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# Buffalo Sewer Authority

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

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**BUFFALO, NEW YORK**

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**BUFFALO SEWER AUTHORITY  
BUFFALO, NY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2012**

**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

**WASTEWATER TREATMENT PLANT**

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



September 21, 2012

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, 2012, 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 controls 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, 2012 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 unqualified opinion that the Authority’s financial statements for the fiscal year ended June 30, 2012, 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 provides sewage collection, treatment and disposal 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 261,310 according to the 2010 census data. The Peace Bridge, which connects downtown Buffalo with the Province of Ontario, serves as a major link between the United States and Canada.

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

## **Major Initiatives**

The Authority provides sewerage collection, treatment, and disposal services for the City of Buffalo and various neighboring communities. During the 2011-2012 fiscal year period, several sewer projects were initiated or completed which enable the Authority to improve the services described above.

As part of the redevelopment of Buffalo's Inner Harbor, the Authority was awarded \$8.6 million in funding through the American Recovery and Reinvestment Act, allowing for the construction of the Hamburg Drain Floatables Control Facility, which will collect and process floatables from

twenty sewer regulators within the Hamburg drain system which discharge combined sewage to the Buffalo River during wet weather events. Construction is 90% complete and should be finished by the end of 2012.

The Authority continues construction of storm sewers as identified in the Combined Sewer Overflow (CSO) Long Term Abatement Plan. This plan is a system-wide study that assesses and prioritizes improvements necessary to comply with EPA Policy and conditions of our operating permit. We have completed two separation projects – Auburn Street and Beverly Road so far this year, and work on CSO #60 is 90% complete. This \$2 million project addresses overflows to Scjacquada Creek in the Forest Avenue area. The BSA, in conjunction with the Buffalo Riverkeeper, was awarded a \$750,000 New York State Green Initiatives grant for green infrastructure on this project. BSA will pilot various “green” treatments that remove rainwater from our system and prevent overflows. The Authority will also bid two in-line storage projects on Texas Street and Bird Avenue. These projects will use real time control and existing storage capacity to store flows until the rain event subsides.

The Authority, through a system wide sewer-cleaning program, attempts to prevent potential problems through regular maintenance and inspection of the sewer system. This program cleaned and evaluated approximately 200,000 linear feet of combined and storm sewers for defects. This careful attention proves to be most effective in that no major breaks in sewers have occurred.

The Authority continues its commitment to its long term capital plan for the treatment plant. BSA is spending over \$10 million on the following projects: Rehabilitation of Incinerator #2, 2<sup>nd</sup> phase of pipe replacement, sludge cake receiving system to handle sludge from other municipalities, upgrades to the HVAC systems that include energy saving measures and various other projects, in the design stage now, aimed at reducing our energy costs.

### **Five Year Capital Plan**

According to the Supplemental Bond Resolution, adopted by the Authority on May 3, 1993, a five-year capital plan will be adopted as a part of the annual budget. 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 2012-13 totals \$20,505,000. Of this amount, \$14,955,000 is for treatment plant rehabilitation projects and \$5,550,000 is estimated for the installation of new storm sewers and renovations to the current collection system.

### **Homeland Security**

The Authority is continually striving to reduce risk and liability while maintaining safety at its treatment plant. A Port Security Grant has been awarded to the Authority by the New York State Division of Homeland Security and Emergency Services, Office of Counter Terrorism. This grant is being utilized to increase the treatment plant’s security through the purchase and installation of CCTV and Access Control Security System. It is anticipated that this system should be completed in the coming year.

## **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, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports.

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

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



David P. Comerford  
General Manager



# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



**BUFFALO SEWER AUTHORITY**  
**Officials**  
**Year Ended June 30, 2012**

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**Board Members**

Herbert L. Bellamy, Jr., Chairman  
John D. Kennedy, Sr., Vice Chairman  
Christopher Roosevelt, Assistant Vice Chairman  
Eleanor C. Wilson-Divincenzo, Secretary  
John E. Kennedy, Jr., Assistant Secretary

**Professional Staff**

David P. Comerford, General Manager  
Ronald Brown, Executive Secretary  
James Keller, Jr., Treatment Plant Superintendent  
Oluwole A. McFoy, Associate Engineer  
Ed Hennessy, Director of Sewer Maintenance

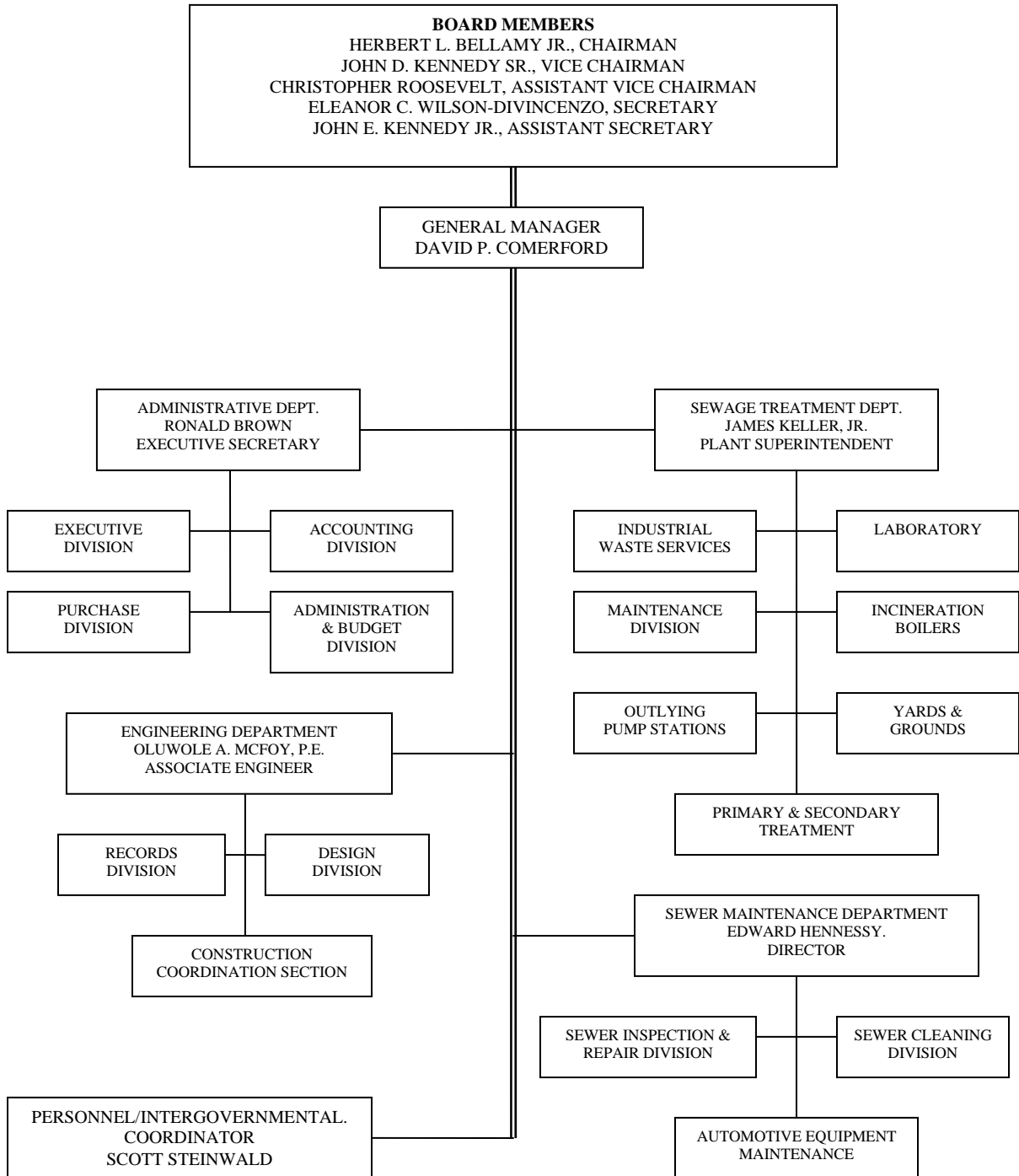
**Address of the Authority**

Room 1038  
Buffalo, New York 14202



**BUFFALO SEWER AUTHORITY**  
**Organization Chart**  
**Year Ended June 30, 2012**

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## FINANCIAL SECTION





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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

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

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 (the "Authority"), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the forgoing 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedules 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. Such information is the responsibility of the Authority's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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 and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Handwritten signature of Duesch & Malin LLP in black ink.

September 21, 2012

**BUFFALO SEWER AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2012**

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As management of the Buffalo Sewer Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2012. This document should be read in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

**Financial Highlights**

- ◆ The Authority's Governmental Activities' net assets increased \$9,877,041 as a result of this year's activity.
- ◆ The assets of the primary government of the Authority exceeded its liabilities at the close of the fiscal year by \$274,492,214 (net assets). Of this amount, \$62,722,484 (unrestricted net assets) may be used to meet the Authority's ongoing operations.
- ◆ At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$66,070,158, a decrease of \$628,102 in comparison with the prior year. Approximately 9.1 percent of this amount, \$6,000,000, is available for spending at the government's discretion (unassigned fund balance).
- ◆ The General Fund reported a net increase in fund balance this year of \$1,396,679. At June 30, 2012, unassigned fund balance for the General Fund was \$6,000,000, or 11.0 percent of the total of General Fund expenditures and transfers out.
- ◆ The Authority paid \$6,270,000 on its bonded indebtedness during the year ended June 30, 2012.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise 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. The basic financial statements include two kinds of statements that present different views of the Authority:

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide the reader with a broad overview of the Authority's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Authority's financial status as a whole.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

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

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has two kinds of 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 four 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, general projects, and debt service funds, all of which are considered to be major funds, information is also presented separately for the capital improvements fund, which management has chosen to present as a major fund.

The Authority adopts an annual appropriated budget for the General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20-24 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 basic fiduciary fund financial 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 26-47 of this report.

**Other information.** The financial statements include a section with supplemental schedules that provide further detail to the financial statements. The supplemental financial statements can be found following the notes to the financial statements on pages 48-57 of this report. Additionally, the financial statements include a statistical section for additional analysis, which can be found on pages 58-76 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as useful indicator of a government’s financial position. In the case of the Authority, assets exceeded liabilities by \$274,492,214 at the close of the year ended June 30, 2012, as compared to \$264,615,173 at the close of the year ended June 30, 2011.

**Table 1—Condensed Statement of Net Assets**

	June 30,	
	2012	2011
Current assets	\$ 94,330,424	\$ 95,197,902
Capital assets	<u>256,610,260</u>	<u>251,984,447</u>
Total assets	<u>350,940,684</u>	<u>347,182,349</u>
Current liabilities	28,680,141	28,929,925
Long-term liabilities	<u>47,768,329</u>	<u>53,637,251</u>
Total liabilities	<u>76,448,470</u>	<u>82,567,176</u>
Invested in capital assets, net of related debt	211,769,730	201,331,335
Unrestricted	<u>62,722,484</u>	<u>63,283,838</u>
Total net assets	<u>\$ 274,492,214</u>	<u>\$ 264,615,173</u>

By far the largest portion of the Authority’s net assets (77.1 percent) reflects its investment in capital assets (such as land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, 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 assets represents unrestricted net assets (22.9 percent), which may be used to meet the Authority’s ongoing obligations to citizens and creditors.

Total net assets increased \$9,877,041 over the prior year. The increase in net assets can be primarily attributed to favorable cost controlling techniques and procedures that are keeping utility and facility operating costs under budget.

At June 30, 2012, total assets of the Authority are \$350,940,684. The largest portion of total assets is its capital assets being depreciated, net of accumulated depreciation in the amount of \$256,610,260.

The Authority's liabilities totaled \$76,448,470 at June 30, 2012. The largest portion of the liabilities is outstanding debt and other long-term liabilities of \$47,768,329.

The Authority had favorable current ratios of 3.29 at June 30, 2012 and 2011. Such a ratio implies that the Authority has sufficient assets on hand to cover its liabilities that will come due in the coming year. Table 2, below, presents the current ratio for the Authority at June 30, 2012 and June 30, 2011.

**Table 2—Current Assets and Current Liabilities**

	June 30,	
	2012	2011
Current assets	\$94,330,424	\$ 95,197,902
Current liabilities	28,680,141	28,929,925
Ratio of current assets to current liabilities	3.29	3.29

Table 3, below, shows the changes in net assets for the years ended June 30, 2012 and June 30, 2011.

**Table 3—Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	Year Ended June 30,	
	2012	2011
Program revenues:		
Charges for services	\$ 53,531,965	\$ 52,201,066
General revenues	2,283,863	1,856,031
Total revenues	<u>55,815,828</u>	<u>54,057,097</u>
Program expenses	<u>45,938,787</u>	<u>46,132,012</u>
Change in net assets	9,877,041	7,925,085
Net assets beginning of year	<u>264,615,173</u>	<u>256,690,088</u>
Net assets end of year	<u>\$ 274,492,214</u>	<u>\$ 264,615,173</u>

A summary of sources of revenues for the years ended June 30, 2012 and June 30, 2011 is presented below in Table 4.

**Table 4—Summary of Sources of Revenues**

	June 30,		Increase/(decrease)	
	2012	2011	Dollars	Percent
Charges for services	\$ 53,531,965	\$ 52,201,066	\$ 1,330,899	2.5
Unrestricted investment earnings	507,775	348,572	159,203	45.7
Miscellaneous	1,776,088	1,507,459	268,629	17.8
Total revenues, net	<u>\$ 55,815,828</u>	<u>\$ 54,057,097</u>	<u>\$ 1,758,731</u>	3.3

Total revenues increased by 3.3 percent from the year ended June 30, 2011, primarily due to an increase in charges for services resulting from an incline in outside billings relating to cost sharing and other services provided to outside entities.

