

CITY OF BUFFALO, NEW YORK

BUFFALO WATER BOARD

A COMPONENT UNIT OF THE

CITY OF BUFFALO, NEW YORK

Basic Financial Statements, Required Supplementary

Information and Other Information

for the Years Ended June 30, 2020 and 2019

and Independent Auditors' Reports

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
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Years Ended June 30, 2020 and 2019

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo Water Board (the "Water Board"), a component unit of the City of Buffalo, New York (the "City"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Water Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Board as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

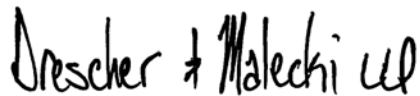
Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Board's basic financial statements. Other Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Other Information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Handwritten signature in black ink that reads "Drescher & Malecki LLP". The signature is written in a cursive, slightly slanted style.

October 29, 2020

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
For the Years Ended June 30, 2020 and 2019

As management of the City of Buffalo, New York's (the "City") Buffalo Water Board (the "Water Board"), we offer readers of the Water Board's financial statements this narrative overview and analysis of the financial activities of the Water Board for the fiscal years ended June 30, 2020 and 2019. This document should be read in conjunction with additional information that we have furnished in the Water Board's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Water Board exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2020 by \$51,141,936 (*net position*). This consisted of \$22,185,282 net investment in capital assets and unrestricted net position of \$28,956,654. The assets and deferred outflows of resources of the Water Board exceeded its liabilities at the close of the fiscal year ended June 30, 2019 by \$43,399,914 (*net position*). This consisted of \$13,787,999 net investment in capital assets and unrestricted net position of \$29,611,915.
- The Water Board's total net position increased by \$7,742,022 during the fiscal year ended June 30, 2020, and net position increased \$5,615,012 for the fiscal year ended June 30, 2019.

Overview of the Financial Statements

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

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

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

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

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

The *statements of cash flows* provide information related to the sources of cash, the uses of cash, and the change in cash balances during the reporting period. The statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, noncapital financing, capital financing activities, and investing activities.

These financial statements can be found on pages 10-12 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13-29 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* concerning the Water Board’s other postemployment benefits liability, the Water Board’s net pension liability and its recent contributions. Required Supplementary Information can be found on pages 30-32 of this report.

Other Information is presented immediately following the Required Supplementary Information and can be found on pages 33-40 of this report.

Financial Analysis

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

Table 1, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2020 and June 30, 2019.

Table 1—Condensed Statements of Net Position for the Fiscal Years Ended June 30, 2020 and June 30, 2019

	June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 14,159,336	\$ 14,376,892	\$ (217,556)	(1.5)
Investments	5,263,404	5,186,302	77,102	1.5
Receivables, net	8,980,895	7,162,546	1,818,349	25.4
Total current assets	<u>28,403,635</u>	<u>26,725,740</u>	<u>1,677,895</u>	6.3
Noncurrent assets:				
Capital assets not being depreciated	2,545,973	1,240,180	1,305,793	105.3
Capital assets being depreciated	147,498,123	144,866,068	2,632,055	1.8
Total noncurrent assets	<u>150,044,096</u>	<u>146,106,248</u>	<u>3,937,848</u>	2.7
Total assets	<u>178,447,731</u>	<u>172,831,988</u>	<u>5,615,743</u>	3.2
Deferred outflows of resources	<u>5,180,894</u>	<u>1,872,632</u>	<u>3,308,262</u>	176.7
Liabilities:				
Current liabilities	9,493,852	6,810,033	2,683,819	39.4
Noncurrent liabilities	114,756,466	112,965,615	1,790,851	1.6
Total liabilities	<u>124,250,318</u>	<u>119,775,648</u>	<u>4,474,670</u>	3.7
Deferred inflows of resources	<u>8,236,371</u>	<u>11,529,058</u>	<u>(3,292,687)</u>	(28.6)
Net position:				
Net investment in capital assets	22,185,282	13,787,999	8,397,283	60.9
Unrestricted	28,956,654	29,611,915	(655,261)	(2.2)
Total net position	<u>\$ 51,141,936</u>	<u>\$ 43,399,914</u>	<u>\$ 7,742,022</u>	17.8

The condensed Statements of Net Position shows an increase of \$7,742,022 in net position during the year ended June 30, 2020, from \$43,399,914 at June 30, 2019. The increase is the result of current year operations as displayed in Table 3. Significant changes from 2019 to 2020 in the condensed Statements of Net Position include:

- Total assets increased \$5,615,743, which was primarily caused by increases in capital assets of \$3,937,848 and receivables of \$1,818,349. These changes are mainly due to newly completed and ongoing water infrastructure capital outlay projects and an increased receivable from the Water Enterprise Fund's net pension liability and related deferred outflows and inflows of resources.
- Total deferred outflows of resources increased \$3,308,262, while deferred inflows of resources decreased \$3,292,687. This was primarily due to the effects of the actuarially determined amounts related to the net pension liability and the OPEB obligation.
- Total liabilities increased \$4,474,670, resulting primarily from increases in the net pension liability and the OPEB obligation.

Table 2, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Table 2—Condensed Statements of Net Position for the Fiscal Years Ended June 30, 2019 and June 30, 2018

	June 30,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 14,376,892	\$ 18,704,243	\$ (4,327,351)	(23.1)
Investments	5,186,302	5,111,813	74,489	1.5
Receivables, net	7,162,546	6,408,166	754,380	11.8
Total current assets	<u>26,725,740</u>	<u>30,224,222</u>	<u>(3,498,482)</u>	<u>(11.6)</u>
Noncurrent assets:				
Capital assets not being depreciated	1,240,180	2,541,889	(1,301,709)	(51.2)
Capital assets being depreciated	144,866,068	141,457,101	3,408,967	2.4
Total noncurrent assets	<u>146,106,248</u>	<u>143,998,990</u>	<u>2,107,258</u>	<u>1.5</u>
Total assets	<u>172,831,988</u>	<u>174,223,212</u>	<u>(1,391,224)</u>	<u>(0.8)</u>
Deferred outflows of resources	<u>1,872,632</u>	<u>2,197,052</u>	<u>(324,420)</u>	<u>(14.8)</u>
Liabilities:				
Current liabilities	6,810,033	10,200,124	(3,390,091)	(33.2)
Noncurrent liabilities	112,965,615	121,868,005	(8,902,390)	(7.3)
Total liabilities	<u>119,775,648</u>	<u>132,068,129</u>	<u>(12,292,481)</u>	<u>(9.3)</u>
Deferred inflows of resources	<u>11,529,058</u>	<u>6,567,233</u>	<u>4,961,825</u>	<u>75.6</u>
Net position:				
Net investment in capital assets	13,787,999	27,172,518	(13,384,519)	(49.3)
Unrestricted	29,611,915	10,612,384	18,999,531	179.0
Total net position	<u>\$ 43,399,914</u>	<u>\$ 37,784,902</u>	<u>\$ 5,615,012</u>	<u>14.9</u>

The condensed Statements of Net Position shows an increase of \$5,615,012 in net position from \$37,784,902 at June 30, 2018. The increase is the result of current year operations as displayed in Table 4. Significant changes from 2018 to 2019 in the condensed Statements of Net Position include:

- Total assets decreased \$1,391,224, which was primarily caused by a decrease in cash and cash equivalents of \$4,327,351, partially offset by an increase in capital assets of \$2,107,258. These changes are mainly due to scheduled bond payments combined with purchases of capital assets during the year.
- Total deferred outflows of resources decreased \$324,420, while deferred inflows of resources increased \$4,961,825. This was primarily due to the effects of the actuarially determined amounts related to the net pension liability and the OPEB obligation.
- Total liabilities decreased by \$12,292,481, resulting primarily from the scheduled payments of bonds during the fiscal year and a decrease in the OPEB liability.

