611</u>	<u>96,130,885</u>
Fund balances—ending	<u>\$ 37,165,150</u>	<u>\$ 51,493,521</u>	<u>\$ 4,329,611</u>	<u>\$ 92,988,282</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, 2017

Amounts reported for governmental activities in the statement of activities (page 20) are different because:

Net change in fund balances—total governmental funds (page 23) \$ (3,142,603)

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	\$ 25,799,140	
Depreciation expense	<u>(9,212,757)</u>	16,586,383

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

Authority pension contributions	\$ 32,425	
Cost of benefits earned net of employee contributions	<u>(531,861)</u>	\$ (499,436)

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

Deferred outflows—relating to OPEB	\$ 8,273,481	
Deferred inflows—relating to OPEB	<u>(4,243,458)</u>	\$ 4,030,023

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 1,425

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. (510,423)

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	\$ 1,640,000	
Changes in compensated absences	(117,070)	
Changes in other postemployment benefits obligation	(5,662,233)	
Changes in judgments and claims	<u>(328,893)</u>	<u>(4,468,196)</u>

Change in net position of governmental activities		<u>\$ 11,997,173</u>
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The notes to the financial statements are an integral part of this statement.

BUFFALO SEWER AUTHORITY
Statement of Fiduciary Net Position—Agency Fund
June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 30,316
Total assets	<u>\$ 30,316</u>
LIABILITIES	
Bankruptcy funds held	\$ 30,316
Total liabilities	<u>\$ 30,316</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, 2017

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*—This fund is used to account for assets held by the Authority in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Authority reports one Fiduciary Fund, the Agency Fund, which 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). Donated capital assets are recorded at acquisition cost of the item at the date of its donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend to an asset’s useful life is not capitalized.

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

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2017, the Authority has two items that qualify for reporting in this category. The first 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. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the Authority’s proportion of the collective net OPEB liability and the difference during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2017, the Authority has two items that qualify for reporting in this category. The first 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 periods between the Authority's contributions, and its proportionate share of the total contributions to the pension systems not included in pension expense. The second item represents the effects of the change in the Authority's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

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

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

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

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

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

Revenues and 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, 2017, the Authority reported \$232,037 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 7.

Other Post-Employment Benefits—In addition to providing pension benefits, the Authority provides health insurance coverage for certain retired employees, as disclosed in Note 8.

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 Pronouncement—During the year ended June 30, 2017, the Authority implemented GASB Statement 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; 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*. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB Statement No. 77 requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. Other than the matter discussed in Note 2, GASB Statements No. 73, 74, 75, 77, 78 and 80 did not have a material impact on the Authority’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues* effective for the year ending June 30, 2018; No. 83, *Certain Asset Retirement Obligations* effective for the year ending June 30, 2019; No. 84, *Fiduciary Activities* effective for the year ending June 30, 2020 and No. 87, *Leases* effective for the year ending June 30, 2021. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements No. 81, 82, 83, 84, 85, 86 and 87 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. RESTATEMENT OF NET POSITION

The Authority early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2017. The implementation of GASB Statement No. 75 requires the Authority's net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result, OPEB liability was restated from \$7,951,361 to \$80,407,889 at June 30, 2016. Net position of governmental activities at June 30, 2016 has been restated.

The Authority's net position as of June 30, 2016 has been restated as follows:

Net position—June 30, 2016, as previously stated	\$ 322,039,392
GASB Statement No. 75 implementation:	
OPEB liability	<u>(72,456,528)</u>
Net position—June 30, 2016, as restated	<u>\$ 249,582,864</u>

3. 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, GNMMAs, FNMAs or FHLMCs 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, 2017 are shown below.

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 2,250	\$ -	\$ 2,250
Deposits	10,022,227	30,316	10,052,543
Other cash and cash equivalents	73,751,003	-	73,751,003
Total	<u>\$ 83,775,480</u>	<u>\$ 30,316</u>	<u>\$ 83,805,796</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2017 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	12,784,799	9,552,543
Total	<u>\$ 13,284,799</u>	<u>\$ 10,052,543</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, 2017, 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 short-term money market investments and commercial paper at their amortized cost of \$73,751,003.

Restricted Cash and Cash Equivalents—At June 30, 2017, the Authority reported \$418,217 of restricted cash and cash equivalents. Of this amount \$232,037 is reported in the General Fund to support unearned revenues and \$186,180 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, 2017, the Authority reported \$25,028,569 and \$54,433,572 of designated cash and cash equivalents within the General Fund and General Projects Fund, respectively.

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

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

The Authority has invested in U.S. Treasury Notes of \$4,329,611 at June 30, 2017, which are considered to be Level 1 investments.

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

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

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

4. RECEIVABLES

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

Flat rate receivables	\$ 2,560,336	
Allowance: flat rate receivables	<u>(2,167,097)</u>	\$ 393,239
Metered receivables	7,965,199	
Allowance: metered receivables	<u>(4,164,804)</u>	3,800,395
Industrial waste receivables	276,216	
Allowance: industrial waste receivables	<u>(1,020)</u>	275,196
Outside district receivables	6,311,076	
Allowance: outside district receivables	<u>(6,673)</u>	6,304,403
Other miscellaneous receivables		<u>576,814</u>
		<u>\$ 11,350,047</u>

Intergovernmental Receivables—The Authority has an amount due from the New York State Environmental Facilities Corporation (“NYS EFC”) of \$186,180. The Authority will use these funds to offset future debt payments.

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Capital assets, not being depreciated:				
Land	\$ 10,586,171	\$ -	\$ -	\$ 10,586,171
Construction in progress	<u>59,640,900</u>	<u>25,160,967</u>	<u>(25,296,822)</u>	<u>59,505,045</u>
Total capital assets, not being depreciated	<u>70,227,071</u>	<u>25,160,967</u>	<u>(25,296,822)</u>	<u>70,091,216</u>
Capital assets, being depreciated:				
Land improvements	455,703	-	-	455,703
Buildings	249,682,190	2,792,845	-	252,475,035
Building improvements	10,217,929	-	-	10,217,929
Machinery & equipment	30,515,785	163,175	(408,072)	30,270,888
Sanitary & storm relief systems	<u>171,773,551</u>	<u>22,978,975</u>	<u>-</u>	<u>194,752,526</u>
Total capital assets, being depreciated	<u>462,645,158</u>	<u>25,934,995</u>	<u>(408,072)</u>	<u>488,172,081</u>
Less accumulated depreciation for:				
Land improvements	(455,703)	-	-	(455,703)
Buildings	(132,837,892)	(5,013,530)	-	(137,851,422)
Building improvements	(6,323,795)	(308,724)	-	(6,632,519)
Machinery & equipment	(28,456,623)	(455,032)	408,072	(28,503,583)
Sanitary & storm relief systems	<u>(84,090,532)</u>	<u>(3,435,471)</u>	<u>-</u>	<u>(87,526,003)</u>
Total accumulated depreciation	<u>(252,164,545)</u>	<u>(9,212,757)</u>	<u>408,072</u>	<u>(260,969,230)</u>
Total capital assets, being depreciated, net	<u>210,480,613</u>	<u>16,722,238</u>	<u>-</u>	<u>227,202,851</u>
Governmental activities capital assets, net	<u>\$ 280,707,684</u>	<u>\$ 41,883,205</u>	<u>\$ (25,296,822)</u>	<u>\$ 297,294,067</u>