The most significant source of revenues is charges for services, which accounts for \$53,531,965, or 95.9 percent of total revenues, for the year ended June 30, 2012. The next largest source of revenue is classified as miscellaneous, which consists mostly of interest cost subsidies and comprises 3.2 percent of total revenues for the year ended June 30, 2012. For the year ended June 30, 2011, the most significant source of revenues was for charges for services, which accounted for \$52,201,066, or 96.6 percent of total revenues, for the year ended June 30, 2011. The next largest source of revenue is classified as miscellaneous, which consists mostly of interest cost subsidies and comprises 2.8 percent of total revenues for the year ended June 30, 2011.

A summary of program expenses for the years ended June 30, 2012 and June 30, 2011 is presented below in Table 5.

**Table 5—Summary of Program Expenses**

	June 30,		Increase/(decrease)	
	2012	2011	Dollars	Percent
General administration	\$ 2,293,974	\$ 2,044,403	\$ 249,571	12.2
Wastewater treatment facilities	33,681,046	33,281,903	399,143	1.2
Industrial waste	908,867	922,556	(13,689)	-1.5
Engineering	1,152,899	1,271,881	(118,982)	-9.4
Sewer maintenance	5,646,550	6,085,266	(438,716)	-7.2
Interest and other fiscal charges	2,255,451	2,526,003	(270,552)	-10.7
Total program expenses	<u>\$ 45,938,787</u>	<u>\$ 46,132,012</u>	<u>\$ (193,225)</u>	-0.4

Total program expenses decreased 0.4 percent from the year ended June 30, 2011, primarily due to conscious efforts to stabilize operating costs.

The Authority's significant expense items for the year ended June 30, 2012 were wastewater treatment facilities of \$33,681,046, or 73.3 percent of total expenses (primarily sewer, water, and sanitation services), sewer maintenance costs of \$5,646,550, or 12.3 percent of total expenses, and general administration expenses of \$2,293,974, or 5.0 percent of total expenses. For the year ended June 30, 2011 significant expense items were wastewater treatment facilities of \$33,281,903, or 72.1 percent of total expenses (primarily sewer, water, and sanitation services), sewer maintenance costs of \$6,085,266 or 13.2 percent of total expenses, and interest and other fiscal charges of \$2,526,003 or 5.5 percent of total expenses.

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

**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 spending at the end of a fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$66,070,158 a decrease of \$628,102 in comparison with the prior year. Approximately

9.1 percent of this total amount, \$6,000,000 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted or committed* to indicate that it is not available for new spending because it has been set aside for prepaid items, to liquidate contracts and purchase orders (fulfill encumbrances), for self-insurance, to finance capital projects or to pay debt service.

The Authority's General Fund ending fund balance was \$19,287,105. Approximately 31.1 percent, \$6,000,000, of this amount is unassigned fund balance. The General Fund fund balance increased \$1,396,679 as a result of this year's activity. Overall, General Fund revenues for the year ended June 30, 2012 were marginally higher in comparison to the year ended June 30, 2011, increasing 3.6 percent, \$1,916,981. This increase was largely the result of increased sewer rents from general consumers revenue received within the fund, up \$1,192,194, and from additional support from state aid due to new grants, which accounted for an increase of \$751,711 from the prior year. Total expenditures for the year ended June 30, 2012 remained relatively stable decreasing only \$67,886 from the year ended June 30, 2011. During the year ended June 30, 2012, the General Fund experienced increased employee benefits costs, which were offset by efficiencies gained within the wastewater treatment facilities and sewer maintenance.

The General Projects Fund has a total fund balance of \$29,824,124, a decrease of \$2,166,760 from the prior year. During the year ended June 30, 2012, the Authority transferred \$11,657,326 to the General Projects Fund to support ongoing capital projects. During the year ended June 30, 2012, the Authority spent \$13,208,466 from the General Projects Fund for capital outlay. A portion of fund balance, \$857,207 represents amounts reserved for debt, while the remaining \$28,966,917 has been committed to fund future capital projects.

### **General Fund Budgetary Highlights**

During the year ended June 30, 2012 there were no additional appropriations from the original budget, although within the General Fund there were changes between the original and final amended budget. The main component of these changes were supplemental appropriations of \$630,765 for the wastewater treatment plant to support operating expenditures related to plant administration and incineration. These increases to the original budget were offset by a decrease in appropriations for miscellaneous expenditures for miscellaneous contingencies of \$631,653.

The General Fund revenues were \$3,132,468 over the final amended budget amount mainly due to favorable sewer rents, specifically water sewer rents and connection privileges outside city, which exceeded their forecasted revenues by \$630,651 and \$1,885,756, respectively.

The General Fund budgetary expenditures were \$6,995,823 under the final amended budget amount largely due to the following:

- ◆ Wastewater treatment facilities expenditures were \$4,536,223 under the final amended budget resulting from efforts to minimize utility costs and other various operating expenditures.
- ◆ Sewer maintenance department expenditures were \$1,304,657 lower than the final amended budget due to lower than expected costs for salary adjustments and insurance costs.
- ◆ Miscellaneous expenditures were \$384,215 less than the final amended budget largely from lower judgments and claims expenditures than expected, coupled by savings within the sewer rent adjustment fund and contingency account.



Notably, transfers out were \$9,708,223 over the final amended budget amount due to a larger than expected transfer to the General Projects Fund.

### Capital Asset and Debt Administration

**Capital Assets.** The Authority's investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$256,610,260 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, infrastructure, buildings and improvements, vehicles and equipment. 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, 2012 and 2011 are presented below:

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

	Governmental Activities	
	June 30,	
	2012	2011
Land	\$ 10,586,171	\$ 10,586,171
Construction in progress	41,573,458	31,078,780
Buildings	118,555,504	122,119,624
Building improvements	3,986,404	4,034,899
Machinery & equipment	1,909,781	2,024,210
Sanitary & storm relief system	79,998,942	82,140,763
Total	<u>\$ 256,610,260</u>	<u>\$ 251,984,447</u>

The Authority's infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. The Authority has elected to depreciate their infrastructure assets. Additional information on the Authority's capital assets can be found in Note 7 of this report.

**Debt.** At June 30, 2012, the Authority had total bonded debt outstanding of \$42,120,000 as compared to \$48,390,000 in the prior year. During the fiscal year ended June 30, 2012, the Authority paid \$6,270,000 of its outstanding debt. Table 7, below, presents outstanding debt by issuance at June 30, 2012 and June 30, 2011.

**Table 7—Outstanding Debt**

	Principal Outstanding	
	June 30,	
	2012	2011
Series F	\$ 1,530,000	\$ 2,965,000
Series H	22,330,000	23,065,000
Series I	-	3,550,000
Series J	6,030,000	6,235,000
Series K	4,015,000	4,140,000
Series L	8,215,000	8,435,000
	<u>\$ 42,120,000</u>	<u>\$ 48,390,000</u>

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

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

The unemployment rate, not seasonally adjusted, for the Buffalo, New York is currently 8.8 percent, which is a decrease from a rate of 10.2 percent a year ago. This compares favorably to New York State's average unemployment rate of 8.9 and unfavorably to the national average of 8.1 percent. Additionally over the past two decades, the region has experienced a steady decline in population and business.

Despite the economic hardships, considering the condition of the General and General Projects Funds, respectively, the Authority's overall financial position remained during the fiscal year ended June 30, 2012.

Total appropriations within the 2012-2013 adopted budget were \$53,750,000, an increase of 2.6 percent from the 2011-2012 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 \$161 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 2012-2013 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 \$1.70479847 for each for each \$1,000 of assessed valuation.

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

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

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

# BASIC FINANCIAL STATEMENTS



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**BUFFALO SEWER AUTHORITY**  
**Statement of Net Assets**  
**June 30, 2012**

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	<u><b>Primary Government Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,000,409
Restricted cash and cash equivalents	59,248,490
Investments	16,458,929
Accounts receivable (net of allowances for uncollectible receivables)	7,561,177
Due from other governments	3,858,461
Prepaid expenses	202,958
Capital assets, not being depreciated	52,159,629
Capital assets, being depreciated (net of accumulated depreciation)	<u>204,450,631</u>
Total assets	<u>350,940,684</u>
<b>LIABILITIES</b>	
Accounts payable	5,322,220
Interest payable	419,875
Accrued liabilities	506,488
Due to retirement system	442,338
Due to other governments	15,665,776
Matured bonds payable	4,985,000
Matured interest payable	168,325
Retainages payable	890,875
Unearned revenues	279,244
Noncurrent liabilities:	
Due within one year	2,953,916
Due within more than one year	<u>44,814,413</u>
Total liabilities	<u>76,448,470</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	211,769,730
Unrestricted	<u>62,722,484</u>
Total net assets	<u>\$ 274,492,214</u>

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

**BUFFALO SEWER AUTHORITY**  
**Statement of Activities**  
**Year Ended June 30, 2012**

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Primary Government Governmental Activities</b>
Governmental activities:			
General administration	\$ 2,293,974	\$ 3,461,059	\$ 1,167,085
Wastewater treatment facilities	33,681,046	38,785,883	5,104,837
Industrial waste	908,867	1,373,496	464,629
Engineering	1,152,899	1,734,745	581,846
Sewer maintenance	5,646,550	8,176,782	2,530,232
Interest and fiscal charges	2,255,451	-	(2,255,451)
Total governmental activities	\$ 45,938,787	\$ 53,531,965	7,593,178
General revenues:			
			507,775
			1,776,088
			2,283,863
			9,877,041
			264,615,173
			\$ 274,492,214

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

**BUFFALO SEWER AUTHORITY**  
**Balance Sheet—Governmental Funds**  
**June 30, 2012**

	<u>General</u>	<u>General Projects</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,500,310	\$ -	\$ 500,099	\$ -	\$ 7,000,409
Restricted cash and cash equivalents	20,179,026	33,916,139	-	5,153,325	59,248,490
Investments	-	-	-	16,458,929	16,458,929
Accounts receivable (net of allowance for uncollectibles)	7,561,177	-	-	-	7,561,177
Due from other governments	-	3,858,461	-	-	3,858,461
Prepaid expenditures	202,958	-	-	-	202,958
Due from other funds	7,035	11,631,026	-	-	11,638,061
Total assets	<u>\$ 34,450,506</u>	<u>\$ 49,405,626</u>	<u>\$ 500,099</u>	<u>\$ 21,612,254</u>	<u>\$ 105,968,485</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,304,305	\$ 3,017,915	\$ -	\$ -	\$ 5,322,220
Accrued liabilities	506,488	-	-	-	506,488
Due to other funds	11,631,026	6,936	99	-	11,638,061
Due to NYS retirement system	442,338	-	-	-	442,338
Due to other governments	-	15,665,776	-	-	15,665,776
Accrued bonds payable	-	-	-	4,985,000	4,985,000
Accrued interest payable	-	-	-	168,325	168,325
Retainages payable	-	890,875	-	-	890,875
Deferred revenues	279,244	-	-	-	279,244
Total liabilities	<u>15,163,401</u>	<u>19,581,502</u>	<u>99</u>	<u>5,153,325</u>	<u>39,898,327</u>
Fund balances:					
Nonspendable	202,958	-	-	-	202,958
Restricted	-	857,207	-	16,458,929	17,316,136
Committed	13,084,147	28,966,917	500,000	-	42,551,064
Unassigned	6,000,000	-	-	-	6,000,000
Total fund balances	<u>19,287,105</u>	<u>29,824,124</u>	<u>500,000</u>	<u>16,458,929</u>	<u>66,070,158</u>
Total liabilities and fund balances	<u>\$ 34,450,506</u>	<u>\$ 49,405,626</u>	<u>\$ 500,099</u>	<u>\$ 21,612,254</u>	<u>\$ 105,968,485</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 Statement of Net Assets**  
**June 30, 2012**

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances—governmental funds		\$ 66,070,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$474,047,260 and the accumulated depreciation is \$217,437,000.		256,610,260
Bond issue costs are reported as expenditures in the governmental funds in the year of issuance. Bond issuance costs totaling \$1,675,738 have been deducted directly from bonds payable offset by related accumulated amortization of \$1,061,628.		614,110
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ (42,120,000)	
Compensated absences	(1,651,148)	
Other postemployment benefits obligation	(3,784,104)	
Judgments and claims	<u>(827,187)</u>	(48,382,439)
Net accrued interest expense for bonds, notes and special program bonds not reported in the fund.		<u>(419,875)</u>
Net assets of governmental activities		<u><u>\$ 274,492,214</u></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, 2012**

	<u>General</u>	<u>General Projects</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Govern- mental Funds</u>
<b>REVENUES</b>					
Sewer rents—general consumers	\$ 52,830,876	\$ -	\$ -	\$ -	\$ 52,830,876
Interest on delinquent sewer rents	701,090	-	-	-	701,090
Interest on investments	190,414	-	-	317,360	507,774
Miscellaneous	1,776,088	-	-	-	1,776,088
Total revenues	<u>55,498,468</u>	<u>-</u>	<u>-</u>	<u>317,360</u>	<u>55,815,828</u>
<b>EXPENDITURES</b>					
Current:					
General administration	1,300,917	-	-	-	1,300,917
Wastewater treatment facilities	17,683,807	-	-	-	17,683,807
Industrial waste	542,419	-	-	-	542,419
Engineering	596,909	-	-	-	596,909
Sewer maintenance	2,805,100	615,620	-	-	3,420,720
Miscellaneous	4,062,822	-	-	-	4,062,822
Employee benefits	7,091,923	-	-	-	7,091,923
Capital outlay	-	13,208,466	-	-	13,208,466
Debt service:					
Principal	-	-	-	6,270,000	6,270,000
Interest and fiscal charges	-	-	-	2,265,947	2,265,947
Total expenditures	<u>34,083,897</u>	<u>13,824,086</u>	<u>-</u>	<u>8,535,947</u>	<u>56,443,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,414,571</u>	<u>(13,824,086)</u>	<u>-</u>	<u>(8,218,587)</u>	<u>(628,102)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	175,381	11,657,326	-	8,535,947	20,368,654
Transfers out	<u>(20,193,273)</u>	<u>-</u>	<u>-</u>	<u>(175,381)</u>	<u>(20,368,654)</u>
Total other financing sources (uses)	<u>(20,017,892)</u>	<u>11,657,326</u>	<u>-</u>	<u>8,360,566</u>	<u>-</u>
Net change in fund balances	1,396,679	(2,166,760)	-	141,979	(628,102)
Fund balances—beginning	<u>17,890,426</u>	<u>31,990,884</u>	<u>500,000</u>	<u>16,316,950</u>	<u>66,698,260</u>
Fund balances—ending	<u>\$ 19,287,105</u>	<u>\$ 29,824,124</u>	<u>\$ 500,000</u>	<u>\$ 16,458,929</u>	<u>\$ 66,070,158</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 Statement of Activities**  
**Year Ended June 30, 2012**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances—total governmental funds \$ (628,102)

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.