Table 3, as presented below, shows changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

Table 3—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Fiscal Years Ended June 30, 2020 and June 30, 2019

	Year Ended June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Revenues:				
Operating	\$ 50,316,561	\$ 46,593,448	\$ 3,723,113	8.0
Nonoperating	665,195	552,096	113,099	20.5
Total revenues	<u>50,981,756</u>	<u>47,145,544</u>	<u>3,836,212</u>	8.1
Expenses:				
Services and supplies	10,127,983	11,376,286	(1,248,303)	(11.0)
Water meter repairs and other expenses	5,598,779	2,346,049	3,252,730	138.6
Depreciation	6,674,829	6,390,078	284,751	4.5
Operating transfers	8,125,756	9,566,400	(1,440,644)	(15.1)
Interest	5,456,934	4,883,366	573,568	11.7
Loss on disposal of capital assets	7,375	65,422	(58,047)	(88.7)
Total expenses	<u>35,991,656</u>	<u>34,627,601</u>	<u>1,364,055</u>	3.9
Income before transfers to the City's General Fund	14,990,100	12,517,943	2,472,157	19.7
Transfers to the City's General Fund	<u>(7,248,078)</u>	<u>(6,902,931)</u>	<u>(345,147)</u>	5.0
Change in net position	7,742,022	5,615,012	2,127,010	37.9
Net position - beginning	<u>43,399,914</u>	<u>37,784,902</u>	<u>5,615,012</u>	14.9
Net position - ending	<u>\$ 51,141,936</u>	<u>\$ 43,399,914</u>	<u>\$ 7,742,022</u>	17.8

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

Significant changes from the year ended June 30, 2019 to the year ended June 30, 2020 in revenues and expenses for the Water Board include the following:

- Operating revenues increased \$3,723,113, or 8.0 percent from the prior year, primarily due to an increase in chargeable water consumption as meter rate billings increased during the year following the rate structure change that occurred on January 1, 2019.
- Water meter repairs and other expenses increased \$3,252,730 or 138.6 percent from the prior year, primarily due to pension expense related to an increase in the net pension liability and a reclassification of repairs previously classified as services and supplies.
- Total transfers decreased \$1,785,791, or 10.8 percent from the prior year, due to a decrease in debt payment made by the Buffalo Municipal Water Finance Authority (the “Water Finance Authority”) and the City of Buffalo Division of Water.

Table 4, as presented below, shows changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Table 4—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Fiscal Years Ended June 30, 2019 and June 30, 2018

	Year Ended June 30,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
Revenues:				
Operating	\$ 46,593,448	\$ 41,810,029	\$ 4,783,419	11.4
Nonoperating	552,096	722,899	(170,803)	(23.6)
Total revenues	<u>47,145,544</u>	<u>42,532,928</u>	<u>4,612,616</u>	10.8
Expenses:				
Services and supplies	11,376,286	10,624,849	751,437	7.1
Water meter repairs and other expenses	2,346,049	1,279,423	1,066,626	83.4
Depreciation	6,390,078	6,162,113	227,965	3.7
Operating transfers	9,566,400	10,362,609	(796,209)	(7.7)
Interest	4,883,366	5,417,530	(534,164)	(9.9)
Loss on disposal of capital assets	65,422	17,748	47,674	268.6
Total expenses	<u>34,627,601</u>	<u>33,864,272</u>	<u>763,329</u>	2.3
Income before transfers to the City's General Fund	12,517,943	8,668,656	3,849,287	44.4
Transfers to the City's General Fund	<u>(6,902,931)</u>	<u>(6,574,220)</u>	<u>(328,711)</u>	5.0
Change in net position	5,615,012	2,094,436	3,520,576	168.1
Net position - beginning	<u>37,784,902</u>	<u>35,690,466</u>	<u>2,094,436</u>	5.9
Net position - ending	<u>\$ 43,399,914</u>	<u>\$ 37,784,902</u>	<u>\$ 5,615,012</u>	14.9

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

Significant changes from the year ended June 30, 2018 to the year ended June 30, 2019 in revenues and expenses for the Water Board include the following:

- Operating revenues increased \$4,783,419, or 11.4 percent from the prior year, primarily due to an increase in chargeable water consumption as meter rate billings increased during the year following the change in the rate structure effective January 1, 2019, whereby the flat rate of \$22.83 is no being applied to the first 20,000 cubic feet rather than the first 4,000.
- Water meter repairs and other expenses increased \$1,066,626 or 83.4 percent from the prior year, primarily due to the City’s continued structural improvements of water meters and related equipment, coupled with an increase in pension expense.
- Operating transfers decreased \$796,209, or 7.7 percent from the prior year, due to a decrease in debt payment made by the Buffalo Municipal Water Finance Authority (the “Water Finance Authority”) and the City of Buffalo Division of Water.

Capital Assets and Debt Administration

Capital assets—At June 30, 2020 and 2019, the Water Board had \$150,044,096 and \$146,106,248, respectively, invested in capital assets, as reflected in Table 5 below. At June 30, 2020, the change represents a net increase of \$3,937,848, or 2.7 percent, from June 30, 2019, resulting from net additions exceeding depreciation expense. At June 30, 2019, the net increase of \$2,107,258, or 1.5 percent, from June 30, 2018 results from net additions exceeding depreciation expense.

Table 5, as presented below, shows changes in capital assets for the fiscal years ended June 30, 2020, June 30, 2019 and June 30, 2018.

Table 5—Summary of Capital Assets

	June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Land	\$ 145,116	\$ 145,116	\$ -	0.0
Construction in progress	2,400,857	1,095,064	1,305,793	119.2
Buildings and improvements	119,673,350	116,441,096	3,232,254	2.8
Machinery and equipment	1,873,246	1,436,636	436,610	30.4
Infrastructure	129,998,539	124,567,239	5,431,300	4.4
Total capital assets	254,091,108	243,685,151	10,405,957	4.3
Accumulated depreciation	(104,047,012)	(97,578,903)	(6,468,109)	6.6
Net capital assets	<u>\$ 150,044,096</u>	<u>\$ 146,106,248</u>	<u>\$ 3,937,848</u>	2.7
	June 30,		Increase/(Decrease)	
	2019	2018	Dollars	Percent (%)
Land	\$ 145,116	\$ 145,116	\$ -	0.0
Construction in progress	1,095,064	2,396,773	(1,301,709)	(54.3)
Buildings and improvements	116,441,096	116,732,433	(291,337)	(0.2)
Machinery and equipment	1,436,636	1,197,902	238,734	19.9
Infrastructure	124,567,239	114,890,298	9,676,941	8.4
Total capital assets	243,685,151	235,362,522	8,322,629	3.5
Accumulated depreciation	(97,578,903)	(91,363,532)	(6,215,371)	6.8
Net capital assets	<u>\$ 146,106,248</u>	<u>\$ 143,998,990</u>	<u>\$ 2,107,258</u>	1.5

Debt financing—All debt issued to finance the acquisition of capital assets for the Water Board was issued by the Water Authority. The Water Authority has \$121,060,000 and \$125,270,000 of Revenue Bonds outstanding at June 30, 2020 and 2019, respectively, which are scheduled to be fully paid in 2049. The Water Board reports the liability for these bonds as Due to the Buffalo Municipal Water Finance Authority. The Water Board only reports the amount actually used (i.e., spent) for projects and the acquisition of capital assets, since unspent proceeds are maintained by the Water Authority. Amounts to pay the annual debt service costs are transferred from the Water Board to the appropriate entity. As the debt is paid, the outstanding liabilities to the other funds are reduced.