Depreciation expense totaling \$9,212,757 is reported within the government-wide statements and has been allocated to wastewater treatment plant expenses of \$8,757,725 and sewer maintenance expenses of \$455,032.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2017, were as follows:

	General Fund
Salary and other employee benefits	<u>\$ 527,271</u>
Total accrued liabilities	<u>\$ 527,271</u>

7. 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 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, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of April 1, 2016, with update procedures used to roll forward the total pension liability to the measurement date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the Authority.

	ERS
Measurement date	March 31, 2017
Net pension liability	\$ 3,419,086
Authority's portion of the Plan's total net pension liability	0.0363879%

As of the March 31, 2017 measurement date, the Authority's portion of the Plan's total net pension liability had increased 0.0011787% from their portion of the Plan's total net pension liability of 0.0352092% on the March 31, 2016 measurement date.

For the year ended June 30, 2017, the Authority recognized a pension expense of \$2,036,109 for ERS. At June 30, 2017 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 85,679	\$ 519,207
Change of assumptions	1,168,085	-
Net difference between projected and actual earnings on pension plan investments	682,930	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	228,762	-
Authority contributions subsequent to the measurement date	408,487	-
Total	<u>\$ 2,573,943</u>	<u>\$ 519,207</u>

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	ERS
2018	\$ 724,743
2019	724,743
2020	632,847
2021	(436,084)

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, 2017
Actuarial valuation date	April 1, 2016
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, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

Measurement date	Target Allocation	Long-Term Expected Real Rate of Return March 31, 2017
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.3
Private equity	10.0	7.8
Real estate	10.0	5.8
Alternative investments	0.0	0.0
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
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 on the following page 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)	\$ 10,919,882	\$ 3,419,086	\$ (2,922,824)

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, 2016
Employers' total pension liability(asset)	\$ 177,400,586
Plan fiduciary net position	168,004,363
Employers' net pension (asset)/liability	<u>\$ 9,396,223</u>
System fiduciary net position as a percentage of total pension liability	94.70%

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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$408,487.

8. OTHER POST EMPLOYMENT BENEFIT ("OPEB") OBLIGATIONS

Plan Description and Benefits Provided—In addition to pension benefits, the Authority provides health care benefits for retirees, spouses, and their covered dependents at no cost to the retirees under a single-employer postemployment benefit plan. There is no separate, audit GAAP-basis postemployment benefit plan report available for the plan. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Authority provides one traditional indemnity plan option for its retirees under 65. In addition, the Authority provides two Medicare Supplement plan options for their Medicare eligible retirees over 65. Retirees who have alternate insurance and desire to waive medical insurance through the Authority will receive an in-lieu payment from the Authority each year. These payments total \$1,200, \$1,800, and \$2,400, to waive single coverage, two-person coverage, and family coverage, respectively. The General Fund of the Authority is typically used to liquidate the OPEB obligation.

Employees Covered by Benefit Terms—At June 30, 2017, the following employees were covered by the benefit terms:

Active not eligible to retire	114
Actives eligible to retire	50
Retired and surviving spouses	211
Retiree spouses covered	<u>133</u>
	<u>508</u>

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

Total OPEB Liability

The Authority’s total OPEB liability of \$86,070,122 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

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

In the June 30, 2017 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 4.0% to 3.35% effective July 1, 2016, and 3.8% effective June 30, 2017. The salary scale changed from 3.0% to 3.31%. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.3%, while the ultimate healthcare cost trend rate is 4.17%.

Mortality rates were based on the RP-2014 combined mortality, projected to fiscal year beginning using Scale MP-2016, separate for males and females, separate for actives and retirees.

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

	Total OPEB Liability
Balances at 6/30/2016, as restated:	\$ 80,407,889
Changes for the year:	
Service cost	1,390,270
Interest	2,640,860
Changes of assumptions	(4,841,128)
Differences between expected and actual experience	9,438,760
Benefit payments	(2,966,529)
Net changes	5,662,233
Balances at 6/30/2017	<u>\$ 86,070,122</u>

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

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Net OPEB liability	\$ 99,662,487	\$ 86,070,122	\$ 75,163,318

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the OPEB liability of a 1% change in the initial (5.3%)/ultimate (4.17%) healthcare cost trend rates.

	1% Decrease (4.3%/3.17%)	Healthcare Cost Trend Rates (5.3%/4.17%)	1% Decrease (6.3%/5.17%)
Net OPEB liability	\$ 72,595,222	\$ 86,070,122	\$ 103,234,660

Funding Policy—Authorization for the Authority to pay all of retiree health insurance premiums was enacted by resolution of the Authority Board or through union contracts, which are ratified by the Authority Board. For an employee to be eligible for the Authority’s postemployment health plan they must have been employed by the Authority for a minimum of five consecutive years prior to retirement and qualify for retirement as a member of the New York State retirement system. All current retirees, receive full health care coverage with no contribution requirements for themselves, dependents, and spouses. Authority governmental funds contributed \$2,966,529 for the fiscal year ended June 30, 2017. While for the year ended June 30, 2017, the Authority’s governmental activities recognized OPEB expense of \$4,598,739.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Authority reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the Authority’s deferred outflows and deferred inflows at June 30, 2017.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,273,481	\$ -
Changes of assumptions	-	4,243,458
Total	<u>\$ 8,273,481</u>	<u>\$ 4,243,458</u>

The amounts reported as deferred outflows of resources and deferred inflows of resource related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2018	\$ 567,609
2019	567,609
2020	567,609
2021	567,609
2022	567,609
Thereafter	1,191,978

9. 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 \$3,255,163 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
2017	\$ 1,734,012	\$ 730,588	\$ (401,695)	\$ 2,062,905
2016	1,923,898	610,459	(800,345)	1,734,012

At June 30, 2017, \$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.