Capital asset additions	\$ 13,208,466	
Depreciation expense	(8,396,260)	
Loss on disposition of assets	<u>(186,393)</u>	4,625,813

The governmental funds report the repayment of bond and lease principal as an expenditure and the proceeds of new borrowings as a revenue. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. Premium on bonds is recorded as a revenue in the governmental funds when it is received. In the statement of activities, the premium is recognized as it accrues, regardless of when it is received. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of serial bonds	\$ 6,270,000	
Premium amortized	45,981	
Interest expense—general obligation bonds	<u>10,408</u>	6,326,389

Net bond issuance costs that are amortized over the life of the obligation on statement of activities but are recorded as expenditures in the statement for governmental funds.

Bond issuance costs amortized		(45,893)
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In the statement of activities, certain operating expenses—compensated absences (vacation & sick leave), other postemployment benefits and judgements and claims—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 is as follows:

Compensated absences	\$ 137,017	
Other postemployment benefits obligation	(773,027)	
Judgements and claims	<u>234,844</u>	<u>(401,166)</u>

Change in net assets of governmental activities		<u>\$ 9,877,041</u>
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The notes to the financial statements are an integral part of this statement.

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**BUFFALO SEWER AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<b>Budgetary</b>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Amounts</u>
<b>REVENUES</b>				
Sewer rents—general consumers	\$ 50,384,600	\$ 50,384,600	\$ 52,830,876	\$ 2,446,276
Interest on delinquent sewer rents	770,000	770,000	701,090	(68,910)
Interest on investments	227,900	227,900	190,414	(37,486)
Miscellaneous	983,500	983,500	1,776,088	792,588
Total revenues	<u>52,366,000</u>	<u>52,366,000</u>	<u>55,498,468</u>	<u>3,132,468</u>
<b>EXPENDITURES</b>				
Current:				
General administration	1,611,476	1,508,416	1,308,845	199,571
Wastewater treatment facilities	22,722,002	23,352,767	18,816,544	4,536,223
Industrial waste	615,284	666,297	557,004	109,293
Engineering	933,627	940,612	597,286	343,326
Sewer maintenance	4,469,041	4,478,512	3,173,855	1,304,657
Miscellaneous	5,078,690	4,447,037	4,062,822	384,215
Employee benefits	7,231,001	7,222,226	7,103,688	118,538
Total expenditures	<u>42,661,121</u>	<u>42,615,867</u>	<u>35,620,044</u>	<u>6,995,823</u>
Excess of revenues over expenditures	<u>9,704,879</u>	<u>9,750,133</u>	<u>19,878,424</u>	<u>10,128,291</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	175,381	175,381
Transfers out	<u>(10,485,050)</u>	<u>(10,485,050)</u>	<u>(20,193,273)</u>	<u>(9,708,223)</u>
Total other financing sources (uses)	<u>(10,485,050)</u>	<u>(10,485,050)</u>	<u>(20,017,892)</u>	<u>(9,532,842)</u>
Net change in fund balances	(780,171)	(734,917)	(139,468)	595,449
Fund balances—beginning	<u>17,890,426</u>	<u>17,890,426</u>	<u>17,890,426</u>	-
Fund balances—ending	<u>\$ 17,110,255</u>	<u>\$ 17,155,509</u>	<u>\$ 17,750,958</u>	<u>\$ 595,449</u>

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

**BUFFALO SEWER AUTHORITY**  
**Statement of Fiduciary Net Assets—Agency Fund**  
**June 30, 2012**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 33,556</u>
Total assets	<u>\$ 33,556</u>
<b>LIABILITIES AND NET ASSETS</b>	
Temporary withholding liabilities	<u>\$ 33,556</u>
Total liabilities	<u>33,556</u>
Net assets	<u>-</u>
Total liabilities and net assets	<u>\$ 33,556</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, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. 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, 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 of Buffalo. There are no other entities covered in this report.

The Authority provides sewage collection, treatment and disposal 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).

- b. Government-wide and fund financial statements*—The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effects of interfund activity have been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Interest and other items are not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

- c. Measurement focus/basis of accounting*— 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.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the underlying exchange transaction has occurred and the resources are available. The Authority considers revenues to be available if the Authority has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them 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 are recorded only when payment is due.

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 government.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *General Projects Fund* was established to account for the acquisition and construction of major capital facilities and capital assets financed primarily with proceeds of both long and short-term debt.

The *Capital Improvements Fund* was established to account for general sewer system improvements financed primarily with proceeds of both long and short-term debt.

The *Debt Service Fund* was established to maintain a debt service reserve required under the sewer system bond resolution of 1977 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 transferred to the General Fund.

Additionally, the Authority reports the following fund type:

A fiduciary fund, the *Agency Fund*, is used to account for assets held by the Authority as an agent for individuals, private organizations, other governments or other funds. The Agency Fund is custodial in nature and does not involve measurement of results of operations. It does not have a measurement focus. The Agency Fund accounts are reported as liabilities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to the general rule is the 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.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. General revenues are those that cannot be associated directly with program activities.



When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

d. *Budgets and budgetary accounting*—The Authority follows these procedures in establishing most of the budgetary data reflected in the financial statements:

1. In accordance with the 1977 Bond Resolution 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.
2. 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.
3. 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.
4. 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.
5. 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 reservation of fund balance. All encumbered appropriations lapse and revert to fund balance at the end of the fiscal year.

e. *Encumbrances*—Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the General and General Projects Funds. 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 follows:

General Fund fund balance—GAAP basis	\$ 19,287,105
Less: Encumbrances	<u>(1,536,147)</u>
General Fund fund balance—non-GAAP budgetary basis	<u>\$ 17,750,958</u>

f. *Cash and cash equivalents*—Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. Restricted cash and cash equivalents represents cash set aside for future capital projects and debt payments.

g. *Investments*—Temporary investments are carried at fair value and include Money Market Funds, Certificates of Deposit, Repurchase Agreements, Treasury Bills and Treasury Notes. Interest earned on investments in the Debt Service Fund is transferred to the General Fund in accordance with Authority policy.

- h. Capital assets*—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 valued at their estimated fair market value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend to an asset’s life is not capitalized.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Land improvements	20
Buildings	40
Building improvements	20
Machinery & equipment	3-10
Sanitary & storm relief system	20-50

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period in the government-wide statements.

- i. Unearned/Deferred revenue*—Unearned/Deferred revenues are recorded for any sewer rents collected in advance of the fiscal year for which they are levied or for sewer rents which have not yet been fully realized. These are typically recognized as revenues within 60 days of year-end.
- j. 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. Compensated absences for governmental fund type employees are reported as a fund liability and expenditure in the government-wide financial statements.

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.

- k. Long-term obligations*—In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- l. Insurance*—The Authority assumes the liability for most risk including general liability, automobile, excess liability, boat insurance and workers' compensation. The Authority maintains insurance for claims in excess of \$250,000. A commitment of fund equity has been established in the General Fund for self-insurance. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability incurred and the amount of the loss can be reasonably estimated. Estimated current contingent loss liabilities (i.e., those to be liquidated with available financial resources in the ensuing fiscal year) of governmental fund types are recorded in the General Fund.
- m. Pensions*—Nearly all Authority employees are members of the New York State and Local Employees Retirement System. The Authority is invoiced annually by the system for its share of the costs.
- n. Use of estimates*—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- o. Net assets presentation*—The government-wide fund financial statement utilizes a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

*Invested in capital assets, net of related debt*—This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted net assets*—This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets*—This category represents net assets of the Authority not restricted for any project or other purpose.

- p. Future impacts of accounting pronouncements*—During the year ended June 30, 2012, the Authority implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, which did not have material impact on the Authority's financial position or results of operation.

The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the year ending June 30, 2013; GASB Statement No. 65, *Items Previously Reported As Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 67, *Financial Reporting for Pension Plans*, effective for the year ending June 30, 2014; and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* effective for the year ending June 30, 2015. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 60, 61, 62, 63, 65, 66, 67 and 68 will have on its financial position and results of operations.

## **2. BUDGETARY REPORTING**

During the year ended June 30, 2012 actual transfers out exceeded the final budgeted amount by \$9,708,223. This negative variance was largely due to an increased transfer to the General Projects Fund which was made to help finance the Authority's five-year capital plan.

## **3. REVENUES**

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 of Buffalo 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.

Veolia Water, the managers of the City of Buffalo's Division of Water, 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.

## **4. CASH 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:

- a. Direct obligations of or obligations insured or guaranteed by the United States of America;
- b. 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;

- c. 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;
- d. 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.
- e. Investments in money-market funds rated "AAAm" or "AAAM-G" by Standard and Poor's Corporation;
- f. Repurchase agreements collateralized by Direct Obligations, GNMMAs, FNMMAs or FHLMMCs 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;
- g. 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.

Cash and investments at June 30, 2012 were partially covered by federal depository insurance or by collateral held in the Authority's name. They consisted of:

	Governmental Activities	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 2,250	\$ -	\$ 2,250
Cash deposit	<u>45,598,021</u>	<u>33,556</u>	<u>45,631,577</u>
Total deposits and petty cash	<u>45,600,271</u>	<u>33,556</u>	<u>45,633,827</u>
Cash and cash equivalents - held by trustee	<u>20,648,628</u>	<u>-</u>	<u>20,648,628</u>
Total cash and cash equivalents - held by trustee	<u>20,648,628</u>	<u>-</u>	<u>20,648,628</u>
Total cash and cash equivalents	<u>\$ 66,248,899</u>	<u>\$ 33,556</u>	<u>\$ 66,282,455</u>

Cash and cash equivalents	\$ 7,000,409
Restricted cash and cash equivalents	59,248,490
Cash held in Agency Fund	<u>33,556</u>
Total cash and cash equivalents	<u>\$66,282,455</u>

**Deposits:** All deposits including cash in bank and certificates of deposit are carried at fair value.

	<u>Carrying Amount</u>	<u>Bank Amount</u>
Deposits:		
Insured (FDIC):	\$ 250,000	\$ 250,000
Uninsured:		
Collateral held by pledging bank's trust department in Authority's name	<u>45,381,577</u>	<u>45,486,016</u>
Total deposits:	<u>\$45,631,577</u>	<u>\$45,736,016</u>

**Short-term Investments:** All short-term investments are held as U.S. Treasury money market investments.

**Investments—held by Trustee**—These investments are carried at fair value and are categorized in the following manner:

**Category 1**—Insured or registered, or securities held by the Authority or its agent in the Authority's name.

**Category 2**—Uninsured and unregistered, with securities held by the counterparty's trust department, or agent, in the Authority's name.

**Category 3**—Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Authority's name.

<u>Category 2 Investments</u>	<u>Par or Face Value</u>	<u>Fair Value</u>
US Money Market Funds	\$ 1,722,024	\$ 1,448,190
Certificate of Deposits	1,357,000	1,355,036
Government note - FHLB	8,240,878	8,604,729
U.S. Treasury note	<u>5,050,974</u>	<u>5,050,974</u>
Total category 2	<u>\$ 16,370,876</u>	<u>\$ 16,458,929</u>

The Authority had no Category 1 or Category 3 investments at June 30, 2012.

A summary of investments held as of June 30, 2012 follows:

	Interest Rate	Maturity Date	Par or Face Value	Fair Value
US Money Market Funds	0.02%	n/a	\$ 6,292	\$ 6,292
US Money Market Funds	0.01%	n/a	1,715,732	1,441,898
Certificate of Deposits	0.41%	Various	1,357,000	1,355,036
Government note - FHLB	3.83%	9/6/2013	8,240,878	8,604,729
U.S. Treasury note	4.34%	4/15/2032	2,825,593	2,825,593
U.S. Treasury note	4.63%	2/15/2033	498,654	498,654
U.S. Treasury note	3.82%	11/15/2033	774,061	774,061
U.S. Treasury note	4.52%	10/1/2035	952,666	952,666
Total Debt Service Fund			<u>\$16,370,876</u>	<u>\$16,458,929</u>

**Credit ratings**—The Authority has government notes with FHLB maturing September 6, 2013; and U.S. Treasury notes maturing April 15, 2032, November 15, 2033, February 15, 2033 and October 1, 2035. All of these investments have an S&P credit rating of A-1+ and a Moody’s credit rating of P-1.