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

Next Year's Budget

The Water Board's management considered many factors when setting the fiscal year 2021 budget for the Water Board. These factors include the expected growth in revenues and related costs as the result of both the contract with the private operator and personnel needs, as well as the long-term improvements to the water system.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Statements of Net Position
June 30, 2020 and 2019

	June 30,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,159,336	\$ 14,376,892
Investments	5,263,404	5,186,302
Receivables—water (less allowance for doubtful accounts of \$18,439,923 and \$17,018,813 at June 30, 2020 and 2019, respectively)	5,083,052	4,413,989
Other receivables	1,663,066	1,651,317
Due from other agencies	128,163	127,425
Due from other funds	2,106,614	969,815
Total current assets	<u>28,403,635</u>	<u>26,725,740</u>
Noncurrent assets:		
Capital assets not being depreciated:		
Land	145,116	145,116
Construction in progress	2,400,857	1,095,064
Capital assets being depreciated:		
Buildings and improvements	119,673,350	116,441,096
Machinery and equipment	1,873,246	1,436,636
Infrastructure	129,998,539	124,567,239
Accumulated depreciation	<u>(104,047,012)</u>	<u>(97,578,903)</u>
Total capital assets being depreciated	<u>147,498,123</u>	<u>144,866,068</u>
Total noncurrent assets	<u>150,044,096</u>	<u>146,106,248</u>
Total assets	<u>178,447,731</u>	<u>172,831,988</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows—relating to pensions	3,874,545	1,192,423
Deferred outflows—relating to OPEB	1,306,349	680,209
Total deferred outflows of resources	<u>5,180,894</u>	<u>1,872,632</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,270,847	1,439,117
Due to Buffalo Municipal Water Finance Authority	6,702,943	4,725,997
Due to City of Buffalo Division of Water	520,062	644,919
Total current liabilities	<u>9,493,852</u>	<u>6,810,033</u>
Noncurrent liabilities:		
Due to Buffalo Municipal Water Finance Authority	82,782,557	86,938,936
Due to City of Buffalo Division of Water	31,973,909	26,026,679
Total noncurrent liabilities	<u>114,756,466</u>	<u>112,965,615</u>
Total liabilities	<u>124,250,318</u>	<u>119,775,648</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—relating to pensions	161,965	591,147
Deferred inflows—relating to OPEB	8,074,406	10,937,911
Total deferred inflows of resources	<u>8,236,371</u>	<u>11,529,058</u>
NET POSITION		
Net investment in capital assets	22,185,282	13,787,999
Unrestricted	28,956,654	29,611,915
Total net position	<u>\$ 51,141,936</u>	<u>\$ 43,399,914</u>

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

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	Year Ended June 30,	
	2020	2019
Operating revenues:		
Charges for services	\$ 48,668,413	\$ 46,092,946
Other	1,648,148	500,502
Total operating revenues	<u>50,316,561</u>	<u>46,593,448</u>
Operating expenses:		
Services and supplies	10,127,983	11,376,286
Water meter repairs and other expenses	5,598,779	2,346,049
Depreciation	6,674,829	6,390,078
Net operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	8,125,756	9,566,400
Total operating expenses	<u>30,527,347</u>	<u>29,678,813</u>
Operating income	<u>19,789,214</u>	<u>16,914,635</u>
Nonoperating revenues (expenses):		
Interest income	238,633	335,617
Interest expense	(5,456,934)	(4,883,366)
Loss on disposal of capital assets	(7,375)	(65,422)
Other	426,562	216,479
Total nonoperating revenues (expenses)	<u>(4,799,114)</u>	<u>(4,396,692)</u>
Income before transfers to the City's General Fund	14,990,100	12,517,943
Transfers to the City's General Fund	<u>(7,248,078)</u>	<u>(6,902,931)</u>
Change in net position	7,742,022	5,615,012
Total net position—beginning	<u>43,399,914</u>	<u>37,784,902</u>
Total net position—ending	<u>\$ 51,141,936</u>	<u>\$ 43,399,914</u>

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

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 49,635,011	\$ 46,129,755
Operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	(8,125,756)	(9,566,400)
Payments to suppliers for goods and services	(14,895,032)	(13,144,859)
Payments to employees for services	(3,111,304)	(589,292)
Net cash provided by operating activities	<u>23,502,919</u>	<u>22,829,204</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City's General Fund	(7,248,078)	(6,902,931)
Advances to City of Buffalo governmental funds	(983,504)	(7,285,107)
Net cash used for noncapital financing activities	<u>(8,231,582)</u>	<u>(14,188,038)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition/construction of capital assets	(10,620,052)	(8,562,759)
Interest subsidy on bond proceeds	426,562	216,479
Interest payments	(5,456,934)	(4,883,365)
Net cash used for capital and related financing activities	<u>(15,650,424)</u>	<u>(13,229,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on short-term investments	238,633	335,617
Net cash provided by investing activities	<u>238,633</u>	<u>335,617</u>
Net decrease in cash and cash equivalents	(140,454)	(4,252,862)
Cash, cash equivalents and investments—beginning	19,563,194	23,816,056
Cash, cash equivalents and investments—ending	<u>\$ 19,422,740</u>	<u>\$ 19,563,194</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 19,789,214	\$ 16,914,635
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	6,674,829	6,390,078
Changes in assets and liabilities:		
(Increase) in receivables	(681,550)	(463,693)
(Increase) decrease in deferred outflows—relating to pensions	(2,682,122)	1,004,629
Increase in accounts payable	831,730	577,476
(Decrease) in deferred inflows—relating to pensions	(429,182)	(1,593,921)
Net cash provided by operating activities	<u>\$ 23,502,919</u>	<u>\$ 22,829,204</u>

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

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Notes to the Financial Statements
Years Ended June 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

Measurement Focus and Basis of Accounting

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

These financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of services and supplies, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues, such as interest earnings, result from non-exchange transactions or ancillary activities.

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

Cash, Cash Equivalents and Investments—The Water Board’s cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments are stated at fair value. The Water Board reported investments of \$5,263,404 and \$5,186,302 at June 30, 2020 and 2019, respectively.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Water Board as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of five years, and all vehicles. Water meters are not capitalized unless they are purchased in bulk (i.e., repairs and minor replacements are expensed). Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation. Land and construction in progress are not depreciated. The other capital assets of the Water Board are depreciated using the straight-line method over the following estimated useful lives:

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

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. At June 30, 2020 and 2019, the Water Board has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Water Board’s proportion of the collective net pension liability, and the difference during the measurement period between the Water Board’s contributions, its proportionate share of total contribution to the pension system not included in pension expense, and any contributions to the pension system subsequent to the measurement date.

The second item represents the effects of the change in the Water Board's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability, and is reported on the Statement of Net Position

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2020 and 2019, the Water Board has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Water Board's proportion of the collective net pension liability and the difference during the measurement periods between the Water Board's contributions and its proportionate share of total contributions to the pension systems not included in pension. The second item represents the effects of the change in the Water Board's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability, and is reported on the Statement of Net Position.

Other

Allocated Costs—Certain services associated with operating the Water Board are performed by the City. During the years ended June 30, 2020 and 2019, the Water Board transferred \$7,248,078 and \$6,902,931, respectively, to the City related to these services.

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

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

Pensions—The Water System is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 5.