10. 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, 2017 follows:

	Balance 7/1/2016 (as restated)	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Bonds payable	\$ 41,830,713	\$ -	\$ (1,640,000)	\$ 40,190,713	\$ 1,685,000
Compensated absences	1,401,155	957,044	(839,974)	1,518,225	75,911
OPEB obligation	80,407,889	8,628,762	(2,966,529)	86,070,122	-
Judgments and claims	1,734,012	730,588	(401,695)	2,062,905	103,145
Net pension liability*	5,651,170	-	(2,232,084)	3,419,086	-
Total	<u>\$ 131,024,939</u>	<u>\$ 10,316,394</u>	<u>\$ (8,080,282)</u>	<u>\$ 133,261,051</u>	<u>\$ 1,864,056</u>

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

Bonds Payable

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

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

Series 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, 2017:

Description	Interest Rate	Year of Issue/ Maturity	Balance 7/1/2016	Additions	Payments	Balance 6/30/2017
Series M	4.25-5.15	2015/2044	\$ 8,115,000	\$ -	\$ (220,000)	\$ 7,895,000
Series N	3.85-4.90	2012/2031	18,591,564	-	(815,000)	17,776,564
Series J1	4.06-4.63	2014/2033	4,918,126	-	(225,000)	4,693,126
Series K1	4.25-5.15	2014/2033	3,344,142	-	(140,000)	3,204,142
Series L1	4.17-4.86	2015/2035	6,861,881	-	(240,000)	6,621,881
Total			<u>\$ 41,830,713</u>	<u>\$ -</u>	<u>\$ (1,640,000)</u>	<u>\$ 40,190,713</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 8, 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 measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The estimated long-term OPEB obligation is estimated to be \$86,070,122 at June 30, 2017.

Judgments and Claims—As explained in Note 9, judgments and claims represents workers’ compensation and general liability claims incurred. The value of the liability within the government-wide statements at June 30, 2017 is \$2,062,905, with \$103,145 representing the estimated amount due within one year.

Net Pension Liability—The Authority reported a liability, \$3,419,086, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 8 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 Payable	Compensated Absences*	OPEB Obligation	Judgments and Claims*	Net Pension Liability	Total
2018	\$ 1,685,000	\$ 75,911	\$ -	\$ 103,145	\$ -	\$ 1,864,056
2019	1,720,000	-	-	-	-	1,720,000
2020	1,770,000	-	-	-	-	1,770,000
2021	1,810,000	-	-	-	-	1,810,000
2022	1,865,000	-	-	-	-	1,865,000
2023-2027	10,095,000	-	-	-	-	10,095,000
2028-2032	13,596,564	-	-	-	-	13,596,564
2033-2037	4,894,149	-	-	-	-	4,894,149
2038-2042	1,520,000	-	-	-	-	1,520,000
2043 and beyond	1,235,000	-	-	-	-	1,235,000
Various	-	1,442,314	86,070,122	1,959,760	3,419,086	92,891,282
	<u>\$ 40,190,713</u>	<u>\$ 1,518,225</u>	<u>\$ 86,070,122</u>	<u>\$ 2,062,905</u>	<u>\$ 3,419,086</u>	<u>\$ 133,261,051</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:

<u>Year Ended June 30,</u>	<u>Interest</u>
2018	\$ 1,674,060
2019	1,611,798
2020	1,545,602
2021	1,475,822
2020	1,402,516
2023-2027	5,788,245
2028-2032	3,323,030
2033-2037	1,098,684
2038-2042	462,364
2043 and beyond	92,502
	<u>\$ 18,474,623</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, 2017 that are considered defeased include:

Series H	\$ 18,435,000
Series J	4,693,126
Series K	3,204,142
Series L	<u>6,621,881</u>
Total	<u>\$ 32,954,149</u>

11. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation	\$ 297,294,067
Less: Outstanding bonds payable issued for capital acquisition	(40,190,713)
Add: Remaining debt reserve from issuance not used for capital asset acquisition	<u>4,515,791</u>
Net investment in capital assets	<u>\$ 261,619,145</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, 2017 includes:

- ◆ ***Prepaid Items***—Representing the portion of fund balance, \$130,324 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, 2017 include:

- ◆ ***Restricted for Debt Service***—Represents resources, \$4,515,791, 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, 2017 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, 2017, the Authority has \$2,006,257 and \$20,687,141 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, 2017, the Authority has \$20,028,569 and \$30,620,200 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, 2017, 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.

12. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2017 is as follows:

	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 691	\$ -
General Projects Fund	-	691
Total governmental funds	<u>\$ 691</u>	<u>\$ 691</u>

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

Fund	Transfers in:			Total
	General Fund	General Projects Fund	Debt Service Fund	
Transfers out:				
General Fund	\$ -	\$ 17,761,478	\$ 3,507,989	\$ 21,269,467
General Projects Fund	219,319	-	-	219,319
Debt Service Fund	109,039	-	-	109,039
Total	<u>\$ 328,358</u>	<u>\$ 17,761,478</u>	<u>\$ 3,507,989</u>	<u>\$ 21,597,825</u>

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

13. AGENCY FUND

An agency fund exists to account for funds held from bankruptcies. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2017:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
ASSETS				
Cash and cash equivalents	\$ 34,676	\$ 4,023	\$ 8,383	\$ 30,316
Total assets	<u>\$ 34,676</u>	<u>\$ 4,023</u>	<u>\$ 8,383</u>	<u>\$ 30,316</u>
LIABILITIES				
Bankruptcy funds held	\$ 34,676	\$ 22,280	\$ 26,640	\$ 30,316
Due to other funds	-	10,435	10,435	-
Total liabilities	<u>\$ 34,676</u>	<u>\$ 32,715</u>	<u>\$ 37,076</u>	<u>\$ 30,316</u>

14. LABOR RELATIONS

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

15. COMMITMENTS

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

The Authority considers encumbrances significant if they are in excess of \$400,000. As of June 30, 2017, the Authority reported the following significant encumbrances:

General Projects Fund:	
Willert Park, Miami and Louisiana upgrades	\$ 4,814,587
Scajaquada Creek upgrades	2,029,419
LTCP hydraulic model calibration	1,510,988
Wet weather operation optimization	1,246,066
Miscellaneous system-wide sewer repairs	972,789
CSO 026 RTC structure	894,977
Post-demo green infrastructure	893,683
Professional services	812,559
Aeration lighting	731,220
Chiller placement	610,820
Pratt Willert green street project	565,996
Dana Road improvements	518,520
MHF #3 upgrade	493,017
Installation low nox burners/stacks	445,197
General Fund	
Incinerator gas	\$ 500,750

16. CONTINGENCIES

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

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

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

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2017, 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 the Authority's Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Four Fiscal Years*