**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.

**Custodial credit risk—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. As of June 30, 2012, the Authority’s deposits were FDIC insured or collateralized.

## 5. DUE FROM OTHER GOVERNMENTS

The Authority has an amount due from the New York State Environmental Facilities Corporation (“NYS EFC”) of \$3,858,461, which represents eligible project expenditures reimbursable from the NYS EFC in accordance with a short term loan agreement with the Authority.

## 6. INTERFUND RECEIVABLES AND PAYABLES

From time to time, the Authority's funds make temporary advances to other funds or payments on behalf of other funds. These receivables and payables are short-term in nature and temporary.

The following is a breakdown of the interfund receivable and payable balances at June 30, 2012.

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 7,035	\$ 11,631,026
General Projects Fund	11,631,026	6,936
Capital Improvements Fund	-	99
Total governmental funds	<u>\$ 11,638,061</u>	<u>\$ 11,638,061</u>

These outstanding interfund balances result from payments made on behalf of other funds, interest accruals within certain funds that are payable to other funds, or temporary advances. Additionally, the \$11,631,026 interfund balance represents the General Fund's 2012 transfer to the General Projects Fund to help finance the costs of the Authority's future capital projects. All of these balances are expected to be collected/paid within the subsequent year.

The Authority made the following operating transfers during 2012:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>General Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>Transfers Out:</u>				
General Fund	\$ -	\$ 11,657,326	\$ 8,535,947	\$ 20,193,273
Debt Service Fund	<u>175,381</u>	-	-	<u>175,381</u>
Total	<u>\$ 175,381</u>	<u>\$ 11,657,326</u>	<u>\$ 8,535,947</u>	<u>\$ 20,368,654</u>

Transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification.



## 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Capital assets, not being depreciated:</i>				
Land	\$ 10,586,171	\$ -	\$ -	\$ 10,586,171
Construction in progress	<u>31,078,780</u>	<u>12,919,151</u>	<u>(2,424,473)</u>	<u>41,573,458</u>
Total capital assets, not being depreciated	<u>41,664,951</u>	<u>12,919,151</u>	<u>(2,424,473)</u>	<u>52,159,629</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	455,703	-	-	455,703
Buildings	231,360,811	1,269,375	(452,576)	232,177,610
Building improvements	8,941,287	236,983	-	9,178,270
Machinery & equipment	28,763,327	343,388	(187,863)	28,918,852
Sanitary & storm relief system	<u>150,293,154</u>	<u>864,042</u>	<u>-</u>	<u>151,157,196</u>
Total capital assets, being depreciated	<u>419,814,282</u>	<u>2,713,788</u>	<u>(640,439)</u>	<u>421,887,631</u>
Less accumulated depreciation for:				
Land improvements	(455,703)	-	-	(455,703)
Buildings	(109,241,187)	(4,647,102)	266,183	(113,622,106)
Building improvements	(4,906,388)	(285,478)	-	(5,191,866)
Machinery & equipment	(26,739,117)	(457,817)	187,863	(27,009,071)
Sanitary & storm relief system	<u>(68,152,391)</u>	<u>(3,005,863)</u>	<u>-</u>	<u>(71,158,254)</u>
Total accumulated depreciation	<u>(209,494,786)</u>	<u>(8,396,260)</u>	<u>454,046</u>	<u>(217,437,000)</u>
Total capital assets, being depreciated, net	<u>210,319,496</u>	<u>(5,682,472)</u>	<u>(186,393)</u>	<u>204,450,631</u>
Governmental activities capital assets, net	<u>\$ 251,984,447</u>	<u>\$ 7,236,679</u>	<u>\$ (2,610,866)</u>	<u>\$ 256,610,260</u>

Depreciation expense totaling \$8,396,260 is reported within the government-wide statements and has been allocated to wastewater treatment plant, \$8,149,598, and sewer maintenance, \$246,662, expenses.

## 8. SHORT TERM DEBT

Short-term debt of the Authority represents a short term loan from the Environmental Facilities Corporation (“EFC”). These notes are reported as a fund liability in the fund receiving the proceeds in accordance with the criteria set forth in FASB Accountings Standards Codification 470-10, *Debt*, because the legal steps have not been taken to refinance the notes on a long-term basis. This short-term loan is recorded as due to other governments. The Authority intends to exercise an option to convert this loan to long-term debt; however, it has not yet exercised such.

The following is a summary of short-term debt for the fiscal year ended June 30, 2012:

Description	Issue Date	Interest Rate	Principal	Additions	Deductions	Principal
			Outstanding July 1, 2011			Outstanding June 30, 2012
EFC loan payable	various	n/a	\$ 12,361,291	\$ 3,304,485	\$ -	\$ 15,665,776

## 9. LONG TERM DEBT

### *Sewer System Revenue Bonds*

**Series F**—On July 24, 1991 the Authority issued \$16,927,540 in Sewer System Revenue Bonds, Series F, dated July 1, 1991, with an average interest rate of 4.90% to 6.85% to advance refund a portion of the Sewer System Revenue Bonds, Series C. The net proceeds of \$14,617,238 (after the deduction of \$599,314 in original issue discount; the payment of \$480,920 in underwriter’s fees, bond insurance and other costs of issuance and the deposit of \$1,230,068 into the Debt Service Fund to fund the debt service reserve requirements) plus an additional \$1,232,333 of funds available in the Debt Service Fund were used to purchase Federal Securities. Those securities were deposited in an irrevocable trust to provide for future debt service payments on the Series C Bonds after July 1, 1996.

As a result, \$14,495,000 of Series C Bonds were considered defeased and the liability for those bonds has been removed from the Authority’s long term debt liability on the Government-wide financial statements.

**Series H**—On March 13, 2003 the Authority issued \$28,255,932 in Sewer System Revenue Bonds, Series H, dated March 13, 2003, with an interest rate range of 1.14% to 4.90%, to finance the construction costs set forth in the Project Finance Agreements between the Authority and the New York State Environmental Facilities Corporation. The net proceeds totaled \$19,380,002 (after the deduction of \$145,883 in underwriter’s discount, \$186,838 in direct expense and \$196,418 in state bond issuance fees, \$5,155,663 and \$365,535 for repayments of short-term financing, and the deposit of \$2,825,593 into the Debt Service Fund to fund the debt service reserve requirements).

**Series I**—On September 1, 2003 the Authority issued \$48,375,000 in Sewer System Revenue bonds, Series I, dated September 1, 2003, with an interest range of 2.50% to 4.472%, to refund the previously issued Series G Sewer System Revenue Bonds. The net proceeds of \$50,085,812 (after the deduction of \$193,500 in underwriter’s discount and \$622,672 in direct expense) were used to purchase a portfolio of Federal Securities to be held in escrow in the irrevocable Series G Depository Trust Fund to pay for all future debt service payments of the original bonds. As a result, the original \$49,225,000 of bonds are considered defeased and the liability for those bonds has been removed from the financial statements.

**Series J**—On March 3, 2004 the Authority issued \$7,740,611 in Sewer System Revenue bonds, Series J, dated March 4, 2004, with an interest range of 1.018% to 4.625%, to refund the short-term notes payable to the New York State Environment Facilities Corporation. The net proceeds of \$6,587,531 (after \$255,422 deposited to Project Construction fund, \$123,777 in direct expense and \$774,061 deposited to the Debt Service Fund to fund the debt service reserve requirements) were deposited for EFC short-term refinancing. Federal Grants and State at Match Funds (44.919% of the loan) of \$3,476,986 were used to establish an EFC Reserve.

**Series K**—On July 22, 2004 the Authority issued \$4,986,541 of Sewer System Revenue bonds, Series K dated July 22, 2004, with an interest range of 1.201%-5.150%, for the purpose of refunding the short-term debt due to the EFC and to support construction costs. The net proceeds of \$4,415,000 (after \$72,887 in direct expenses and \$498,654 deposited to the Debt Service Fund to fund the debt service reserve requirements) were deposited for EFC short-term financing and to support construction costs. Such short-term debt was utilized to finance improvements to the municipal sewer system of the City of Buffalo. These bonds mature on February 15, 2033.

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

**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.

During the year ended June 30, 2012, the Authority transferred cash from the General Fund to the Debt Service Fund for payments due July 1<sup>st</sup> of the ensuing year. Consistent with Governmental Accounting Standards Board Interpretation No. 6, the Authority has accrued the interest and debt in the Debt Service Fund as an expenditure in the year the transfer is made.

The following is a summary of bond transactions of the Authority for the year ended June 30, 2012:

Debt	Interest Rate	Issue Date	Principal Outstanding July 1, 2011	Additions	Deletions	Principal Outstanding June 30, 2012
<b>Sewer System Revenue Bonds:</b>						
Series F	4.90-6.85	7/01/1991	\$ 2,965,000	\$ -	\$ (1,435,000)	\$ 1,530,000
Series H	1.14-4.90	3/13/2003	23,065,000	-	(735,000)	22,330,000
Series I	2.50-4.472	9/01/2003	3,550,000	-	(3,550,000)	-
Series J	1.018-4.625	3/04/2004	6,235,000	-	(205,000)	6,030,000
Series K	1.201-5.15	7/22/2004	4,140,000	-	(125,000)	4,015,000
Series L	3.601-4.861	7/13/2007	8,435,000	-	(220,000)	8,215,000
Total bonds payable			<u>\$ 48,390,000</u>	<u>\$ -</u>	<u>\$ (6,270,000)</u>	<u>\$ 42,120,000</u>

**Compensated Absences**—As explained in Note 1, the Authority records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2012 for governmental activities is \$1,651,148. Management estimates \$82,557 is a current liability. The remainder has been recorded as a non-current liability due within more than one year since payment of compensated absences are dependent upon many factors, therefore, timing of future payments is not readily determinable.

**Judgments and Claims**—Represents workers' compensation and general liability claims incurred.

**OPEB Obligation**—As explained in Note 12, the Authority provides health care benefits for retirees, spouses, and their covered dependents at no cost to the retirees. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Authority's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Authority's long-term OPEB obligation is estimated to be \$3,784,104 at June 30, 2012.

Annual maturities of long-term debt (by debt type):

Year Ending June 30,	Bond Principal	Compensated Absences*	OPEB Obligation	Judgments and Claims*	Total
2013	\$ 2,830,000	\$ 82,557	\$ -	\$ 41,359	\$ 2,953,916
2014	1,330,000	-	-	-	1,330,000
2015	1,365,000	-	-	-	1,365,000
2016	1,390,000	-	-	-	1,390,000
2017	1,425,000	-	-	-	1,425,000
2018-2022	7,710,000	-	-	-	7,710,000
2023-2027	8,890,000	-	-	-	8,890,000
2028-2032	12,985,000	-	-	-	12,985,000
2033-2036	4,195,000	-	-	-	4,195,000
Various	-	1,568,591	3,784,104	785,828	6,138,523
	<u>\$42,120,000</u>	<u>\$ 1,651,148</u>	<u>\$ 3,784,104</u>	<u>\$ 827,187</u>	<u>\$48,382,439</u>

The General Fund typically has been used in prior years to liquidate the liability for compensated absences, retirement liability, judgments and claims, and capital leases.

\* Payment of compensated absences and judgements 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.

Annual interest requirements of bonds payable:

	June 30,
2013	\$ 1,973,844
2014	1,832,568
2015	1,779,819
2016	1,724,258
2017	1,666,345
2018-2022	7,357,053
2023-2027	5,455,401
2028-2032	3,168,059
2033-2036	417,582
	<u>\$ 25,374,929</u>

**Summary of Changes in Long-Term Debt**—The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Bonds payable	\$48,390,000	\$ -	\$ (6,270,000)	\$ 42,120,000	\$ 2,830,000
Add (subtract) deferred amounts:					
For refunding premiums	45,981	-	(45,981)	-	-
For issuance discounts/costs	(660,003)	-	45,893	(614,110)	-
Total bonds payable	47,775,978	-	(6,270,088)	41,505,890	2,830,000
Compensated absences	1,788,165	751,151	(888,168)	1,651,148	82,557
OPEB obligation	3,011,077	2,188,098	(1,448,878)	3,784,104	-
Judgments and claims	1,062,031	477,577	(712,421)	827,187	41,359
Total	<u>\$53,637,251</u>	<u>\$3,416,826</u>	<u>\$ (9,319,555)</u>	<u>\$ 47,768,329</u>	<u>\$2,953,916</u>

## 10. DEFEASANCE OF PRIOR DEBT

In prior years the Authority has defeased certain outstanding sewer system bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Authority's financial statements. At June 30, 2012, the following outstanding series is considered defeased:

Defeased Issuance	Outstanding
Sewer System Revenue Bonds - Series C	\$ 1,510,000

## 11. RETIREMENT PLAN

**Plan Description** – 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"). This is a cost-sharing multiple-employer retirement system. The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (the "NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for custody and control of its funds. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

**Funding Policy**— The NYSERS is noncontributory except for employees who joined the NYSERS after July 27, 1976 who contribute 3% of their salary. The State Legislature passed legislation in 2000 that suspends the 3% contribution for employees who have ten years of service or more of credited service. Additionally members who meet certain eligibility requirements will receive one month additional service credit for each completed year of service up to a maximum of two additional years of service credit. Employees who joined the System after January 1, 2010 are required to contribute

three percent (3.0%) for the duration of membership. Those joining after April 1, 2012 (Tier 6) are required to contribute three percent (3.0%) until March 31, 2013, after which the contribution percentage will be based on annual salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund..