Other Postemployment Benefits—In addition to providing benefits, the Water System provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 6.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2020, the Water Board early implemented GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. Additionally, the District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions

in Statements No. 84, 87, 89, 91, 92, 93, 94, 96 and 97. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the Water Board’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Water Board has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 84, *Fiduciary Activities*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending June 30, 2021, No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022, and No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The Water Board is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Water Board’s available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the Water Board’s investment policies. The Water Board operates under the City’s written investment guidelines, which have been established by the Comptroller’s Office pursuant to Section 114A of the City Charter. The Water Board is authorized to deposit or invest funds in banks or trust companies located in, and authorized to do business in, the State. The City’s investment policy governs the investment of excess funds. Permissible investments include time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State and its localities.

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at June 30, 2020 and 2019 as follows:

	June 30, 2020		June 30, 2019	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	\$ 744,562	\$ 744,562	\$ 742,461	\$ 742,461
Uninsured:				
Collateral held by pledging bank's agent in the City's name	12,479,230	13,414,774	14,657,256	13,634,431
Total	<u>\$ 13,223,792</u>	<u>\$ 14,159,336</u>	<u>\$ 15,399,717</u>	<u>\$ 14,376,892</u>

Custodial Credit Risk—Deposits and Cash Equivalents—This is the risk that, in the event of a bank failure, the Water Board’s deposits may not be returned to it. Collateral is required for demand deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of the State General Municipal Law. Securities that may be pledged as collateral are limited to obligations of the United States or any obligation fully insured as to interest and principal by the United States acting through an agency, and obligations of the State or obligations of any municipal corporation, school district, or district corporation of the State.

Investments and Fair Value Measurements—The Water Board acquires investments through trust departments of commercial banks and requires that the investments be held in the Water Board’s name and be collateralized. At June 30, 2020 and 2019, total investments of \$5,263,404 and \$5,186,302, respectively, consisted of certificate of deposits issued with thirteen week maturities held

by the Water Board. Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The investments reported by the Water Board at June 30, 2020 and 2019 are measured using level 1 inputs.

Custodial Credit Risk—Investments—This is the risk that, in the event of the failure of the counterparty, the Water Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the Water Board's name.

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

Concentration of Credit Risk—To promote competition in rates and service cost, and to limit the risk of institutional failure, Water Board deposits and investments are placed with multiple institutions. The general rule is not to place more than \$100 million or 50% of the Water Board's total investment portfolio, whichever is less, in overnight investments with any one institution.

Interest Rate Risk—The Water Board has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are limited to a maximum of two years, however the Water Board generally limits its investments to 180 days or less.

3. RECEIVABLES

Water receivables represent amounts due from customers for current and past due water services provided, including penalties, unpaid bill charges and collection fees. Certain customers are billed on a quarterly basis, while other customers are billed monthly and the amounts are based on usage per the current or estimated meter readings. For those customers without meters, a flat fee is charged based on previous assessments of the size of the building that may have been indicative of water usage. Customers are provided a thirty day (30) payment period from the billing date to pay their current water charges. A late penalty of 4.5% is assessed on any unpaid balance for the first 30 days following the due date. An additional 1.5% penalty is assessed for each 30 day period thereafter. Receivables as of year-end for the Water Board, and related allowance for uncollectible accounts, as of June 30, 2020 and 2019, are presented as follows:

	June 30, 2020		
	Receivable	Allowance	Net
Receivables—water	\$ 23,522,975	\$ (18,439,923)	\$ 5,083,052
Other receivables	1,663,066	-	1,663,066
Due from other agencies	128,163	-	128,163
Due from other funds	2,106,614	-	2,106,614
Total	<u>\$ 27,420,818</u>	<u>\$ (18,439,923)</u>	<u>\$ 8,980,895</u>
	June 30, 2019		
	Receivable	Allowance	Net
Receivables—water	\$ 21,432,802	\$ (17,018,813)	\$ 4,413,989
Other receivables	1,651,317	-	1,651,317
Due from other agencies	127,425	-	127,425
Due from other funds	969,815	-	969,815
Total	<u>\$ 24,181,359</u>	<u>\$ (17,018,813)</u>	<u>\$ 7,162,546</u>

4. CAPITAL ASSETS

A summary of capital asset activity for the fiscal years ended June 30, 2020 and 2019 is as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 145,116	\$ -	\$ -	\$ 145,116
Construction in progress	1,095,064	5,318,456	4,012,663	2,400,857
Total capital assets, not being depreciated	<u>1,240,180</u>	<u>5,318,456</u>	<u>4,012,663</u>	<u>2,545,973</u>
Capital assets, being depreciated:				
Buildings and improvements	116,441,096	3,232,254	-	119,673,350
Machinery and equipment	1,436,636	650,706	214,096	1,873,246
Infrastructure	124,567,239	5,431,300	-	129,998,539
Total capital assets, being depreciated	<u>242,444,971</u>	<u>9,314,260</u>	<u>214,096</u>	<u>251,545,135</u>
Less accumulated depreciation for:				
Buildings and improvements	37,644,782	3,445,769	-	41,090,551
Machinery and equipment	536,924	236,473	206,721	566,676
Infrastructure	59,397,197	2,992,588	-	62,389,785
Total accumulated depreciation	<u>97,578,903</u>	<u>6,674,830</u>	<u>206,721</u>	<u>104,047,012</u>
Total capital assets being depreciated, net	<u>144,866,068</u>	<u>2,639,430</u>	<u>7,375</u>	<u>147,498,123</u>
Capital assets, net	<u>\$ 146,106,248</u>	<u>\$ 7,957,886</u>	<u>\$ 4,020,038</u>	<u>\$ 150,044,096</u>

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not being depreciated:				
Land	\$ 145,116	\$ -	\$ -	\$ 145,116
Construction in progress	2,396,773	919,141	2,220,850	1,095,064
Total capital assets, not being depreciated	<u>2,541,889</u>	<u>919,141</u>	<u>2,220,850</u>	<u>1,240,180</u>
Capital assets, being depreciated:				
Buildings and improvements	113,152,960	3,288,136	-	116,441,096
Machinery and equipment	1,197,902	478,863	240,129	1,436,636
Infrastructure	118,469,771	6,097,468	-	124,567,239
Total capital assets, being depreciated	<u>232,820,633</u>	<u>9,864,467</u>	<u>240,129</u>	<u>242,444,971</u>
Less accumulated depreciation for:				
Buildings and improvements	34,353,196	3,291,586	-	37,644,782
Machinery and equipment	485,814	225,817	174,707	536,924
Infrastructure	56,524,522	2,872,675	-	59,397,197
Total accumulated depreciation	<u>91,363,532</u>	<u>6,390,078</u>	<u>174,707</u>	<u>97,578,903</u>
Total capital assets being depreciated, net	<u>141,457,101</u>	<u>3,474,389</u>	<u>65,422</u>	<u>144,866,068</u>
Capital assets, net	<u>\$ 143,998,990</u>	<u>\$ 4,393,530</u>	<u>\$ 2,286,272</u>	<u>\$ 146,106,248</u>

5. PENSION OBLIGATIONS

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

Plan Description and Benefits Provided

Employees' Retirement System ("ERS")—The Water Board participates in the New York State and Local Employees' Retirement System ("ERS"). This cost-sharing multiple-employer public employee retirement system computes contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL"). ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provision of the NYSRSSL. Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Water Board also participates in the Public Employees' Group Life Insurance ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS is noncontributory, except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under

ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2020 and 2019, the Water Board reported the following liability to the City of Buffalo Division of Water for the Water System's proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31 of each year, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water System's proportion of the net pension liability was based on a projection of the Water System's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the City.