	Year Ended June 30,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Authority's proportion of the net pension liability	0.0363879%	0.0352092%	0.0335492%	0.0335492%
Authority's proportionate share of the net pension liability	<u>\$ 3,419,086</u>	<u>\$ 5,651,170</u>	<u>\$ 1,133,375</u>	<u>\$ 1,516,043</u>
Authority's covered-employee payroll	11,382,495	10,139,681	9,405,983	9,457,414
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.0%	55.7%	12.0%	16.0%
Plan fiduciary net position as a percentage of the total net pension liability	94.7%	90.7%	97.9	97.2

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

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

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually required contributions	\$ 1,536,673	\$ 1,589,974	\$ 1,743,330	\$ 1,926,571
Contributions in relation to the contractually required contribution	\$ (1,536,673)	\$ (1,589,974)	\$ (1,743,330)	\$ (1,926,571)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 11,255,586	\$ 10,255,506	\$ 6,857,982	\$ 9,825,683
Contributions as a percentage of covered-employee payroll	13.7%	15.5%	25.4%	19.6%

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

BUFFALO SEWER AUTHORITY
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2017*

Total OPEB Liability

Service cost	\$ 1,390,270
Interest	2,640,860
Difference between expected and actual experience	9,438,760
Changes of assumptions	(4,841,128)
Benefit payments	<u>(2,966,529)</u>
Net changes in total OPEB liability	<u>5,662,233</u>
Total OPEB liability—beginning, as restated	<u>80,407,889</u>
Total OPEB liability—ending	<u><u>\$ 86,070,122</u></u>
Covered-employee payroll	7,681,522
District's net OPEB liability as a percentage of covered employee payroll	1,120.48%

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

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

BUFFALO SEWER AUTHORITY
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Sewer rents—general consumers	\$ 52,134,600	\$ 52,359,600	\$ 56,754,484	\$ 4,394,884
Interest on delinquent sewer rents	806,000	855,000	1,128,871	273,871
Interest on investments	100,400	250,000	700,423	450,423
Miscellaneous	909,000	935,400	1,668,217	732,817
Total revenues	<u>53,950,000</u>	<u>54,400,000</u>	<u>60,251,995</u>	<u>5,851,995</u>
EXPENDITURES				
Current:				
General administration	1,580,266	1,700,492	1,422,055	278,437
Wastewater treatment facilities	24,807,640	26,011,754	18,243,134	7,768,620
Industrial waste	511,800	659,639	602,462	57,177
Engineering	1,134,656	1,071,406	934,528	136,878
Sewer maintenance	4,135,185	4,341,480	3,296,368	1,045,112
Miscellaneous	6,549,690	6,961,663	4,990,868	1,970,795
Employee benefits	11,377,551	10,159,389	9,170,894	988,495
Total expenditures	<u>50,096,788</u>	<u>50,905,823</u>	<u>38,660,309</u>	<u>12,245,514</u>
Excess of revenues over expenditures	<u>3,853,212</u>	<u>3,494,177</u>	<u>21,591,686</u>	<u>18,097,509</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	328,358	328,358
Transfers out	<u>(5,469,665)</u>	<u>(23,635,665)</u>	<u>(21,269,467)</u>	<u>2,366,198</u>
Total other financing sources (uses)	<u>(5,469,665)</u>	<u>(23,635,665)</u>	<u>(20,941,109)</u>	<u>2,694,556</u>
Net change in fund balances*	(1,616,453)	(20,141,488)	650,577	20,792,065
Fund balances—beginning	<u>34,508,316</u>	<u>34,508,316</u>	<u>34,508,316</u>	<u>-</u>
Fund balances—ending	<u>\$ 32,891,863</u>	<u>\$ 14,366,828</u>	<u>\$ 35,158,893</u>	<u>\$ 20,792,065</u>

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

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

BUFFALO SEWER AUTHORITY
Notes to the Required Supplementary Information
Year Ended June 30, 2017

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date with a rate health of 2.92% at June 30, 2017. Mortality rates were updated to rates based on the RP-2014 combined mortality, projected to fiscal year beginning using Scale MP-2016, separate for males and females, separate for actives and retirees. Finally, the healthcare cost trend rate increased from 5.20% at June 30, 2016 to 5.35% at June 30, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

General Fund fund balance—GAAP basis	\$ 37,165,150
Less: Encumbrances	<u>(2,006,257)</u>
General Fund fund balance—Non-GAAP budgetary basis	<u>\$ 35,158,893</u>

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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, 2017

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
SEWER RENTS—GENERAL CONSUMERS				
Assessed sewer rent	\$ 12,082,600	\$ 12,082,600	\$ 12,108,674	\$ 26,074
Water sewer rent	26,430,000	25,800,000	26,993,253	1,193,253
Industrial waste	2,622,000	2,477,000	1,944,290	(532,710)
Connection privileges outside city	11,000,000	12,000,000	15,708,267	3,708,267
Total sewer rents—general consumers	<u>52,134,600</u>	<u>52,359,600</u>	<u>56,754,484</u>	<u>4,394,884</u>
INTEREST ON DELINQUENT SEWER RENTS				
Interest and penalties on delinquent assessed sewer rent	175,000	190,000	197,398	7,398
Interest and penalties on delinquent sewer rents	<u>631,000</u>	<u>665,000</u>	<u>931,473</u>	<u>266,473</u>
Total interest on delinquent sewer rents	<u>806,000</u>	<u>855,000</u>	<u>1,128,871</u>	<u>273,871</u>
INTEREST ON INVESTMENTS	<u>100,400</u>	<u>250,000</u>	<u>700,423</u>	<u>450,423</u>
MISCELLANEOUS	<u>909,000</u>	<u>935,400</u>	<u>1,668,217</u>	<u>732,817</u>
TOTAL REVENUES	<u>53,950,000</u>	<u>54,400,000</u>	<u>60,251,995</u>	<u>5,851,995</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>328,358</u>	<u>328,358</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>328,358</u>	<u>328,358</u>
TOTAL REVENUES AND AND OTHER FINANCING SOURCES	<u>\$ 53,950,000</u>	<u>\$ 54,400,000</u>	<u>\$ 60,580,353</u>	<u>\$ 6,180,353</u>