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

Year Ended June 30,	
2012	\$ 1,607,500
2011	1,277,325
2010	825,669

Legislation requires participating employers to make payments on a current basis. The Authority’s contributions made to the ERS were equal to 100% of the contributions required for each year.

## 12. POST EMPLOYMENT BENEFITS

**Plan Description**—The Authority provides health care benefits for retirees, spouses, and their covered dependents at no cost to the retirees under a single-employer postemployment benefit plan. There is no separate, audit GAAP-basis postemployment benefit plan report available for the plan. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Authority provides one traditional indemnity plan option for its retirees under 65. In addition, the Authority provides a Medicare Supplement plan option for their Medicare eligible retirees over 65. Retirees who have alternate insurance and desire to waive medical insurance through the Authority will receive an in-lieu payment from the Authority each year. These payments total \$1,100, \$1,800, and \$2,400, to waive single coverage, two-person coverage, and family coverage, respectively. However, the Authority does not cover surviving spouses. There were 165 retirees receiving health care benefits at June 30, 2012.

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

The Authority’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The table on the following page shows the components of the Authority’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Authority’s net OPEB obligation.

	June 30,	
	2012	2011
Annual required contribution	\$ 2,086,406	\$ 2,086,406
Interest on net OPEB obligation	135,499	101,692
Adjustment to annual required contribution	(124,604)	(93,515)
Annual OPEB costs (expense)	2,097,301	2,094,583
Contributions made	(1,324,274)	(1,343,319)
Increase in net OPEB obligation	773,027	751,264
Net OPEB obligation—beginning of year	3,011,077	2,259,813
Net OPEB obligation—end of year	\$ 3,784,104	\$ 3,011,077

**Funding Status and Funding Progress**—As of June 20, 2011, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$39,701,868.

The Authority's schedule of funding progress for the most recent actuarial valuations is presented below:

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL to Budget Covered Payroll
7/1/2008	7/1/2008	-	\$ 37,470,367	\$ 37,470,367	-	\$ 9,275,935	4.04
7/1/2010	6/30/2011	-	39,701,868	39,701,868	-	9,302,030	4.27

The Authority's schedule of contributions follows:

Year Ended June 30,	Beginning Net OPEB Obligation	Annual OPEB Cost	Contributions Made	Percentage of OPEB Cost Contributed	Ending Net OPEB Obligation
2012	\$ 3,011,077	\$ 2,097,301	\$ 1,324,274	63.1%	\$ 3,784,104
2011	2,259,813	2,094,583	1,343,319	64.1%	3,011,077
2010	1,200,782	2,125,995	1,066,964	50.2%	2,259,813

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

**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, 2011 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a valuation and measurement date of June 30, 2011. The discount rate, salary scale and inflation rate used are 5.0%, 4.0% and 3.0%, respectively. The RP-2000 Mortality Table separate for males and females is used for mortality rates. The rates of termination are based on 2003 Society of Actuaries small plan withdrawal. Upon retirement it is assumed that 100% of eligible employees and their spouses will elect for post-employment health care benefits, while it is assumed that 70% of retirees will be married at the time of their retirement. At June 30, 2011, healthcare costs are expected to increase at a rate of 9.0%. The unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay, open group basis, therefore the remaining amortization period at June 30, 2012 was twenty-seven years.

### 13. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of changes in assets and liabilities for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,908	\$ 4,389	\$ 5,741	\$ 33,556
Total assets	<u>\$ 34,908</u>	<u>\$ 4,389</u>	<u>\$ 5,741</u>	<u>\$ 33,556</u>
<b>LIABILITIES</b>				
Temporary withholding liabilities	\$ 34,908	\$ 8,519	\$ 9,871	\$ 33,556
Total liabilities	<u>\$ 34,908</u>	<u>\$ 8,519</u>	<u>\$ 9,871</u>	<u>\$ 33,556</u>

### 14. LABOR RELATIONS

Authority employees are represented by two bargaining units. Both the White-collar contract and the Blue-collar contract are settled through June 30, 2012.

### 15. FUND BALANCE

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, 2012 include:

*Prepaid expenditures*—Represents fund balance (\$202,958) allocated for expenditures paid in the current year that applied the subsequent year.

In the fund financial statements, restrictions are amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balance are amounts as 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, 2012, and include:

*Restricted for debt*—Representing resources (\$17,316,136) that have been legally restricted for principal payments that will be made in future periods.

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. Committed fund balances are approved by the Board, but 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, 2012 include:

*Committed to encumbrances*—Representing amounts to cover the amount of outstanding purchase orders or encumbrances related to unperformed (executory) contracts for goods and services. At June 30, 2012, the Authority has \$1,536,147 and \$9,456,085 of fund balance committed to encumbrances within its General Fund and General Projects Fund, respectively.

Significant encumbrances are amounts encumbered in excess of \$400,000. As of June 30, 2012, there were no significant within the General Fund and within the General Projects Fund the Authority reported the following significant encumbrances:

Hamburg floatable control facility	\$ 1,962,721
Scajacquada creek sewer reconstruction	1,660,682
Sludge mixing tank reconstruction	793,431
Incinerator refractory	752,750
Swan trunk system improvement	504,250
South Buffalo PS VFD reconstruction	441,488
Centrifuge machinery and equipment	420,779
Incinerator refractory rehab project	411,762

*Committed to loss contingencies*—Representing funds (\$3,000,000) accumulated for noninsured liability and casualty losses within the General Fund.

*Committed to capital projects*—Representing funds set aside for the centrifuge project, incinerator rehabilitation, sewer relining and various other improvements. The Authority's five-year capital plan requires future financing. Management anticipates financing the aforementioned plan through the current designation, future contributions from operations and/or debt financing. At June 30, 2012, the Authority has \$8,548,000, \$19,510,832, and \$500,000 of fund balance committed to capital projects within its General Fund, General Projects Fund and Capital Improvements 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, 2012, 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.

The Authority will spend the most restricted dollars before less restricted in the following order: nonspendable (if funds become spendable), restricted, committed, assigned, unassigned.

## 16. NET ASSETS

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted. A reconciliation is provided:

- ◆ ***Investment in Capital Assets, net of related debt***—This category groups all capital assets into one component of net assets. 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	\$ 256,610,260
Less: Outstanding debt issued for capital acquisition, net of refunding premiums and issuance of discount/cost	(41,505,890)
Matured bonds payable	(4,985,000)
Short-term due to other governments	(15,665,776)
Add: Remaining debt reserve from issuance not used for capital asset acquisition	<u>17,316,136</u>
Invested in capital assets, net of related debt	<u>\$ 211,769,730</u>

- ◆ ***Unrestricted Net Assets***—This category represents net assets of the Authority not restricted for any project or other purpose.

## 17. RISK FINANCING ACTIVITIES

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority currently reports all of its risk management activities in its General Fund. The Authority assumes the liability for most risk including, but not limited to, workers' compensation and general liability. The Authority maintains insurance for claims in excess of \$250,000. Settled claims have not significantly exceeded commercial coverage in any of the past three fiscal years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Total claims and judgments expenditures of \$327,997 and \$333,049 were recorded in the General Fund for the years ended June 30, 2012 and 2011, respectively.

Changes in the reported liability since June 30, 2010 resulted from the following:

	Beginning of Year <u>Liability</u>	Claims and Changes <u>in Estimates</u>	Payments and Changes <u>in Estimates</u>	Balance at Fiscal <u>Year-End</u>
2011	\$ 1,167,486	\$ 114,103	\$ (219,558)	\$ 1,062,031
2012	1,062,031	477,577	(712,421)	827,187

At June 30, 2012, \$3,000,000 of the General Fund fund balance was committed to loss contingencies for the purpose of funding the Authority's future claims liabilities.

## 18. CONTINGENT LIABILITIES

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. No provision has been made in the financial statements for contingent liabilities where the criterion of Financial Accounting Standards Board Accounting Standards Codification No. 450, *Accounting for Contingencies* has not been met.

***Pollution Remediation Obligations:*** The Authority is in ongoing negotiations with the New York State Department of Environmental Conservation, the United States Environmental Protection Agency and other state and federal agencies. As negotiations continue, management believes it is probable that the Authority will be required to fund future pollution remediation projects arising from Combined Sewer Overflows (CSO) in its jurisdictional area. However, as of June 30, 2012, the Authority is unable to determine the range or likelihood of any potential liability.

## 19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2012 the date that the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

\* \* \* \* \*

## SUPPLEMENTAL SCHEDULES



**BUFFALO SEWER AUTHORITY**  
**Schedule of Revenues and Other Financing Sources—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2012**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
<b>SEWER RENTS—GENERAL CONSUMERS</b>				
Assessed sewer rent	\$ 12,057,600	\$ 12,057,600	\$ 12,070,207	\$ 12,607
Water sewer rent	27,250,000	27,250,000	27,880,651	630,651
Industrial waste	1,852,000	1,852,000	1,769,262	(82,738)
Connection privileges outside city	9,225,000	9,225,000	11,110,756	1,885,756
Total sewer rents—general consumers	<u>50,384,600</u>	<u>50,384,600</u>	<u>52,830,876</u>	<u>2,446,276</u>
<b>INTEREST ON DELINQUENT SEWER RENTS</b>				
Interest and penalties on delinquent assessed sewer rent	190,000	190,000	141,833	(48,167)
Interest and penalties on delinquent sewer rents	<u>580,000</u>	<u>580,000</u>	<u>559,257</u>	<u>(20,743)</u>
Total interest on delinquent sewer rents	<u>770,000</u>	<u>770,000</u>	<u>701,090</u>	<u>(68,910)</u>
<b>INTEREST ON INVESTMENTS</b>				
	<u>227,900</u>	<u>227,900</u>	<u>190,414</u>	<u>(37,486)</u>
<b>MISCELLANEOUS</b>				
	<u>983,500</u>	<u>983,500</u>	<u>1,776,088</u>	<u>792,588</u>
<b>TOTAL REVENUES</b>				
	<u>52,366,000</u>	<u>52,366,000</u>	<u>55,498,468</u>	<u>3,132,468</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	-	175,381	175,381
Total other financing sources	<u>-</u>	<u>-</u>	<u>175,381</u>	<u>175,381</u>
<b>TOTAL REVENUES AND AND OTHER FINANCING SOURCES</b>				
	<u>\$ 52,366,000</u>	<u>\$ 52,366,000</u>	<u>\$ 55,673,849</u>	<u>\$ 3,307,849</u>