	ERS	
	March 31, 2020	March 31, 2019
Measurement date		
Net pension liability	\$ 5,819,194	\$ 1,571,091
Water System's portion of the Plan's total net pension liability	0.0219751%	0.0221739%

As of the March 31, 2020 measurement date, the Water System's portion of the Plan's total net pension liability for ERS had decreased 0.0001988% from their portion of the Plan's total net pension liability of 0.0221739% on the March 31, 2019 measurement date. For the years ended June 30, 2020 and June 30, 2019, the Water System recognized pension expense of \$2,060,315 and \$1,118,386, respectively. As of June 30, 2020, the Water System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experiences	\$ 342,483	\$ -
Changes of assumptions	117,171	101,175
Net difference between projected and actual earnings on pension plan investments	2,983,202	-
Changes in proportion and differences between the Water System's contributions and proportionate share of contributions	187,005	60,790
Water System contributions subsequent to the measurement date	244,684	-
Total	<u>\$ 3,874,545</u>	<u>\$ 161,965</u>

As of June 30, 2019, the Water System reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources presented on the following page.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>ERS</u>	
Differences between expected and actual experiences	\$ 309,380	\$ 105,464
Changes of assumptions	394,907	-
Net difference between projected and actual earnings on pension plan investments	-	403,228
Changes in proportion and differences between the Water System's contributions and proportionate share of contributions	234,121	82,455
Water System contributions subsequent to the measurement date	<u>254,015</u>	<u>-</u>
Total	<u>\$ 1,192,423</u>	<u>\$ 591,147</u>

The Water System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as presented below:

<u>Year Ending June 30,</u>	<u>ERS</u>
2021	\$ 629,701
2022	880,651
2023	1,077,611
2024	879,933

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

	<u>ERS</u>
Measurement date	March 31, 2020
Actuarial valuation date	April 1, 2019
Interest rate	6.80%
Salary scale	4.20%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%
Cost-of-living adjustments	1.3%

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

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

Measurement date	Target Allocation	Long-Term Expected Real Rate of Return
	ERS	
	March 31, 2020	
Asset class:		
Domestic equities	36.0 %	4.1 %
International equities	14.0	6.2
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	0.8
Cash	1.0	0.0
Inflation-indexed bonds	4.0	0.5
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liability at June 30, 2020 and 2019 was 6.8% and 7.0%, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The charts below present the Water System’s proportionate share of the net pension liability calculated using the discount rates of 6.8% and 7.0% for the years ending June 30, 2020 and 2019, respectively, as well as what the Water System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current assumption.

	Employer's proportionate share of the net pension liability/(asset)		
	1%	Current	1%
	Decrease (5.8%)	Assumption (6.8%)	Increase (7.8%)
ERS			
As of June 30, 2020	\$ 10,679,864	\$ 5,819,194	\$ 1,342,496
ERS			
As of June 30, 2019	\$ 6,869,051	\$ 1,571,091	\$ (2,879,575)

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

	(Dollars in Thousands)	
	ERS	
Valuation date	April 1, 2019	April 1, 2018
Employers' total pension liability	\$ 194,596,261	\$ 189,803,429
Plan fiduciary net position	<u>168,115,682</u>	<u>182,718,124</u>
Employers' net pension liability	<u>\$ 26,480,579</u>	<u>\$ 7,085,305</u>
System fiduciary net position as a percentage of total pension liability	86.4%	96.3%

Payables to the Pension Plan—Employer contributions are paid annually based on ERS’ fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 and 2019 amounted to \$244,684 and \$254,015, respectively.

6. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

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

Plan Description—The City maintains a single-employer benefits plan which provides continuation of medical insurance coverage to employees that retire under the New York State Retirement Systems at the same time such service is ended, if such employees have been continuously employed by the City for the equivalent of at least 10 years at the date of retirement. Based on collective bargaining agreements, the retiree and/or his beneficiaries receive health care coverage for the life of the retiree. The retiree’s share of premium costs depends on the employee group and length of service. Health care benefits for nonunion employees are similar to those of union employees pursuant to City Charter. There is no separate audited GAAP-basis postemployment benefit plan report available.

Employees Covered by Benefit Terms—There have been no significant changes in the number of employees covered. The number of participants covered by the Water System as of July 1, 2018, the effective valuation date of the OPEB valuation, is as follows:

Active employees	107
Retired employees	117
Spouses of retirees	58
Dependents	<u>34</u>
Total	<u>316</u>

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

Total OPEB Liability

The Water System’s total OPEB liability of \$22,503,741 was measured as of June 30, 2020, and was determined by an actuarial valuation as of October 5, 2020.

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 October 5, 2020 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2020. The discount rate was 3.50% as of June 30, 2020, as compared to 3.87% as of June 30, 2019. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2018. The 2015 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.4%, while the ultimate healthcare cost trend rate is 4.0%.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019.

Changes in the Total OPEB Liability—The following tables presents the changes to the total OPEB liability during the most recent two fiscal years, by source:

	Total OPEB Liability	
	Year Ended June 30,	
	2020	2019
Beginning balance	\$ 20,669,730	\$ 28,613,819
Changes for the year:		
Service cost	828,428	1,144,501
Interest	937,561	1,157,597
Effect of plan change	-	(90,307)
Effect of liability gains or losses	-	810,019
Changes of assumptions	1,309,942	(9,419,251)
Benefit payments	(1,241,920)	(1,546,648)
Net changes	1,834,011	(7,944,089)
Ending balance	\$ 22,503,741	\$ 20,669,730

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

	Water System Net OPEB Liability		
	1%	Current	1%
	Decrease (2.5%)	Discount Rate (3.5%)	Increase (4.5%)
June 30, 2020	\$ 25,761,779	\$ 22,503,741	\$ 19,863,216
	(2.87%)	(3.87%)	(4.87%)
June 30, 2019	\$ 23,608,135	\$ 20,669,730	\$ 18,283,589

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (5.4% and 5.3%, respectively) and ultimate (4.0%) healthcare cost trend rates.

	Water System Net OPEB Liability		
	Healthcare		
	1% Decrease (4.4% / 3.0%)	Cost Trend Rates (5.4% / 4.0%)	1% Increase (6.4% / 5.0%)
June 30, 2020	\$ 19,491,926	\$ 22,503,741	\$ 26,320,828
June 30, 2019	\$ 23,608,135	\$ 20,669,730	\$ 18,283,589

Funding Policy—Contributions by the primary government may vary according to length of service. The cost of providing post-employment health care benefits is shared between the City and the retired employee. Substantially all employees may become eligible for those benefits if they reach normal retirement age and length of service requirement while working for these entities. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds. For the year ended June 30, 2020, the Water Board recognized OPEB expense of \$718,668.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Water System reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. At June 30, 2020, the Water System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources presented below:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 622,547	\$ -	\$ 680,209	\$ -
Changes of assumptions	683,802	8,074,406	-	10,937,911
Total	<u>\$ 1,306,349</u>	<u>\$ 8,074,406</u>	<u>\$ 680,209</u>	<u>\$ 10,937,911</u>

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

Year Ending June 30,	Water System
2021	(3,175,129)
2022	(2,555,213)
2023	(223,149)
2024	(223,149)
2025	(591,417)
Thereafter	-

7. RISK MANAGEMENT

The City is self-insured for workers’ compensation and has accrued its best estimate of both asserted and unasserted workers’ compensation losses, primarily based on actuarially determined amounts. The estimated liability for the Water Board is recorded as a liability in the Division of Water. This liability (including incurred but not reported) is recorded at an estimated present value using a discount rate of 5% and totaled \$1,090,911 and \$1,218,794 at June 30, 2020 and 2019, respectively.

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

Shown on the following page are the amounts due to the Water Authority and the City of Buffalo Division of Water (the “City” related to the water system) as of June 30, 2020 and 2019. Amounts due to the Water Authority represent the future debt service requirements of the long-term bonded debt of the Water Authority which will be funded through operating transfers by the Water Board. Amounts due to the City Division of Water includes accrued retirement incentive costs, accrued compensated absences costs, accrued workers’ compensation costs, accrued other postemployment benefits, net pension liability and other payables. The long-term bonded debt instruments are revenue bonds of the Water Authority. Interest is paid semi-annually. Principal is paid annually.