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2017

	<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	\$ 11,000	\$ 2,500
Operating expenditures	<u>5,500</u>	<u>7,121</u>	<u>6,574</u>	<u>547</u>
Total Authority Board Members	<u>19,000</u>	<u>20,621</u>	<u>17,574</u>	<u>3,047</u>
Administrative Offices:				
Personal services - Executive	598,123	611,699	525,011	86,688
Personal services - Clerical	643,496	707,470	693,035	14,435
Operating expenditures	<u>267,750</u>	<u>360,702</u>	<u>186,435</u>	<u>174,267</u>
Total Administrative Offices	<u>1,509,369</u>	<u>1,679,871</u>	<u>1,404,481</u>	<u>275,390</u>
GENERAL ADMINISTRATION TOTAL	<u>1,528,369</u>	<u>1,700,492</u>	<u>1,422,055</u>	<u>278,437</u>
WASTEWATER TREATMENT FACILITIES				
Plant Administration:				
Personal services - Executive	529,529	553,788	254,537	299,251
Personal services - Clerical	495,430	595,342	585,166	10,176
Personal services - Supervision	664,480	805,054	789,538	15,516
Operating expenditures	<u>962,779</u>	<u>1,397,803</u>	<u>1,139,331</u>	<u>258,472</u>
Total Plant Administration	<u>2,652,218</u>	<u>3,351,987</u>	<u>2,768,572</u>	<u>583,415</u>
Raw Wastewater Pump Station:				
Personal services - Operators	256,300	108,723	52,577	56,146
Operating expenditures	<u>95,104</u>	<u>24,100</u>	<u>11,345</u>	<u>12,755</u>
Total Raw Wastewater Pump Station	<u>351,404</u>	<u>132,823</u>	<u>63,922</u>	<u>68,901</u>
Screen Room:				
Operating expenditures	<u>88,000</u>	<u>34,625</u>	<u>28,021</u>	<u>6,604</u>
Total Screen Room	<u>88,000</u>	<u>34,625</u>	<u>28,021</u>	<u>6,604</u>
Grit Room:				
Personal services - Operators	129,291	181,661	175,349	6,312
Operating expenditures	<u>270,971</u>	<u>241,624</u>	<u>204,499</u>	<u>37,125</u>
Total Grit Room	<u>400,262</u>	<u>423,285</u>	<u>379,848</u>	<u>43,437</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, 2017

	<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	175,720	162,452	13,268
Operating expenditures	80,600	434,013	272,608	161,405
Total Primary Sedimentation	<u>212,687</u>	<u>609,733</u>	<u>435,060</u>	<u>174,673</u>
Secondary Control:				
Personal services - Operators	136,697	144,369	85,935	58,434
Operating expenditures	5,500	6,200	6,195	5
Total Secondary Control	<u>142,197</u>	<u>150,569</u>	<u>92,130</u>	<u>58,439</u>
Primary Control:				
Personal services - Operators	153,561	213,725	169,883	43,842
Operating expenditures	22,000	57,107	57,080	27
Total Primary Control	<u>175,561</u>	<u>270,832</u>	<u>226,963</u>	<u>43,869</u>
Gas Compressor Building:				
Operating expenditures	<u>149,750</u>	<u>158,884</u>	<u>130,410</u>	<u>28,474</u>
Settled Wastewater Pump Station:				
Personal services - Operators	89,198	95,019	44,177	50,842
Operating expenditures	258,000	42,305	16,800	25,505
Total Settled Wastewater Pump Station	<u>347,198</u>	<u>137,324</u>	<u>60,977</u>	<u>76,347</u>
Aeration:				
Personal services - Operators	507,062	588,401	310,676	277,725
Operating expenditures	353,700	446,133	315,298	130,835
Total Aeration	<u>860,762</u>	<u>1,034,534</u>	<u>625,974</u>	<u>408,560</u>
Blower Building:				
Operating expenditures	<u>6,047,750</u>	<u>5,772,884</u>	<u>3,663,033</u>	<u>2,109,851</u>
Total Blower Building	<u>6,047,750</u>	<u>5,772,884</u>	<u>3,663,033</u>	<u>2,109,851</u>
Chemical Handling Building:				
Operating expenditures	<u>17,800</u>	<u>36,302</u>	<u>20,596</u>	<u>15,706</u>
Total Chemical Handling Building	<u>17,800</u>	<u>36,302</u>	<u>20,596</u>	<u>15,706</u>
Final Effluent Building:				
Personal services - Operators	55,000	117,474	115,974	1,500
Operating expenditures	625,727	693,065	643,877	49,188
Total Final Effluent Building	<u>680,727</u>	<u>810,539</u>	<u>759,851</u>	<u>50,688</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, 2017

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
Thickener Area:				
Operating expenditures	338,600	418,089	308,828	109,261
Total Thickener Area	338,600	418,089	308,828	109,261
Filter Feed Area:				
Operating expenditures	11,500	18,893	18,893	-
Total Filter Feed Area	11,500	18,893	18,893	-
Sludge Disposal:				
Personal services - Operators	572,632	764,708	474,842	289,866
Operating expenditures	1,518,256	1,984,809	1,119,922	864,887
Total Sludge Disposal	2,090,888	2,749,517	1,594,764	1,154,753
Centrifuge:				
Operating expenditures	67,600	330,673	147,276	183,397
Incineration:				
Personal services - Supervision	83,217	160,605	124,441	36,164
Personal services - Operators	955,018	1,084,073	868,458	215,615
Operating expenditures	3,416,763	3,934,191	2,197,928	1,736,263
Total Incineration	4,454,998	5,178,869	3,190,827	1,988,042
Hamburg Drain Float:				
Operating expenditures	40,800	56,460	32,605	23,855
South Buffalo:				
Personal services - Operators	51,883	52,256	1,983	50,273
Operating expenditures	74,700	80,136	62,965	17,171
Total South Buffalo	126,583	132,392	64,948	67,444
Hamburg Street:				
Operating expenditures	38,700	53,805	41,360	12,445
Amherst Quarry:				
Operating expenditures	26,300	37,314	32,084	5,230
Babcock Street:				
Operating expenditures	10,100	15,778	9,709	6,069

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2017

	<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>12,937</u>	<u>10,523</u>	<u>2,414</u>
Kelly Island (F):				
Operating expenditures	<u>3,100</u>	<u>4,328</u>	<u>2,854</u>	<u>1,474</u>
Kelly Island (X):				
Operating expenditures	<u>9,600</u>	<u>13,658</u>	<u>4,707</u>	<u>8,951</u>
Waterfront Village:				
Operating expenditures	<u>1,700</u>	<u>2,018</u>	<u>1,595</u>	<u>423</u>
Tift Street:				
Operating expenditures	<u>2,000</u>	<u>1,600</u>	<u>1,097</u>	<u>503</u>
Niagara Metering:				
Operating expenditures	<u>7,400</u>	<u>15,861</u>	<u>6,041</u>	<u>9,820</u>
Walden Heights				
Operating expenditures	<u>2,200</u>	<u>3,424</u>	<u>1,721</u>	<u>1,703</u>
Laboratory:				
Personal Services - Technical	520,383	376,799	365,398	11,401
Personal services - Operators	130,855	156,377	108,395	47,982
Operating expenditures	<u>91,800</u>	<u>135,853</u>	<u>102,925</u>	<u>32,928</u>
Total Laboratory	<u>743,038</u>	<u>669,029</u>	<u>576,718</u>	<u>92,311</u>
Maintenance:				
Personal services - Supervision	192,545	234,929	234,929	-
Personal services - Operators	327,147	360,883	262,248	98,635
Personal services - Repair Mechanics	1,435,338	1,071,240	1,068,661	2,579
Operating expenditures	<u>579,146</u>	<u>896,008</u>	<u>637,990</u>	<u>258,018</u>
Total Maintenance	<u>2,534,176</u>	<u>2,563,060</u>	<u>2,203,828</u>	<u>359,232</u>
Yards and Grounds:				
Personal services - Supervision	120,277	124,669	81,160	43,509
Personal services - Operators	592,028	638,854	617,865	20,989
Operating expenditures	<u>39,850</u>	<u>46,205</u>	<u>38,374</u>	<u>7,831</u>
Total Yards and Grounds	<u>752,155</u>	<u>809,728</u>	<u>737,399</u>	<u>72,329</u>
WASTEWATER TREATMENT FACILITIES TOTAL	<u>23,401,454</u>	<u>26,011,754</u>	<u>18,243,134</u>	<u>7,768,620</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, 2017