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**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2012**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
<u>GENERAL ADMINISTRATION</u>				
Authority Board Members:				
Personal services - Executive	\$ 13,500	\$ 13,500	\$ 13,500	\$ -
Operating expenditures	3,050	3,050	38	3,012
Total Authority Board Members	<u>16,550</u>	<u>16,550</u>	<u>13,538</u>	<u>3,012</u>
Administrative Offices:				
Personal services - Executive	500,024	402,619	395,326	7,293
Personal services - Clerical	652,519	652,519	604,771	47,748
Operating expenditures	434,805	436,728	295,210	141,518
Total Administrative Offices	<u>1,587,348</u>	<u>1,491,866</u>	<u>1,295,307</u>	<u>196,559</u>
<b>GENERAL ADMINISTRATION TOTAL</b>	<u>1,603,898</u>	<u>1,508,416</u>	<u>1,308,845</u>	<u>199,571</u>
<u>WASTEWATER TREATMENT FACILITIES</u>				
Plant Administration:				
Personal services - Executive	438,760	357,620	348,041	9,579
Personal services - Clerical	485,038	485,038	490,314	(5,276)
Personal services - Supervision	655,030	655,030	701,333	(46,303)
Operating expenditures	961,230	1,661,200	1,399,099	262,101
Total Plant Administration	<u>2,540,058</u>	<u>3,158,888</u>	<u>2,938,787</u>	<u>220,101</u>
Raw Wastewater Pump Station:				
Personal services - Operators	244,956	323,602	44,071	279,531
Operating expenditures	87,868	87,868	323,601	(235,733)
Total Raw Wastewater Pump Station	<u>332,824</u>	<u>411,470</u>	<u>367,672</u>	<u>43,798</u>
Screen Room:				
Operating expenditures	59,835	53,186	53,177	9
Total Screen Room	<u>59,835</u>	<u>53,186</u>	<u>53,177</u>	<u>9</u>
Grit Room:				
Personal services - Operators	89,369	89,369	65,106	24,263
Operating expenditures	98,224	75,883	73,569	2,314
Total Grit Room	<u>187,593</u>	<u>165,252</u>	<u>138,675</u>	<u>26,577</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, 2012**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Primary Sedimentation:				
Personal services - Operators	90,119	90,119	51,304	38,815
Operating expenditures	<u>95,000</u>	<u>113,711</u>	<u>107,176</u>	<u>6,535</u>
Total Primary Sedimentation	<u>185,119</u>	<u>203,830</u>	<u>158,480</u>	<u>45,350</u>
Secondary Control:				
Personal services - Operators	88,460	88,460	68,739	19,721
Operating expenditures	<u>3,500</u>	<u>13,020</u>	<u>13,020</u>	<u>-</u>
Total Secondary Control	<u>91,960</u>	<u>101,480</u>	<u>81,759</u>	<u>19,721</u>
Primary Control:				
Personal services - Operators	147,105	147,105	147,708	(603)
Operating expenditures	<u>27,700</u>	<u>11,091</u>	<u>10,482</u>	<u>609</u>
Total Primary Control	<u>174,805</u>	<u>158,196</u>	<u>158,190</u>	<u>6</u>
Gas Compressor Building:				
Operating expenditures	<u>80,289</u>	<u>139,189</u>	<u>128,937</u>	<u>10,252</u>
Settled Wastewater Pump Station:				
Personal services - Operators	89,444	89,444	55,729	33,715
Operating expenditures	<u>205,200</u>	<u>168,758</u>	<u>163,283</u>	<u>5,475</u>
Total Settled Wastewater Pump Station	<u>294,644</u>	<u>258,202</u>	<u>219,012</u>	<u>39,190</u>
Aeration:				
Personal services - Operators	520,208	520,208	500,459	19,749
Operating expenditures	<u>218,920</u>	<u>375,209</u>	<u>337,017</u>	<u>38,192</u>
Total Aeration	<u>739,128</u>	<u>895,417</u>	<u>837,476</u>	<u>57,941</u>
Blower Building:				
Operating expenditures	<u>5,805,700</u>	<u>5,766,416</u>	<u>4,142,088</u>	<u>1,624,328</u>
Total Blower Building	<u>5,805,700</u>	<u>5,766,416</u>	<u>4,142,088</u>	<u>1,624,328</u>
Chemical Handling Building:				
Operating expenditures	<u>16,000</u>	<u>8,707</u>	<u>8,371</u>	<u>336</u>
Total Chemical Handling Building	<u>16,000</u>	<u>8,707</u>	<u>8,371</u>	<u>336</u>
Final Effluent Building:				
Personal services - Operators	49,851	49,851	52,998	(3,147)
Operating expenditures	<u>562,827</u>	<u>581,481</u>	<u>574,873</u>	<u>6,608</u>
Total Final Effluent Building	<u>612,678</u>	<u>631,332</u>	<u>627,871</u>	<u>3,461</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, 2012**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Thickener Area:				
Operating expenditures	287,000	246,113	196,416	49,697
Total Thickener Area	<u>287,000</u>	<u>246,113</u>	<u>196,416</u>	<u>49,697</u>
Filter Feed Area:				
Operating expenditures	10,500	10,500	6,840	3,660
Total Filter Feed Area	<u>10,500</u>	<u>10,500</u>	<u>6,840</u>	<u>3,660</u>
Sludge Disposal:				
Personal services - Operators	555,697	555,697	509,112	46,585
Operating expenditures	<u>1,508,800</u>	<u>1,480,530</u>	<u>1,156,535</u>	<u>323,995</u>
Total Sludge Disposal	<u>2,064,497</u>	<u>2,036,227</u>	<u>1,665,647</u>	<u>370,580</u>
Centrifuge:				
Operating expenditures	<u>109,200</u>	<u>127,793</u>	<u>105,979</u>	<u>21,814</u>
Incineration:				
Personal services - Supervision	153,480	153,480	162,516	(9,036)
Personal services - Operators	804,367	804,367	729,318	75,049
Operating expenditures	<u>3,267,681</u>	<u>3,568,280</u>	<u>2,256,125</u>	<u>1,312,155</u>
Total Incineration	<u>4,225,528</u>	<u>4,526,127</u>	<u>3,147,959</u>	<u>1,378,168</u>
South Buffalo:				
Personal services - Operators	55,069	55,069	44,496	10,573
Operating expenditures	<u>121,450</u>	<u>120,876</u>	<u>81,820</u>	<u>39,056</u>
Total South Buffalo	<u>176,519</u>	<u>175,945</u>	<u>126,316</u>	<u>49,629</u>
Hamburg Street:				
Operating expenditures	<u>90,019</u>	<u>148,075</u>	<u>139,587</u>	<u>8,488</u>
Amherst Quarry:				
Operating expenditures	<u>52,150</u>	<u>74,641</u>	<u>56,377</u>	<u>18,264</u>
Babcock Street:				
Operating expenditures	<u>29,233</u>	<u>29,933</u>	<u>10,453</u>	<u>19,480</u>
Kelly Island (S):				
Operating expenditures	<u>27,000</u>	<u>15,825</u>	<u>11,216</u>	<u>4,609</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, 2012**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Kelly Island (F):				
Operating expenditures	3,350	3,350	2,633	717
Kelly Island (X):				
Operating expenditures	13,350	7,850	5,350	2,500
Waterfront Village:				
Operating expenditures	7,150	2,150	1,635	515
Tiftt Street:				
Operating expenditures	2,550	2,550	1,186	1,364
Niagara Metering:				
Operating expenditures	7,450	8,828	7,306	1,522
Walden Heights				
Operating expenditures	9,800	5,027	2,217	2,810
Laboratory:				
Personal Services - Technical	485,774	485,774	301,929	183,845
Personal services - Operators	98,896	98,896	29,550	69,346
Operating expenditures	87,797	123,309	104,779	18,530
Total Laboratory	672,467	707,979	436,258	271,721
Maintenance:				
Personal services - Supervision	181,132	181,132	166,157	14,975
Personal services - Operators	318,678	318,678	233,111	85,567
Personal services - Repair Mechanics	1,523,065	1,482,131	1,278,395	203,736
Operating expenditures	523,430	691,395	644,504	46,891
Total Maintenance	2,546,305	2,673,336	2,322,167	351,169
Yards and Grounds:				
Personal services - Supervision	66,519	66,519	67,779	(1,260)
Personal services - Operators	472,213	472,213	595,847	(123,634)
Operating expenditures	61,000	60,221	46,881	13,340
Total Yards and Grounds	599,732	598,953	710,507	(111,554)
WASTEWATER TREATMENT FACILITIES TOTAL	22,054,433	23,352,767	18,816,544	4,536,223

(continued)

**BUFFALO SEWER AUTHORITY**  
**Schedule of Expenditures and Other Financing Uses—**  
**Budget and Actual (Non-GAAP Budgetary Basis)—General Fund**  
**Year Ended June 30, 2012**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
<u>INDUSTRIAL WASTE</u>				
Industrial Waste Section:				
Personal services - Clerical	44,836	44,836	44,836	-
Personal services - Tech and Professional	91,467	91,467	94,502	(3,035)
Personal services - Operators	301,786	301,786	223,900	77,886
Operating expenditures	<u>176,902</u>	<u>228,208</u>	<u>193,766</u>	<u>34,442</u>
Total Industrial Waste Section	<u>614,991</u>	<u>666,297</u>	<u>557,004</u>	<u>109,293</u>
INDUSTRIAL WASTE TOTAL	<u>614,991</u>	<u>666,297</u>	<u>557,004</u>	<u>109,293</u>
<u>ENGINEERING</u>				
Engineering Department:				
Personal services - Executive	100,916	100,916	14,139	86,777
Personal services - Clerical	47,259	47,259	47,033	226
Personal services - Operators	754,118	754,118	529,059	225,059
Operating expenditures	<u>30,930</u>	<u>38,319</u>	<u>7,055</u>	<u>31,264</u>
Total Engineering Department	<u>933,223</u>	<u>940,612</u>	<u>597,286</u>	<u>343,326</u>
ENGINEERING TOTAL	<u>933,223</u>	<u>940,612</u>	<u>597,286</u>	<u>343,326</u>
<u>SEWER MAINTENANCE DEPARTMENT</u>				
Sewer Maintenance Office:				
Personal services - Clerical	56,806	56,806	57,413	(607)
Personal services - Supervision	130,221	130,221	127,466	2,755
Operating expenditures	<u>188,225</u>	<u>261,635</u>	<u>188,944</u>	<u>72,691</u>
Total Sewer Maintenance Office	<u>375,252</u>	<u>448,662</u>	<u>373,823</u>	<u>74,839</u>
Sewer - Repairs:				
Personal services - Supervision	159,933	159,933	174,779	(14,846)
Personal services - Repair Mechanics	407,046	407,046	215,606	191,440
Operating expenditures	<u>324,750</u>	<u>318,933</u>	<u>246,897</u>	<u>72,036</u>
Total Sewer - Repairs	<u>891,729</u>	<u>885,912</u>	<u>637,282</u>	<u>248,630</u>
Sewer - Cleaning:				
Personal services - Supervision	448,768	448,768	293,894	154,874
Personal services - Operators	1,482,102	1,482,102	892,790	589,312
Operating expenditures	<u>56,000</u>	<u>62,239</u>	<u>51,398</u>	<u>10,841</u>
Total Sewer - Cleaning	<u>1,986,870</u>	<u>1,993,109</u>	<u>1,238,082</u>	<u>755,027</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, 2012**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
Automotive Equipment Service - Garage:				
Personal services - Repairman	117,190	117,190	114,917	2,273
Operating expenditures	<u>1,004,500</u>	<u>1,033,639</u>	<u>809,751</u>	<u>223,888</u>
Total Auto Equipment Service - Garage	<u>1,121,690</u>	<u>1,150,829</u>	<u>924,668</u>	<u>226,161</u>
SEWER MAINTENANCE				
DEPARTMENT TOTAL	<u>4,375,541</u>	<u>4,478,512</u>	<u>3,173,855</u>	<u>1,304,657</u>
<u>MISCELLANEOUS</u>				
Financial and Accounting Services				
City of Buffalo services	3,899,690	3,899,690	3,899,690	-
Fiscal agent expense	104,000	114,772	114,772	-
Sewer rent adjustment fund	200,000	200,000	34,468	165,532
Judgments and claims	100,000	89,228	13,892	75,336
Bond sale expense	25,000	25,000	-	25,000
Contingency	<u>750,000</u>	<u>118,347</u>	<u>-</u>	<u>118,347</u>
MISCELLANEOUS TOTAL	<u>5,078,690</u>	<u>4,447,037</u>	<u>4,062,822</u>	<u>384,215</u>
<u>EMPLOYEE BENEFITS</u>				
Hospital and surgical insurance - retirees	1,221,918	1,361,918	1,324,274	37,644
Hospital and surgical insurance - active	2,528,724	2,578,724	2,543,911	34,813
Group life insurance	29,000	29,000	23,192	5,808
Group dental insurance	238,332	138,332	136,225	2,107
Payments in lieu of health insurance	73,000	73,000	50,390	22,610
Health and welfare plan	70,000	74,552	67,998	6,554
Social security	828,000	828,000	815,183	12,817
State retirement system	1,700,000	1,607,500	1,618,004	(10,504)
Unemployment insurance	10,000	10,000	580	9,420
Workers' compensation and death awards	350,000	350,000	314,105	35,895
Plan Administration	1,200	1,200	736	464
Reserve pay for unused sick leave	150,000	150,000	209,090	(59,090)
Rx Copay	5,000	5,000	-	5,000
Medical services	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
EMPLOYEE BENEFITS TOTAL	<u>7,220,174</u>	<u>7,222,226</u>	<u>7,103,688</u>	<u>118,538</u>
TOTAL OPERATING EXPENDITURES	<u>41,880,950</u>	<u>42,615,867</u>	<u>35,620,044</u>	<u>6,995,823</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, 2012**

(concluded)

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Budgetary Expenditures</u>	<u>Final Budget Positive (Negative)</u>
<u>OPERATING TRANSFERS</u>				
Transfers to construction	-	-	11,657,326	(11,657,326)
Transfers to debt service fund	10,335,050	10,335,050	8,535,947	1,799,103
Transfers to capital	<u>150,000</u>	<u>150,000</u>	-	<u>150,000</u>
TOTAL OPERATING TRANSFERS	<u>10,485,050</u>	<u>10,485,050</u>	<u>20,193,273</u>	<u>(9,708,223)</u>
TOTAL EXPENDITURES AND OPERATING TRANSFERS	<u>\$52,366,000</u>	<u>\$53,100,917</u>	<u>\$55,813,317</u>	<u>\$ (2,712,400)</u>

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**BUFFALO SEWER AUTHORITY**  
**Schedule of Changes in Assets and Liabilities—Fiduciary Fund**  
**Year Ended June 30, 2012**

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	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,908	\$ 4,389	\$ 5,741	\$ 33,556
Total assets	<u>\$ 34,908</u>	<u>\$ 4,389</u>	<u>\$ 5,741</u>	<u>\$ 33,556</u>
<b>LIABILITIES</b>				
Temporary withholding liabilities	\$ 34,908	\$ 8,519	\$ 9,871	\$ 33,556
Total liabilities	<u>\$ 34,908</u>	<u>\$ 8,519</u>	<u>\$ 9,871</u>	<u>\$ 33,556</u>

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**BUFFALO SEWER AUTHORITY**  
**General Fund**  
**Schedule of Sewer Rents Receivable**  
**June 30, 2012**

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	<u>Sewer Rents Receivable</u>	<u>Allowance for Uncollectible Receivables</u>	<u>Net Sewer Rents Receivable</u>
<b>SEWER RENTS:</b>			
Based on assessed value:			
General consumers - current year	\$ 554,600	\$ 120,500	\$ 434,100
General consumers - prior years	562,287	551,233	11,054
Other miscellaneous	13,537	10,813	2,724
Based on water consumption:			
Flat rate	2,886,936	2,410,802	476,134
Metered rates:			
Monthly	816,692	343,491	473,201
Quarterly - District W-E-S	6,851,209	3,509,124	3,342,085
Miscellaneous - current year	124,231	6,284	117,947
Outside connection privileges	2,729,161	432,109	2,297,052
Industrial waste treatment surcharge	666,156	384,753	281,403
Late payment penalties	<u>4,518,022</u>	<u>4,392,545</u>	<u>125,477</u>
<b>TOTAL</b>	<u><u>\$19,722,831</u></u>	<u><u>\$12,161,654</u></u>	<u><u>\$ 7,561,177</u></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.