Revenue Bonded Debt—The total revenue bonded debt as financed through the Water Authority at June 30, 2020 and June 30, 2019, as follows:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 9,645,000	\$ -	\$ 940,000	\$ 8,705,000	\$ 970,000
2010	23,975,000	2.0-6.9	2041	19,965,000	-	570,000	19,395,000	590,000
2011	2,720,000	0.6-3.5	2022	840,000	-	270,000	570,000	280,000
2012	17,150,000	2.0-4.0	2043	14,905,000	-	410,000	14,495,000	425,000
2012	2,575,000	5.6-6.3	2031	2,180,000	-	140,000	2,040,000	145,000
2015	46,655,000	2.0-5.0	2036	41,465,000	-	1,585,000	39,880,000	3,100,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	-	24,285,000	385,000
2019	11,985,000	3.0-5.0	2038	11,985,000	-	295,000	11,690,000	335,000
Total				125,270,000	-	4,210,000	121,060,000	6,230,000
Unamortized bond premium				10,060,602	-	619,444	9,441,158	482,756
Unamortized bond discount				(194,357)	-	(9,809)	(184,548)	(9,813)
Net bonded debt				<u>\$ 135,136,245</u>	<u>\$ -</u>	<u>\$ 4,819,635</u>	<u>\$ 130,316,610</u>	<u>\$ 6,702,943</u>

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 10,560,000	\$ -	\$ 915,000	\$ 9,645,000	\$ 940,000
2007	13,010,000	3.6-4.4	2038	10,285,000	-	10,285,000	-	-
2007	29,220,000	5.0	2027	11,145,000	-	11,145,000	-	-
2010	23,975,000	2.0-6.9	2041	20,515,000	-	550,000	19,965,000	570,000
2011	2,720,000	0.6-3.5	2022	1,105,000	-	265,000	840,000	270,000
2012	17,150,000	2.0-4.0	2043	15,310,000	-	405,000	14,905,000	410,000
2012	2,575,000	5.6-6.3	2031	2,315,000	-	135,000	2,180,000	140,000
2015	46,655,000	2.0-5.0	2036	43,345,000	-	1,880,000	41,465,000	1,585,000
2019	24,285,000	4.0-5.0	2049	-	24,285,000	-	24,285,000	-
2019	11,985,000	3.0-5.0	2038	-	11,985,000	-	11,985,000	295,000
Total				114,580,000	36,270,000	25,580,000	125,270,000	4,210,000
Unamortized bond premium				5,515,896	4,905,542	360,836	10,060,602	525,809
Unamortized bond discount				(204,168)	-	(9,811)	(194,357)	(9,812)
Net bonded debt				<u>\$ 119,891,728</u>	<u>\$ 41,175,542</u>	<u>\$ 25,931,025</u>	<u>\$ 135,136,245</u>	<u>\$ 4,725,997</u>

The Authority advances the proceeds of the revenue bonded debt to the Water Board as the related expense is incurred by the Water Board. Accordingly, the amount due from the Water Board will generally differ from the outstanding obligations at year-end. The amount of proceeds expended net of principal payments made as of June 30, 2020 was \$104,167,406 (which represents the outstanding proceeds of \$121,060,000, net of the unexpended funds of \$16,892,594 still held by the Authority). Additionally, the Water Authority owes the Water Board \$14,681,906 as of June 30, 2020, for interest earned on funds held by the trustee and excess debt service reserve funds. The net amount owed by the Water Board to the Authority totals \$89,485,500, of which \$6,702,943 is recorded as a current liability and \$82,782,557 as a noncurrent liability.

The amount of proceeds expended net of principal payments made as of June 30, 2019, was \$105,620,892 (which represents the outstanding proceeds of \$125,270,000, net of the unexpended funds of \$19,649,108 still held by the Authority). Additionally, the Water Authority owes the Water Board \$13,955,959 as of June 30, 2019, for interest earned on funds held by the trustee and excess debt service reserve funds. The net amount owed by the Water Board to the Authority totals \$91,664,933, of which \$4,725,997 is recorded as a current liability and \$86,938,936 as a noncurrent liability.

Remaining annual maturities on long-term obligations of the Buffalo Municipal Water Finance Authority at June 30, 2020 are presented below:

Year Ending June 30,	Principal	Interest
2021	\$ 6,230,000	\$ 5,876,756
2022	6,540,000	5,574,541
2023	6,395,000	5,267,159
2024	6,645,000	4,959,302
2025	7,020,000	4,621,216
2026-2030	38,360,000	17,459,319
2031-2035	17,620,000	10,376,284
2036-2040	16,700,000	6,035,066
2041-2045	9,805,000	2,393,817
2046 and thereafter	5,745,000	592,375
Total	<u>\$ 121,060,000</u>	<u>\$ 63,155,835</u>

Total amounts due to the City of Buffalo Division of Water at June 30, 2020 and June 30, 2019 is presented below:

Fiscal Year Ending June 30,	Due to Retirement System	Compensated Absences*	Workers' Compensation*	OPEB Obligation*	Net Pension Liability*	Other Payables	Total
2021	\$ 244,684	\$ 59,688	\$ 215,690	\$ -	\$ -	\$ -	\$ 520,062
Thereafter	-	714,255	875,221	22,503,741	5,819,194	2,061,498	31,973,909
Total	<u>\$ 244,684</u>	<u>\$ 773,943</u>	<u>\$ 1,090,911</u>	<u>\$ 22,503,741</u>	<u>\$ 5,819,194</u>	<u>\$ 2,061,498</u>	<u>\$ 32,493,971</u>
Fiscal Year Ending June 30,	Due to Retirement System	Compensated Absences*	Workers' Compensation*	OPEB Obligation*	Net Pension Liability*	Other Payables	Total
2020	\$ 254,015	\$ 47,025	\$ 343,879	\$ -	\$ -	\$ -	\$ 644,919
Thereafter	-	847,511	874,915	20,669,730	1,571,091	2,063,432	26,026,679
Total	<u>\$ 254,015</u>	<u>\$ 894,536</u>	<u>\$ 1,218,794</u>	<u>\$ 20,669,730</u>	<u>\$ 1,571,091</u>	<u>\$ 2,063,432</u>	<u>\$ 26,671,598</u>

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

Due to Retirement System—Represents amounts due to the New York State and Local Employees Retirement System (“ERS”) for retirement contributions for wages paid through June 30, 2020. Due to retirement systems was \$244,684 and \$254,015 at June 30, 2020 and 2019, respectively.

Compensated Absences—Compensated absences represent amounts relating to sick and personal leave for Division of Water employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and; therefore, payment of such is not readily determinable. Accrued compensated absences amounted to \$773,943 and \$894,536 at June 30, 2020 and 2019, respectively.

OPEB Obligation—As explained in Note 6, the City provides health insurance coverage for certain retirees. The Water Board’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The long-term OPEB liability is estimated to be \$22,503,741.

Net Pension Liability—The Water System reported a liability of \$5,819,194 and \$1,571,091 at June 30, 2020 and June 30, 2019, respectively, for its proportionate share of the net pension liability for the Employees’ Retirement System. Refer to Note 5 for additional information related to the Water System’s net pension liability.

Other Payables—Represents allocated costs payable to the City for their services in the operation of the Water Board. The Water Board recorded other payables of \$2,061,498 and \$2,063,432 at June 30, 2020 and 2019, respectively.