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
INDUSTRIAL WASTE				
Industrial Waste Section:				
Personal services - Clerical	45,831	1	-	1
Personal services - Tech and Professional	97,315	109,283	109,283	-
Personal services - Operators	209,311	293,628	264,426	29,202
Operating expenditures	153,826	256,727	228,753	27,974
Total Industrial Waste Section	<u>506,283</u>	<u>659,639</u>	<u>602,462</u>	<u>57,177</u>
INDUSTRIAL WASTE TOTAL	<u>506,283</u>	<u>659,639</u>	<u>602,462</u>	<u>57,177</u>
ENGINEERING				
Engineering Department:				
Personal services - Executive	105,126	94,263	93,178	1,085
Personal services - Clerical	39,261	1	-	1
Personal services - Operators	840,431	651,407	635,778	15,629
Personal services - Supervision	-	42,592	42,592	-
Operating expenditures	64,200	283,143	162,980	120,163
Total Engineering Department	<u>1,049,018</u>	<u>1,071,406</u>	<u>934,528</u>	<u>136,878</u>
ENGINEERING TOTAL	<u>1,049,018</u>	<u>1,071,406</u>	<u>934,528</u>	<u>136,878</u>
SEWER MAINTENANCE DEPARTMENT				
Sewer Maintenance Office:				
Personal services - Clerical	60,699	67,597	66,537	1,060
Personal services - Supervision	138,438	142,653	124,129	18,524
Operating expenditures	197,033	185,263	130,952	54,311
Total Sewer Maintenance Office	<u>396,170</u>	<u>395,513</u>	<u>321,618</u>	<u>73,895</u>
Sewer - Repairs:				
Personal services - Supervision	170,569	177,173	134,924	42,249
Personal services - Operators	-	23	23	-
Personal services - Repair Mechanics	387,029	420,098	173,566	246,532
Operating expenditures	373,500	423,292	408,226	15,066
Total Sewer - Repairs	<u>931,098</u>	<u>1,020,586</u>	<u>716,739</u>	<u>303,847</u>
Sewer - Cleaning:				
Personal services - Supervision	472,644	542,027	443,359	98,668
Personal services - Operators	1,578,574	1,610,792	1,215,210	395,582
Operating expenditures	62,500	94,230	78,970	15,260
Total Sewer - Cleaning	<u>2,113,718</u>	<u>2,247,049</u>	<u>1,737,539</u>	<u>509,510</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, 2017

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance with Final Budget</u>
SWRI:				
Operating expenditures	-	7,471	4,604	2,867
Total SWRI	-	7,471	4,604	2,867
Automotive Equipment Service - Garage:				
Personal services - Repairman	121,875	132,959	122,787	10,172
Operating expenditures	523,000	537,902	393,081	144,821
Total Auto Equipment Service - Garage	644,875	670,861	515,868	154,993
SEWER MAINTENANCE				
DEPARTMENT TOTAL	4,085,861	4,341,480	3,296,368	1,045,112
MISCELLANEOUS				
Financial and Accounting Services				
City of Buffalo services	3,899,690	3,899,690	3,899,691	(1)
Fiscal agent expense	100,000	119,500	118,402	1,098
Judgments, claims, and other	275,000	373,762	972,775	(599,013)
Bond sale expense	25,000	25,000	-	25,000
Contingency	2,250,000	2,543,711	-	2,543,711
MISCELLANEOUS TOTAL	6,549,690	6,961,663	4,990,868	1,970,795
EMPLOYEE BENEFITS				
Hospital and surgical insurance - retirees	3,500,000	3,228,762	3,174,029	54,733
Hospital and surgical insurance - active	3,566,460	3,247,650	2,769,185	478,465
Group life insurance	30,000	42,220	22,441	19,779
Group dental insurance	135,000	135,000	109,588	25,412
Payments in lieu of health insurance	50,000	50,000	49,080	920
Health and welfare plan	78,000	84,605	64,366	20,239
Education, licenses and training	10,000	34,000	39,112	(5,112)
Social security	850,000	850,000	900,742	(50,742)
State retirement system	2,200,000	1,504,248	1,536,673	(32,425)
Unemployment insurance	10,000	10,000	175	9,825
Workers' compensation and death awards	475,000	550,000	401,695	148,305
Plan Administration	1,200	904	96	808
Reserve pay for unused sick leave	180,000	150,000	33,712	116,288
Rx Copay	22,000	22,000	-	22,000
Medical services	2,000	-	-	-
Salary adjustment	250,000	250,000	70,000	180,000
EMPLOYEE BENEFITS TOTAL	11,359,660	10,159,389	9,170,894	988,495

(continued)

BUFFALO SEWER AUTHORITY
Schedule of Expenditures and Other Financing Uses—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2017

(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>50,807,061</u>	<u>38,660,309</u>	<u>12,146,752</u>
OPERATING TRANSFERS				
Transfers to construction	-	17,761,478	17,761,478	-
Transfers to debt service fund	<u>5,469,665</u>	<u>5,874,187</u>	<u>3,507,989</u>	<u>2,366,198</u>
TOTAL OPERATING TRANSFERS	<u>5,469,665</u>	<u>23,635,665</u>	<u>21,269,467</u>	<u>2,366,198</u>
TOTAL EXPENDITURES AND OPERATING TRANSFERS	<u>\$ 53,950,000</u>	<u>\$ 74,442,726</u>	<u>\$ 59,929,776</u>	<u>\$ 14,512,950</u>

BUFFALO SEWER AUTHORITY
Schedule of Sewer Rents Receivable—General Fund
June 30, 2017