<b>Contents</b>	<b>Page</b>
Financial Trends .....	58
<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 .....	66
<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 .....	71
<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 .....	73
<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 .....	75
<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 Assets by Component**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net assets:										
Invested in capital assets, net of related debt	\$ 148,919,904	\$ 158,997,824	\$ 179,063,827	\$ 182,056,452	\$ 185,702,185	\$ 189,585,231	\$ 199,570,027	\$ 191,369,143	\$ 201,331,335	\$ 211,769,730
Unrestricted	<u>39,170,532</u>	<u>33,306,209</u>	<u>23,158,476</u>	<u>32,028,562</u>	<u>41,051,768</u>	<u>46,960,490</u>	<u>45,103,136</u>	<u>65,320,945</u>	<u>63,283,838</u>	<u>62,722,484</u>
Total net assets	<u>\$ 188,090,436</u>	<u>\$ 192,304,033</u>	<u>\$ 202,222,303</u>	<u>\$ 214,085,014</u>	<u>\$ 226,753,953</u>	<u>\$ 236,545,721</u>	<u>\$ 244,673,163</u>	<u>\$ 256,690,088</u>	<u>\$ 264,615,173</u>	<u>\$ 274,492,214</u>

Source: Buffalo Sewer Authority Annual Financial Statements

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

	Year ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program revenues:										
Charges for services	\$ 53,463,021	\$ 46,145,742	\$ 49,287,147	\$ 54,821,828	\$ 52,591,900	\$ 51,761,911	\$ 52,482,745	\$ 54,582,051	\$ 52,201,066	\$ 53,531,965
Program expenses										
Operating expenses	46,916,130	40,126,613	39,722,919	41,658,480	39,984,952	41,668,324	43,483,378	41,767,776	43,606,009	43,683,336
Non-operating expenses	4,734,585	4,000,727	2,554,988	4,257,350	4,393,071	4,427,571	4,105,633	2,922,952	2,526,003	2,255,451
Total program expenses	<u>51,650,715</u>	<u>44,127,340</u>	<u>42,277,907</u>	<u>45,915,830</u>	<u>44,378,023</u>	<u>46,095,895</u>	<u>47,589,011</u>	<u>44,690,728</u>	<u>46,132,012</u>	<u>45,938,787</u>
Total net program (expense) revenue	<u>1,812,306</u>	<u>2,018,402</u>	<u>7,009,240</u>	<u>8,905,998</u>	<u>8,213,877</u>	<u>5,666,016</u>	<u>4,893,734</u>	<u>9,891,323</u>	<u>6,069,054</u>	<u>7,593,178</u>
General revenues:										
Unrestricted investment earnings	1,052,583	869,275	1,267,081	1,740,690	2,665,991	2,667,752	1,808,526	748,172	348,572	507,775
Unallocated revenues	777,291	1,325,920	1,641,949	1,216,023	1,789,071	1,458,000	1,425,182	1,377,430	1,507,459	1,776,088
Total general revenues	<u>1,829,874</u>	<u>2,195,195</u>	<u>2,909,030</u>	<u>2,956,713</u>	<u>4,455,062</u>	<u>4,125,752</u>	<u>3,233,708</u>	<u>2,125,602</u>	<u>1,856,031</u>	<u>2,283,863</u>
Change in net assets	3,642,180	4,213,597	9,918,270	11,862,711	12,668,939	9,791,768	8,127,442	12,016,925	7,925,085	9,877,041
Net assets beginning of year	<u>184,448,256</u>	<u>188,090,436</u>	<u>192,304,033</u>	<u>202,222,303</u>	<u>214,085,014</u>	<u>226,753,953</u>	<u>236,545,721</u>	<u>244,673,163</u>	<u>256,690,088</u>	<u>264,615,173</u>
Net assets end of year	<u>\$ 188,090,436</u>	<u>\$ 192,304,033</u>	<u>\$ 202,222,303</u>	<u>\$ 214,085,014</u>	<u>\$ 226,753,953</u>	<u>\$ 236,545,721</u>	<u>\$ 244,673,163</u>	<u>\$ 256,690,088</u>	<u>\$ 264,615,173</u>	<u>\$ 274,492,214</u>

Source: Buffalo Sewer Authority Annual Financial Statements



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

<b>Year Ended June 30,</b>	<b>Operating Revenue—Charges for Services</b>						
	<b>Total</b>	<b>Assessed Sewer Rent</b>	<b>Water Sewer Rent</b>	<b>Industrial Waste</b>	<b>Connection Privileges O/S City</b>	<b>Interest and Penalties</b>	
						<b>Delinquent Assessed Sewer Rent</b>	<b>Sewer Rent</b>
2003	\$ 53,463,021	\$ 10,125,632	\$ 25,305,400	\$ 2,231,563	\$ 14,763,688	\$ 328,498	\$ 708,240
2004	46,145,742	12,111,427	24,989,023	1,702,366	6,355,501	329,460	657,965
2005	49,287,147	12,114,409	24,326,204	1,431,484	10,358,147	274,131	782,772
2006	54,821,828	12,110,191	29,063,773	1,588,411	11,057,027	267,036	735,390
2007	52,591,900	12,113,115	29,006,882	1,310,393	9,024,341	325,807	811,362
2008	51,761,911	12,042,687	28,254,493	1,346,429	9,246,051	175,938	696,313
2009	52,482,745	12,043,868	27,369,921	1,930,133	10,239,645	146,284	752,894
2010	54,582,051	12,050,286	27,362,677	1,992,467	12,322,894	135,927	717,800
2011	52,201,066	12,053,431	27,212,053	2,050,716	10,322,482	127,925	434,459
2012	53,531,965	12,070,207	27,880,650	1,769,262	11,110,756	141,833	559,257

Source: Buffalo Sewer Authority Annual Financial Statements

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

<b>Year Ended</b>		<b>General</b>	<b>Wastewater</b>	<b>Industrial</b>		<b>Sewer</b>
<b>June 30,</b>	<b>Total</b>	<b>Administration</b>	<b>Treatment</b>	<b>Waste</b>	<b>Engineering</b>	<b>Maintenance</b>
			<b>Facilities</b>			
2003	\$ 46,916,130	\$ 1,698,205	\$ 39,632,155	\$ 740,298	\$ 1,044,392	\$ 3,801,080
2004	40,126,613	1,584,590	31,857,084	914,034	1,388,774	4,382,131
2005	39,722,919	1,628,468	31,779,488	825,835	1,314,994	4,174,134
2006	41,658,480	1,777,837	33,764,890	824,139	1,243,164	4,048,450
2007	39,984,952	1,830,539	31,996,818	857,847	1,184,184	4,115,564
2008	41,668,324	1,773,364	33,922,290	833,874	1,044,499	4,094,297
2009	43,483,378	1,920,815	35,240,768	905,196	1,245,462	4,171,137
2010	41,767,776	1,959,820	32,787,165	939,501	1,350,303	4,730,987
2011	43,606,009	2,044,403	33,281,903	922,556	1,271,881	6,085,266
2012	43,683,336	2,293,974	33,681,046	908,867	1,152,899	5,646,550

Source: Buffalo Sewer Authority Annual Financial Statements

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

<b>Year Ended June 30,</b>	<b>Nonoperating Revenues</b>		<b>Total Nonoperating Revenues</b>	<b>Nonoperating Expenses</b>
	<b>Interest Revenue</b>	<b>Other Revenue</b>		<b>Interest and Fiscal Charges</b>
2003	\$ 1,052,583	\$ 777,291	\$ 1,829,874	\$ (4,734,585)
2004	869,275	1,325,920	2,195,195	(4,000,727)
2005	1,267,081	1,641,949	2,909,030	(2,554,988)
2006	1,740,690	1,216,023	2,956,713	(4,257,350)
2007	2,665,991	1,789,071	4,455,062	(4,393,071)
2008	2,667,752	1,458,000	4,125,752	(4,427,571)
2009	1,808,526	1,425,182	3,233,708	(4,105,633)
2010	748,172	1,377,430	2,125,602	(2,922,951)
2011	348,572	1,507,459	1,856,031	(2,526,003)
2012	507,775	1,776,088	2,283,863	(2,255,451)

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011<sup>1</sup></u>	<u>2012</u>
General Fund										
Reserved	\$ 1,341,350	\$ 2,102,748	\$ 2,184,311	\$ 782,610	\$ 828,424	\$ 511,483	\$ 552,475	\$ 810,446	n/a	n/a
Unreserved	<u>18,819,813</u>	<u>16,257,087</u>	<u>14,119,853</u>	<u>22,259,682</u>	<u>20,612,356</u>	<u>19,782,352</u>	<u>18,977,868</u>	<u>19,157,305</u>	n/a	n/a
Total General Fund	<u>\$20,161,163</u>	<u>\$18,359,835</u>	<u>\$16,304,164</u>	<u>\$23,042,292</u>	<u>\$21,440,780</u>	<u>\$20,293,835</u>	<u>\$19,530,343</u>	<u>\$19,967,751</u>	n/a	n/a
All other governmental funds:										
Reserved	\$30,831,827	\$17,335,511	\$23,227,313	\$17,140,919	\$17,891,018	\$19,057,169	\$22,250,147	\$34,121,128	n/a	n/a
Unreserved, reported in:										
General Projects	379,966	9,697,734	4,914,946	7,947,852	27,523,532	34,252,220	32,095,083	20,925,211	n/a	n/a
Capital Improvements	<u>411,338</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	n/a	n/a
Total all governmental funds	<u>\$31,623,131</u>	<u>\$27,533,245</u>	<u>\$28,642,259</u>	<u>\$25,588,771</u>	<u>\$45,914,550</u>	<u>\$53,809,389</u>	<u>\$54,845,230</u>	<u>\$55,546,339</u>	n/a	n/a
General Fund										
Nonspendable	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 114,707	\$ 202,958
Committed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11,631,026	13,084,147
Unassigned	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<u>6,144,693</u>	<u>6,000,000</u>
Total General Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<u>\$17,890,426</u>	<u>\$ 19,287,105</u>
All other governmental funds:										
Restricted	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$17,174,157	\$ 17,316,136
Committed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<u>31,633,677</u>	<u>29,466,917</u>
Total all governmental funds	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<u>\$48,807,834</u>	<u>\$ 46,783,053</u>

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

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>REVENUES</b>										
Sewer rents—general consumers	\$52,426,283	\$45,158,317	\$48,230,244	\$53,819,402	\$51,454,731	\$50,889,660	\$51,583,567	\$53,728,324	\$51,638,682	\$52,830,876
Interest on delinquent sewer rents	1,036,738	987,425	1,056,903	1,002,426	1,137,169	872,251	899,178	853,727	562,384	701,090
Interest on investments	1,052,583	869,275	1,267,081	1,740,690	2,665,991	2,667,752	1,808,526	748,172	348,572	507,774
Miscellaneous	777,291	1,883,024	1,641,949	1,355,883	1,789,071	1,458,000	1,425,182	1,377,430	1,507,459	1,776,088
Total revenues	<u>55,292,895</u>	<u>48,898,041</u>	<u>52,196,177</u>	<u>57,918,401</u>	<u>57,046,962</u>	<u>55,887,663</u>	<u>55,716,453</u>	<u>56,707,653</u>	<u>54,057,097</u>	<u>55,815,828</u>
<b>EXPENDITURES</b>										
Current:										
General administration	1,178,490	1,018,771	950,030	1,037,273	1,057,909	1,061,521	1,188,235	1,140,518	1,161,674	1,300,917
Wastewater treatment facilities	17,936,255	16,428,321	16,657,396	19,037,330	16,777,862	19,008,811	19,980,132	18,018,680	18,027,494	17,683,807
Industrial waste	510,894	528,150	511,966	500,203	530,628	520,684	579,950	568,124	543,074	542,419
Engineering	662,914	712,808	750,005	692,584	673,809	594,109	728,026	737,214	683,679	596,909
Sewer maintenance	2,495,118	2,487,266	2,648,890	2,421,396	2,511,285	2,651,214	2,658,698	2,906,835	3,868,978	3,420,720
Miscellaneous	4,229,721	4,174,086	3,811,178	3,434,076	3,517,138	3,364,532	3,161,446	3,157,403	4,123,581	4,062,822
Employee benefits	4,361,489	6,217,070	6,095,402	5,896,000	5,829,954	5,753,945	5,355,330	5,946,912	6,478,895	7,091,923
Capital outlay	12,825,092	19,528,246	14,737,481	10,087,539	5,146,511	4,480,208	10,104,094	11,443,053	16,359,902	13,208,466
Debt service:										
Principal	5,057,886	6,411,813	6,541,604	6,674,414	7,069,915	7,202,295	7,410,932	8,566,664	8,945,000	6,270,000
Interest and fiscal charges	4,411,972	3,564,706	4,441,874	4,388,643	4,545,510	4,476,867	4,250,753	3,076,897	2,680,650	2,265,947
Bond issuance costs	-	939,949	72,887	-	133,774	-	-	-	-	-
Capital lease payment	1,506,579	1,014,862	1,035,368	64,303	55,064	25,583	26,508	6,836	-	-
Total expenditures	<u>55,176,410</u>	<u>63,026,048</u>	<u>58,254,081</u>	<u>54,233,761</u>	<u>47,849,359</u>	<u>49,139,769</u>	<u>55,444,104</u>	<u>55,569,136</u>	<u>62,872,927</u>	<u>56,443,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>116,485</u>	<u>(14,128,007)</u>	<u>(6,057,904)</u>	<u>3,684,640</u>	<u>9,197,603</u>	<u>6,747,894</u>	<u>272,349</u>	<u>1,138,517</u>	<u>(8,815,830)</u>	<u>(628,102)</u>