Summary of Changes of Amounts Due to the Buffalo Municipal Water Finance Authority and City of Buffalo Division of Water—The following is a summary of changes in amounts due to Buffalo Municipal Water Finance Authority and City of Buffalo Division of Water for the years ended June 30, 2020 and 2019:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Due Within One Year
Due to Buffalo Municipal Water Finance Authority	\$ 91,664,933	\$ 2,640,602	\$ 4,819,635	\$ 89,485,900	\$ 6,702,943
Due to City of Buffalo Division of Water	26,671,598	6,082,114	260,041	32,493,671	520,062
Total	<u>\$ 118,336,531</u>	<u>\$ 8,722,716</u>	<u>\$ 5,079,676</u>	<u>\$ 121,979,571</u>	<u>\$ 7,223,005</u>
	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019	Due Within One Year
Due to Buffalo Municipal Water Finance Authority	\$ 98,763,462	\$ 18,832,496	\$ 25,931,025	\$ 91,664,933	\$ 4,725,997
Due to City of Buffalo Division of Water	32,443,026	115,173	5,886,601	26,671,598	644,919
Total	<u>\$ 131,206,488</u>	<u>\$ 18,947,669</u>	<u>\$ 31,817,626</u>	<u>\$ 118,336,531</u>	<u>\$ 5,370,916</u>

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2020, which is the date the financial statements are available for issuance, and has determined there are no subsequent events, except for the item listed below, that require disclosure under generally accepted accounting principles.

- On October 7, 2020, the Buffalo Municipal Water Finance Authority issued \$4,580,000 of Water System Revenue Bonds, Series-A and \$16,850,000 of Water System Revenue Refunding Bonds, Series-B. These bonds carry interest rates ranging from 2 to 5 percent and mature on July 1, 2032 and July 1, 2035, respectively. The Series-B bonds have been issued to currently refund the 2010-A Water System Revenue Bonds and to pay for certain other expenses.

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INFORMATION

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Water Board's proportion of the net pension liability	0.0219751%	0.0221739%	0.0214136%	0.0199620%	0.0249580%	0.0166051%	0.0166051%
Water Board's proportionate share of the net pension liability	<u>\$ 5,819,194</u>	<u>\$ 1,571,091</u>	<u>\$ 691,114</u>	<u>\$ 1,875,678</u>	<u>\$ 4,005,828</u>	<u>\$ 560,961</u>	<u>\$ 750,361</u>
Water Board's covered payroll	\$ 6,689,461	\$ 6,800,181	\$ 5,786,452	\$ 6,422,371	\$ 7,581,038	\$ 4,614,479	\$ 4,405,324
Water Board's proportionate share of the net pension liability as a percentage of its covered payroll	87.0%	23.1%	11.9%	29.2%	52.8%	12.2%	17.0%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

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

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

	<u>Year Ended June 30,</u>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 907,030	\$ 911,763	\$ 913,182	\$ 881,709	\$ 1,165,859	\$ 923,512	\$ 880,845
Contributions in relation to the contractually required contribution	<u>(907,030)</u>	<u>(911,763)</u>	<u>(913,182)</u>	<u>(881,709)</u>	<u>(1,165,859)</u>	<u>(923,512)</u>	<u>(880,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water Board's covered payroll	\$ 6,688,635	\$ 6,810,148	\$ 5,904,064	\$ 6,619,336	\$ 7,230,108	\$ 4,896,557	\$ 4,572,799
Contributions as a percentage of covered payroll	13.6%	13.4%	15.5%	13.3%	16.1%	18.9%	19.3%

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

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Three Fiscal Years*

	Year Ended June 30,		
	2020	2019	2018
Buffalo Water Board			
Total OPEB liability			
Service cost	\$ 828,428	\$ 1,144,501	\$ 1,100,255
Interest	937,561	1,157,597	963,105
Effect of plan change	-	(90,307)	-
Effect of liability gains or losses	-	810,019	-
Changes of assumptions	1,309,942	(9,419,251)	(5,603,419)
Benefit payments	<u>(1,241,920)</u>	<u>(1,546,648)</u>	<u>(1,103,311)</u>
Net changes in total OPEB liability	\$ 1,834,011	\$ (7,944,089)	\$ (4,643,370)
Total OPEB liability—beginning, as restated	<u>20,669,730</u>	<u>28,613,819</u>	<u>33,257,189</u>
Total OPEB liability—ending	<u>\$ 22,503,741</u>	<u>\$ 20,669,730</u>	<u>\$ 28,613,819</u>
Plan fiduciary net position			
Contributions—employer	\$ 1,241,920	\$ 1,546,648	\$ 1,103,311
Benefit payments	<u>(1,241,920)</u>	<u>(1,546,648)</u>	<u>(1,103,311)</u>
Net change in plan fiduciary net position	-	-	\$ -
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water Board's net OPEB liability—ending	<u>\$ 22,503,741</u>	<u>\$ 20,669,730</u>	<u>\$ 28,613,819</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered payroll	\$ 6,305,972	\$ 6,122,303	\$ 6,269,907
Water Board's net OPEB liability as a percentage of covered payroll	357%	338%	456%

*Information prior to the year ended June 30, 2018 is not available.

OTHER INFORMATION

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CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Budgetary Actual*	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services:				
Meter rates	42,220,004	42,220,004	41,293,246	\$ (926,758)
Flat rates	4,562,020	4,562,020	4,856,954	294,934
Charges for collection services	36,000	36,000	10,123	(25,877)
Buffalo Sewer Authority	510,204	510,204	509,700	(504)
General labor and supplies	720,000	720,000	583,975	(136,025)
Utility turn-on fees	360,000	360,000	66,296	(293,704)
Installation and repair of meters	72,000	72,000	79,245	7,245
Interest on meter rates receivable	876,210	876,210	973,852	97,642
Interest on flat rates receivable	291,913	291,913	295,022	3,109
Total charges for services	<u>49,648,351</u>	<u>49,648,351</u>	<u>48,668,413</u>	<u>(979,938)</u>
Other:				
Miscellaneous	227,877	795,368	1,648,148	852,780
Total other	<u>227,877</u>	<u>795,368</u>	<u>1,648,148</u>	<u>852,780</u>
Total operating revenues	<u>49,876,228</u>	<u>50,443,719</u>	<u>50,316,561</u>	<u>(127,158)</u>
Operating expenses:				
Service and supplies:				
Services	10,037,299	10,812,756	12,326,913	(1,514,157)
Water meter repairs and other expenses	4,284,249	4,129,250	5,853,557	(1,724,307)
Depreciation	6,355,000	6,355,000	6,674,829	(319,829)
Operating transfers to:				
City of Buffalo Division of Water	14,533,566	14,533,566	8,042,798	6,490,768
Water Authority	1,931,440	1,931,440	82,958	1,848,482
Total operating expenses	<u>37,141,554</u>	<u>37,762,012</u>	<u>32,981,055</u>	<u>4,780,957</u>
Operating income	<u>12,734,674</u>	<u>12,681,707</u>	<u>17,335,506</u>	<u>4,653,799</u>

(continued)

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

	Budgeted Amounts		Budgetary	Variance with
	Original	Final	Actual*	Final Budget
				(concluded)
Nonoperating revenues (expenses):				
Interest income	382,788	382,788	238,633	(144,155)
Interest expense	(6,290,482)	(6,290,482)	(5,456,934)	833,548
Loss on disposal of capital assets	-	-	(7,375)	(7,375)
Bond interest subsidy	<u>421,098</u>	<u>421,098</u>	<u>426,562</u>	<u>5,464</u>
Total nonoperating revenues (expenses)	<u>(5,486,596)</u>	<u>(5,486,596)</u>	<u>(4,799,114)</u>	<u>687,482</u>
Excess of revenues over expenses	<u>7,248,078</u>	<u>7,195,111</u>	<u>12,536,392</u>	<u>5,341,281</u>
Other financing uses:				
Transfers out:				
City of Buffalo's General Fund	(7,248,078)	(7,248,078)	(7,248,078)	-
Capital purchases	<u>-</u>	<u>(6,498,740)</u>	<u>-</u>	<u>6,498,740</u>
Total other financing uses	<u>(7,248,078)</u>	<u>(13,746,818)</u>	<u>(7,248,078)</u>	<u>6,498,740</u>
Change in net position	-	(6,551,707)	5,288,314	11,840,021
Net position—beginning	<u>43,399,914</u>	<u>43,399,914</u>	<u>43,399,914</u>	<u>-</u>
Net position—ending	<u>\$ 43,399,914</u>	<u>\$ 36,848,207</u>	<u>\$ 48,688,228</u>	<u>\$ 11,840,021</u>

*Budgetary actual expenses include actual operating expenses of \$30,527,347 and encumbrances of \$2,453,708.