	<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	\$ 930,919	\$ 604,794	\$ 326,125
Other miscellaneous	9,235	6,673	2,562
Based on water consumption:			
Flat rate	2,560,336	2,167,097	393,239
Metered rates:			
Monthly	770,083	320,219	449,864
Quarterly - District W-E-S	7,195,116	3,844,585	3,350,531
Miscellaneous - current year	115,113	-	115,113
Outside connection privileges	6,301,841	-	6,301,841
Industrial waste treatment surcharge	276,216	1,020	275,196
Late payment penalties	<u>6,683,098</u>	<u>6,547,522</u>	<u>135,576</u>
 TOTAL	 <u>\$ 24,841,957</u>	 <u>\$ 13,491,910</u>	 <u>\$ 11,350,047</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	68
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	76
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue source, the charges for services.</i>	
Debt Capacity.....	81
<i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	83
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
Operating Information.....	85
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 [^]
Net position:										
Net investment in										
capital assets	\$ 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	\$ 261,619,145
Unrestricted	<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>	<u>(39,108)</u>
Total net position	<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>	<u>\$ 261,580,037</u>

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

Source: Buffalo Sewer Authority Annual Financial Statements

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

	Year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues:										
Charges for services	\$ 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	\$ 57,883,355
Capital grants and contributions	-	-	-	-	-	-	9,031,991	2,439,183	636,523	1,340,322
Total program revenues	<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>	<u>59,223,677</u>
Program expenses										
Operating expenses	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	48,085,232
Non-operating expenses	<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>	<u>1,866,564</u>
Total program expenses	<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>	<u>49,951,796</u>
Total net program revenue	<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>	<u>9,271,881</u>
General revenues:										
Unrestricted investment earnings	2,667,752	1,808,526	748,172	348,572	507,775	357,126	374,859	259,373	343,483	809,462
Unallocated revenues	<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>	<u>1,915,830</u>
Total general revenues	<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>	<u>2,725,292</u>
Change in net position	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	11,997,173
Net position, beginning of year	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	322,039,392
Restatement ^{1, 2}	-	-	-	-	-	-	-	(1,069,812)	-	(72,456,528)
Net position, end of year	<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>	<u>\$ 261,580,037</u>

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

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

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

Operating Revenue—Charges for Services								
Year Ended June 30,	Total					Interest and Penalties		
		Assessed Sewer Rent	Water Sewer Rent	Industrial Waste	Connection Privileges O/S City	Delinquent Assessed Sewer Rent	Sewer Rent	
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	
2017	57,883,355	12,108,674	26,993,253	1,944,290	15,708,267	197,398	931,473	

Source: Buffalo Sewer Authority Annual Financial Statements

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

Year Ended June 30,	Total	General Administration	Wastewater Treatment Facilities	Industrial Waste	Engineering	Sewer Maintenance
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
2017	48,085,232	2,472,798	37,671,328	921,260	1,521,624	5,498,222

Source: Buffalo Sewer Authority Annual Financial Statements

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

Year Ended June 30,	Nonoperating Revenues		Total Nonoperating Revenues	Nonoperating Expenses
	Interest Revenue	Other Revenue		Interest and Fiscal Charges
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)
2017	809,462	1,915,830	2,725,292	(1,866,564)

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011¹</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Reserved	\$ 511,483	\$ 552,475	\$ 810,446	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved	<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	n/a
Total General Fund	<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	\$ 19,057,169	\$ 22,250,147	\$ 34,121,128	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved, reported in:										
General Projects	34,252,220	32,095,083	20,925,211	n/a	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>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total all other governmental funds	<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	n/a
General Fund										
Nonspendable	n/a	n/a	n/a	\$ 114,707	\$ 202,958	\$ 225,832	\$ 283,064	\$ 130,520	\$ 130,385	\$ 130,324
Committed	n/a	n/a	n/a	11,631,026	13,084,147	20,170,249	30,534,049	27,334,782	24,377,931	27,034,826
Unassigned	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>	<u>10,000,000</u>
Total General Fund	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>	<u>\$ 37,165,150</u>
All other governmental funds:										
Restricted	n/a	n/a	n/a	\$ 17,174,157	\$ 17,316,136	\$ 16,510,258	\$ 4,711,045	\$ 6,837,330	\$ 4,735,110	\$ 4,515,791
Committed	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>	<u>51,307,341</u>
Total all other governmental funds	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>	<u>\$ 55,823,132</u>

Note: ¹ 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)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES										
Sewer rents—general consumers	\$ 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	\$ 56,754,484
Interest on delinquent sewer rents	872,251	899,178	853,727	562,384	701,090	954,524	1,064,491	1,079,416	1,254,467	1,128,871
Interest on cash and investments	2,667,752	1,808,526	748,172	348,572	507,774	357,126	374,859	259,373	343,483	809,462
Miscellaneous	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	2,384,830
State aid	-	-	-	-	-	-	-	2,439,183	255,616	128,554
Federal aid	-	-	-	-	-	-	9,031,991	-	380,907	742,768
Total revenues	<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>	<u>61,948,969</u>
EXPENDITURES										
Current:										
General administration	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	1,420,367
Wastewater treatment facilities	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	16,607,884
Industrial waste	520,684	579,950	568,124	543,074	542,419	513,905	508,944	428,252	426,198	529,169
Engineering	594,109	728,026	737,214	683,679	596,009	664,940	753,015	888,776	1,145,216	874,016
Sewer maintenance	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	3,103,108
Miscellaneous	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	4,990,868
Employee benefits	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	9,128,640
Debt service:										
Principal	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	1,640,000
Interest and fiscal charges	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	1,867,989
Capital lease payment	25,583	26,508	6,836	-	-	-	-	-	-	-
Capital outlay	<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>	<u>24,929,531</u>
Total expenditures	<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>	<u>65,091,572</u>
Excess (deficiency) of revenues over expenditures	<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>	<u>(3,142,603)</u>

(continued)

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

	(concluded)									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OTHER FINANCING SOURCES (USES)										
Transfers in	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	21,597,825
Transfers out	(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)	(21,597,825)
Long-term conversion of EFC loans payable expected to be refinanced	-	-	-	-	-	-	15,159,256	-	-	-
Proceeds of issuance of debt	-	-	-	-	-	-	-	2,422,054	-	-
Proceeds of refunding bonds	-	-	-	-	-	21,671,564	-	8,967,268	7,094,679	-
Payment to refunded bond escrow agent	-	-	-	-	-	(21,671,564)	-	(8,967,268)	(7,094,679)	-
Total other financing sources (uses)	-	-	-	-	-	-	15,159,256	2,422,054	-	-
Net change in fund balances	<u>\$ 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>	<u>\$ (3,142,603)</u>
Debt service as a percentage of noncapital expenditures	26.21%	25.78%	26.40%	24.99%	17.56%	13.80%	24.96%	9.54%	10.97%	8.93%