(continued)

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

(concluded)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	6,461,470	15,860,204	18,336,980	17,014,748	25,962,920	23,955,861	22,311,186	23,339,982	21,858,271	20,368,654
Transfers out	(6,461,470)	(15,860,204)	(18,336,980)	(17,014,748)	(25,962,920)	(23,955,861)	(22,311,186)	(23,339,982)	(21,858,271)	(20,368,654)
Proceeds from capital lease	-	-	124,706	-	-	-	-	-	-	-
Proceeds of issuance of debt	28,255,932	7,740,611	4,986,541	-	9,526,664	-	-	-	-	-
Proceeds of refunding bonds	-	48,375,000	-	-	-	-	-	-	-	-
Premium on refunding bonds	-	2,206,994	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(50,085,812)	-	-	-	-	-	-	-	-
Total other financing (uses) sources	<u>28,255,932</u>	<u>8,236,793</u>	<u>5,111,247</u>	<u>-</u>	<u>9,526,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$28,372,417</u>	<u>\$ (5,891,214)</u>	<u>\$ (946,657)</u>	<u>\$ 3,684,640</u>	<u>\$18,724,267</u>	<u>\$ 6,747,894</u>	<u>\$ 272,349</u>	<u>\$ 1,138,517</u>	<u>\$ (8,815,830)</u>	<u>\$ (628,102)</u>
Debt service as a percentage of noncapital expenditures	25.92%	27.43%	27.79%	25.21%	27.64%	26.21%	25.78%	26.40%	24.99%	17.56%

Source: Buffalo Sewer Authority Annual Financial Statements

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

---

<u>Fiscal Year</u>	<u>Gallons of Wastewater Treated<sup>1</sup></u>
2003	50,845
2004	53,509
2005	49,823
2006	48,144
2007	52,195
2008	49,604
2009	48,509
2010	48,691
2011	49,677
2012	45,457

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

Source: Buffalo Sewer Authority's internal records



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

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<u>Fiscal Year</u>	<u>Sewer Taps Sold</u>
2003	86
2004	88
2005	95
2006	111
2007	77
2008	55
2009	87
2010	70
2011	34
2012	39

Source: Buffalo Sewer Authority's internal records

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

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<b>Fiscal Year</b>	<b>Customers</b>	
	<b>Residential</b>	<b>Commercial</b>
2003	95,092	179
2004	95,802	269
2005	96,581	327
2006	97,316	378
2007	98,043	379
2008	98,536	381
2009	99,586	377
2010	99,911	379
2011	100,613	515
2012	101,462	498

Source: Buffalo Sewer Authority's internal records

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

		<b>Buffalo Sewer Authority</b>	<b>City of Buffalo Exclusive of Buffalo Sewer Authority</b>	<b>Erie County<sup>1</sup></b>	<b>Total</b>
2003	H	\$ 1.73	\$ 19.04	\$ 4.81	\$ 25.58
	NH	1.73	35.66	4.81	42.20
2004	H	2.06	20.85	4.68	27.59
	NH	2.06	37.26	4.68	44.00
2005	H	2.06	21.69	4.59	28.34
	NH	2.06	38.56	4.59	45.21
2006	H	1.99	20.96	5.13	28.08
	NH	1.99	37.41	5.13	44.53
2007	H	1.94	20.75	5.13	27.82
	NH	1.94	36.08	5.13	43.15
2008	H	1.80	19.78	5.10	26.68
	NH	1.80	32.76	5.10	39.66
2009	H	1.77	18.83	5.19	25.79
	NH	1.77	32.76	5.19	39.72
2010	H	1.75	18.45	5.40	25.60
	NH	1.75	32.06	5.40	39.21
2011	H	1.70	17.95	5.40	25.05
	NH	1.70	32.06	5.40	39.16
2012	H	1.70	17.95	5.37	25.02
	NH	1.70	31.65	5.37	38.72

Notes: <sup>1</sup> For the calendar year beginning during Authority's fiscal year.

H Homestead

NH Non-homestead

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

**BUFFALO SEWER AUTHORITY**  
**Table XII—Principal Customers**  
**Years Ended June 30, 2012 and June 30, 2003**  
**(Unaudited)**

**Year Ended June 30, 2012:**

<u>Customer</u>	<u>Type of Business</u>	<u>Sewer Rent on Assessed Valuation</u>	<u>Sewer Rent on Water Use</u>	<u>Industrial Waste Surcharge</u>	<u>Total Sewer Rent</u>	<u>Percentage of Total Sewer Rents (General Consumers)</u>
Aurubis FKA OAB	Copper Mill	\$ 11,081	\$ 960,960	\$ -	\$ 972,041	2.10%
ECMC	Hospital	-	374,389	-	374,389	0.81%
BMHA	Municipal Housing	190,813	113,964	-	304,777	0.66%
Sorrento	Consumer Foods	7,394	33,041	199,256	239,691	0.52%
National Grid	Utility Company	209,694	17,352	-	227,046	0.49%
Tyson Foods	Consumer Foods	10,454	128,323	63,629	202,406	0.44%
Buffalo Board of Education	School District	-	150,832	-	150,832	0.33%
SUNYAB	University	-	134,006	-	134,006	0.29%
Seneca One	Realty	116,915	13,899	-	130,814	0.28%
Buffalo State	University	-	112,216	-	112,216	0.24%

**Year Ended June 30, 2003:**

<u>Customer</u>	<u>Type of Business</u>	<u>Sewer Rent on Assessed Valuation</u>	<u>Sewer Rent on Water Use</u>	<u>Industrial Waste Surcharge</u>	<u>Total Sewer Rent</u>	<u>Percentage of Total Sewer Rents (General Consumers)</u>
Sorrento	Consumer Foods	\$ 6,147	\$ 404,020	\$ 317,416	\$ 727,583	1.39%
Outokumpu-American Brass	Copper Mill	2,231	592,178	-	594,409	1.13%
BMHA	Municipal Housing	22,359	524,410	-	546,769	1.04%
ECMC	Hospital	-	417,203	-	417,203	0.80%
Rich Products	Consumer Foods	21,050	131,480	238,985	391,515	0.75%
Russer Foods	Consumer Foods	12,615	234,593	44,228	291,436	0.56%
Niagara Mohawk	Utility Company	192,054	86,203	-	278,257	0.53%
American Axel	Manufacturer	7,861	190,560	2,236	200,657	0.38%
Roswell Park	Hospital	-	193,357	-	193,357	0.37%
Buffalo Board of Education	School District	-	189,745	-	189,745	0.36%

Source: Buffalo Sewer Authority's Internal Records

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

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Capital Lease Obligation</b>	<b>EFC Loan</b>	<b>Total Amount</b>	<b>Debt per Capita<sup>1</sup></b>
2003	\$ 85,808,821	\$ 1,966,680	\$ 6,659,276	\$ 94,434,777	\$ 331
2004	86,287,619	1,037,359	2,086,135	89,411,113	317
2005	84,732,556	157,071	1,191,890	86,081,517	308
2006	78,058,142	110,605	6,627,407	84,796,154	307
2007	80,514,891	58,866	-	80,573,757	296
2008	73,312,596	33,283	-	73,345,879	271
2009	65,901,664	6,775	-	65,908,439	244
2010	57,335,000	-	4,198,923	61,533,923	235
2011	48,390,000	-	12,361,291	60,751,291	233
2012	42,120,000	-	15,665,776	57,785,776	221

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

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

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

Year Ended June 30,	Total Revenues	Direct Operating Expenditures <sup>1</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 55,292,895	\$ 31,374,881	\$ 23,918,014	\$ 5,057,886	\$ 3,882,833	\$ 8,940,719	2.68
2004	48,340,937	34,765,942	13,574,995	6,411,813	3,564,706	9,976,519	1.36
2005	52,196,177	34,987,937	17,208,240	6,541,604	4,441,874	10,983,478	1.57
2006	57,778,541	34,256,718	23,521,823	6,674,414	4,388,643	11,063,057	2.13
2007	57,046,962	33,235,326	23,811,636	7,069,915	4,545,510	11,615,425	2.05
2008	55,887,663	33,546,514	22,341,149	7,202,295	4,475,105	11,677,400	1.91
2009	55,716,453	34,041,872	21,674,581	7,410,932	4,250,753	11,661,685	1.86
2010	56,707,653	32,475,686	24,231,967	8,566,664	3,076,897	11,643,561	2.08
2011	54,057,097	34,887,375	19,169,722	8,945,000	2,680,650	11,625,650	1.65
2012	55,815,828	34,699,517	21,116,311	6,270,000	2,265,947	8,535,947	2.47

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

Source: Buffalo Sewer Authority Annual Financial Statements

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

	<u>Population</u>		<u>Buffalo/Niagara Region</u>		<u>Buffalo, NY</u>	<u>New York State</u>
	<u>Buffalo</u> <sup>2</sup>	<u>Erie County</u> <sup>2</sup>	<u>Per Capita Income</u> <sup>3</sup>	<u>Labor Force</u> <sup>1</sup>	<u>Unemployment Rate</u> <sup>4</sup>	<u>Unemployment Rate</u> <sup>1</sup>
2003	285,123	938,847	\$ 29,515	589,317	7.6%	6.5%
2004	282,403	934,653	30,912	589,389	7.3%	5.9%
2005	279,138	928,215	31,825	589,832	6.7%	4.8%
2006	276,059	921,390	33,803	591,139	6.3%	4.4%
2007	272,632	913,338	35,669	581,162	6.0%	4.5%
2008	270,919	909,845	36,408	589,229	6.9%	5.2%
2009	270,240	909,247	37,511	597,000	10.5%	9.0%
2010	261,310	919,040	38,529	591,053	10.3%	8.2%
2011	261,025	918,028	n/a	581,166	10.2%	8.0%
2012	n/a	n/a	n/a	579,800	8.8%	8.9%

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

**BUFFALO SEWER AUTHORITY**  
**Table XVI—Principal Employers in the Buffalo Metropolitan Area**  
**Years Ended June 30, 2012 and June 30, 2003**  
**(Unaudited)**

<b>Employer</b>	<b>2012 <sup>1</sup></b>			<b>2003 <sup>2</sup></b>		
	<b>Employees</b>	<b>Rank</b>	<b>% of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total Employment</b>
State of New York	25,244	1	4.35%	15,800	1	2.73%
Federal Executive Board	10,000	2	1.72%	11,800	2	2.04%
Kaleida Health	8,439	3	1.46%	5,676	6	0.98%
University at Buffalo	7,106	4	1.23%	6,231	5	1.07%
Catholic Health System	6,286	5	1.08%	4,670	10	0.81%
Employer Services Corp.	6,271	6	1.08%			
Tops Markets LLC	5,117	7	0.88%			
Buffalo City School District	4,949	8	0.85%	6,828	4	1.18%
M&T Bank	4,593	9	0.79%	5,130	8	0.88%
Erie County	4,304	10	0.74%	7,529	3	1.30%
HSBC Bank, USA				5,155	7	0.89%
Delphi Harrison Thermal Systems				5,000	9	0.86%

Sources: <sup>1</sup> From the "Business First Book of Lists 2012" Western New York's weekly business newspaper

<sup>2</sup> From the October 24, 2003 issue of "Business First"



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

<b>Year Ended June 30,</b>	<b>Full-time Equivalent Employees</b>					<b>Total</b>
	<b>Administration</b>	<b>Treatment Plant</b>	<b>Industrial Waste</b>	<b>Engineering</b>	<b>Sewer Maintenance</b>	
2003	17	150	8	12	63	250
2004	17	147	8	13	58	243
2005	17	147	8	13	53	238
2006	16	140	8	13	53	230
2007	16	133	8	12	51	220
2008	17	135	8	12	45	217
2009	18	143	8	11	40	220
2010	16	137	8	12	45	218
2011	16	128	7	12	38	201
2012	15	117	6	10	38	186

Source: Buffalo Sewer Authority's internal records

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

<b>Year Ended June 30,</b>	<b>Miles of Sewers</b>	<b>Number of Treatment Plants</b>	<b>Treatment Capacity (MGD)</b>	<b>Annual Engineering Maximum Plant Capacity<sup>1</sup></b>	<b>Amount Treated Annually<sup>1</sup></b>	<b>Unused Capacity<sup>1</sup></b>	<b>Percentage of Capacity Utilized</b>
2003	850	1	600	219,000	50,845	168,155	23.2%
2004	850	1	600	219,000	53,509	165,491	24.4%
2005	850	1	600	219,000	49,823	169,177	22.8%
2006	850	1	600	219,000	48,144	170,856	22.0%
2007	850	1	600	219,000	52,195	166,805	23.8%
2008	850	1	600	219,000	49,604	169,396	22.7%
2009	850	1	600	219,000	48,509	170,491	22.2%
2010	850	1	600	219,000	48,691	170,309	22.2%
2011	850	1	600	219,000	49,677	169,323	22.7%
2012	850	1	600	219,000	45,457	173,543	20.8%

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

Source: Buffalo Sewer Authority's internal records