Source: Buffalo Sewer Authority Annual Financial Statements

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

Fiscal Year	Gallons of Wastewater Treated¹
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
2017	45,625

Note: ¹ In millions

Source: Buffalo Sewer Authority's internal records

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

<u>Fiscal Year</u>	<u>Sewer Taps Sold</u>
2008	55
2009	87
2010	70
2011	34
2012	39
2013	60
2014	71
2015	89
2016	70
2017	80

Source: Buffalo Sewer Authority's internal records

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

Fiscal Year	Customers	
	Residential	Commercial
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
2017	105,148	992

Source: Buffalo Sewer Authority's internal records

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

		Buffalo Sewer Authority	City of Buffalo Exclusive of Buffalo Sewer Authority	Erie County¹	Total
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
2017	H	1.65	17.88	5.95	25.48
	NH	1.65	27.01	5.95	34.61

Notes: ¹ For the calendar year beginning during Authority's fiscal year.

H Homestead

NH Non-homestead

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

BUFFALO SEWER AUTHORITY
Table XII—Principal Customers
Years Ended June 30, 2017 and June 30, 2008
(Unaudited)

Year Ended June 30, 2017:

Customer	Type of Business	Sewer Rent on Assessed Valuation	Sewer Rent on Water Use	Industrial Waste Surcharge	Total Sewer Rent	Percentage of Total Sewer Rents (General Consumers)
BMHA	Municipal Housing	\$ 143,045	\$ 602,909	\$ -	\$ 745,954	1.31%
Aurubis	Copper Mill	10,745	482,261	-	493,006	0.87%
ECMC	Hospital	-	408,770	-	408,770	0.72%
Sorrento	Consumer Foods	5,621	2,116	235,175	242,912	0.43%
Niagara Mohawk	Utility Company	183,051	11,725	-	194,776	0.34%
Harborcenter Development	Entertainment Center	172,245	8,049	-	-	-
Kaleida Health	Hospital	163,400	1,701	-	165,101	0.29%
Buffalo Board of Education	School District	-	159,818	-	159,818	0.28%
Veterans Administration	Hospital	-	152,729	-	152,729	0.27%
CSX (Conrail Transportation)	Transportation	125,250	-	-	125,250	0.22%

Year Ended June 30, 2008:

	Type of Business	Sewer Rent on Assessed Valuation	Sewer Rent on Water Use	Industrial Waste Surcharge	Total Sewer Rent	Percentage of Total Sewer Rents (General Consumers)
BHMA	Municipal Housing	\$ 168,827	\$ 362,292	\$ -	\$ 531,119	1.04%
Luvata	Copper Mill	16,126	514,012	-	530,138	1.04%
National Grid	Utility Company	160,770	127,244	-	288,014	0.57%
ECMC	Hospital	-	262,692	-	262,692	0.52%
HKMDA, LLC	Municipal Housing	13,600	248,285	-	261,885	0.51%
Buffalo Board of Education	Schools	-	192,554	-	192,554	0.38%
Buffalo State College	University	-	191,909	-	191,909	0.38%
SUNYAB	University	-	174,560	-	174,560	0.34%
Veteran's Hospital	Hospital	-	156,339	-	156,339	0.31%
Sorrento	Consumer Foods	5,295	1,511	136,000	142,806	0.28%

Source: Buffalo Sewer Authority's Internal Records

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

Fiscal Year	Revenue Bonds	Capital Lease Obligation	EFC Loan	Total Amount	Percentage of Personal Income	Debt per Capita¹
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	0.08%	162
2017	40,190,713	-	-	40,190,713	n/a	156

Note: ¹ Based on most recent census data for Buffalo, New York

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

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

Year Ended June 30,	Total Revenues	Direct Operating Expenditures ¹	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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 ²	54,171,562	37,782,350	16,389,212	10,769,723	1,800,298	12,570,021	1.30
2015	61,830,298	35,502,632	26,327,666	1,580,000	1,966,969	3,546,969	7.42
2016	56,872,087	36,354,716	20,517,371	2,032,438	2,212,115	4,244,553	4.83
2017	61,948,969	36,654,052	25,294,917	1,640,000	1,867,989	3,507,989	7.21

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

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

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

	Population		Buffalo/Niagara Region		Buffalo, NY	New York State
	Buffalo²	Erie County²	Per Capita Income³	Labor Force¹	Unemployment Rate¹	Unemployment Rate⁴
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	46,511	555,468	4.4%	4.7%
2017	256,902	921,046	n/a	550,420	5.1%	4.5%

Sources: ¹ US Department of Labor - Bureau of Labor Statistics, at June 30 of year shown

² US Bureau of the Census

³ US Bureau of Economic Analysis

⁴ NYS Department of Labor – Labor Statistics, at June 30 of year shown

BUFFALO SEWER AUTHORITY
Table XVI—Principal Employers in the Buffalo Metropolitan Area
Years Ended June 30, 2017 and June 30, 2008
(Unaudited)

Employer	2017 ¹			2008 ²		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
State of New York	23,400	1	4.21%	16,608	1	2.82%
Federal Executive Board	9,000	2	1.62%	9,500	4	1.61%
Kaleida Health	8,113	3	1.46%	10,000	3	1.70%
Buffalo City School District	7,552	4	1.36%	5,389	7	0.91%
Catholic Health System	7,347	5	1.32%	4,949	8	0.84%
M&T Bank	7,000	6	1.26%	4,820	10	0.82%
University at Buffalo	6,992	7	1.26%	10,035	2	1.70%
Tops Friendly Markets	5,423	8	0.98%			
Erie County	4,300	9	0.77%	6,383	5	1.08%
Seneca Gaming Corp.	4,000	10	0.72%			
HSBC Bank, USA				5,848	9	0.99%
Employer Services Corp.				4,880	6	0.83%

Sources: ¹ From “Buffalo Business First” (July 28, 2017 edition).

² From the “Business First Book of Lists 2008” Western New York's weekly business newspaper.

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

Year Ended June 30,	Full-time Equivalent Employees					Total
	Administration	Treatment Plant	Industrial Waste	Engineering	Sewer Maintenance	
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
2017	21	117	6	11	43	198

Source: Buffalo Sewer Authority's internal records

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

Year Ended June 30,	Miles of Sewers	Number of Treatment Plants	Treatment Capacity (MGD)	Annual Engineering Maximum Plant Capacity¹	Amount Treated Annually¹	Unused Capacity¹	Percentage of Capacity Utilized
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%
2016	850	1	600	219,000	45,625	173,375	20.8%

Note: ¹ Millions of gallons

Source: Buffalo Sewer Authority's internal records