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		Budgetary Actual*	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services:				
Meter rates	\$ 36,660,000	\$ 36,660,000	\$ 39,087,823	\$ 2,427,823
Flat rates	3,940,000	3,940,000	4,306,647	366,647
Charges for collection services	25,000	25,000	13,676	(11,324)
Buffalo Sewer Authority	510,050	510,050	509,002	(1,048)
General labor and supplies	500,000	500,000	668,993	168,993
Utility turn-on fees	250,000	250,000	167,999	(82,001)
Installation and repair of meters	50,000	50,000	150,865	100,865
Interest on meter rates receivable	-	-	941,042	941,042
Interest on flat rates receivable	400,000	400,000	246,899	(153,101)
Total charges for services	<u>42,335,050</u>	<u>42,335,050</u>	<u>46,092,946</u>	<u>3,757,896</u>
Other revenues:				
Miscellaneous	72,877	72,877	500,502	427,625
Total other revenues	<u>72,877</u>	<u>72,877</u>	<u>500,502</u>	<u>427,625</u>
Total operating revenues	<u>42,407,927</u>	<u>42,407,927</u>	<u>46,593,448</u>	<u>4,185,521</u>
Operating expenses:				
Service and supplies:				
Services	12,232,536	13,515,331	11,698,192	1,817,139
Water meter repairs and other expenses	3,825,000	3,215,000	2,816,887	398,113
Depreciation	6,000,000	6,000,000	6,390,078	(390,078)
Operating transfers to:				
City of Buffalo Division of Water	14,000,252	14,000,252	9,034,603	4,965,649
Water Authority	2,220,683	2,220,683	531,797	1,688,886
Total operating expenses	<u>38,278,471</u>	<u>38,951,266</u>	<u>30,471,557</u>	<u>8,479,709</u>
Operating income	<u>4,129,456</u>	<u>3,456,661</u>	<u>16,121,891</u>	<u>12,665,230</u>

(continued)

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	(concluded)
	<u>Original</u>	<u>Final</u>		<u>Variance with Final Budget</u>
	Nonoperating revenues (expenses):			
Interest income	173,600	173,600	335,617	162,017
Interest expense	(6,526,669)	(6,526,669)	(4,883,366)	1,643,303
Loss on disposal of capital assets	-	-	(65,422)	(65,422)
Bond interest subsidy	428,843	428,843	216,479	(212,364)
Total nonoperating revenues (expenses)	<u>(5,924,226)</u>	<u>(5,924,226)</u>	<u>(4,396,692)</u>	<u>1,527,534</u>
Excess (deficiency) of revenues over expenses	<u>(1,794,770)</u>	<u>(2,467,565)</u>	<u>11,725,199</u>	<u>14,192,764</u>
Other financing sources (uses):				
Transfers in	3,197,701	7,266,772	-	(7,266,772)
Transfers out:				
City of Buffalo's General Fund	(6,902,931)	(6,902,931)	(6,902,931)	-
Capital purchases	-	(15,409,044)	-	15,409,044
Total other financing sources (uses)	<u>(3,705,230)</u>	<u>(15,045,203)</u>	<u>(6,902,931)</u>	<u>8,142,272</u>
Change in net position	(5,500,000)	(17,512,768)	4,822,268	22,335,036
Net position—beginning	<u>37,784,902</u>	<u>37,784,902</u>	<u>37,784,902</u>	<u>-</u>
Net position—ending	<u>\$ 32,284,902</u>	<u>\$ 20,272,134</u>	<u>\$ 42,607,170</u>	<u>\$ 22,335,036</u>

*Budgetary actual expenses include actual operating expenses of \$29,678,813 and encumbrances of \$792,744.

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

Effective Date	Metered Rate Bills	
	Regular (\$)	Percent Change (%)
July 1, 2016	22.83 per 1,000 cubic feet	-
July 1, 2017	22.83 per 1,000 cubic feet	-
July 1, 2018	22.83 per 1,000 cubic feet	-
July 1, 2019	22.83 per 1,000 cubic feet	-
July 1, 2020	22.83 per 1,000 cubic feet	-

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

FLAT RATE ACCOUNTS

Years Ended June 30,	Water Billing	Total Collections ¹
2016	\$ 4,424,926	\$ 4,642,567
2017	4,469,703	4,471,016
2018	4,241,242	4,233,059
2019	4,374,842	4,349,053
2020	4,923,436	4,661,840

METER RATE ACCOUNTS

Years Ended June 30,	Water Billing	Total Collections ¹
2016	\$ 34,821,852	\$ 35,573,054
2017	35,467,926	35,745,060
2018	35,240,843	35,219,936
2019	39,056,592	38,815,913
2020	42,653,917	41,146,792

ALL ACCOUNTS

Years Ended June 30,	Water Billing	Total Collections ¹
2016	\$ 39,246,778	\$ 40,215,621
2017	39,937,629	40,216,076
2018	39,482,085	39,452,995
2019	43,431,434	43,164,966
2020	47,577,353	45,808,632

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

Source: City of Buffalo Division of Water

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

<u>Accounts</u>	<u>Usage (per Cubic Foot)</u>	<u>Charges</u>
Buffalo Municipal Housing Authority	40,715,001	\$ 1,213,677
Aurubis Buffalo Inc.	34,033,560	787,569
Tesla, inc.	29,623,340	656,578
VA Medical Center	23,833,179	519,240
Sorrento Lactalis, Inc.	22,007,947	476,013
Erie County Medical Center	19,794,000	482,272
Kaleida Health	14,796,939	369,683
Roswell Park	11,973,572	381,501
Catholic Health System	11,452,804	295,744
Buffalo Board of Education	9,257,270	500,946

Source: Veolia Water Service

CITY OF BUFFALO, NEW YORK
BUFFALO WATER BOARD
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of Water Board Investments
Year Ended June 30, 2020

Annual Investment Report - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the Authority, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Authority since the last investment report.

- a. Investment guidelines – the Board’s investment policy was adopted by the Board of Directors.
- b. Amendments to guidelines – none.
- c. Explanation of guidelines and investments – the Board has not made any amendments to its investment policy. These guidelines restrict investment of Board funds to:
 - Certificates of Deposit (“CD”) issued by a bank or trust company authorized to do business in New York State;
 - Time Deposit (“TD”) accounts and Negotiable Order of Withdrawal (“NOW”) accounts in a bank or trust company authorized to do business in New York State;
 - Obligations of New York State;
 - Repurchase agreements involving the purchase and sale of direct obligations of the United States;
 - Obligations of agencies of the federal government, if principal and interest is guaranteed by the United States; and
 - With the approval of the New York State Comptroller, in Revenue Anticipation Notes or Tax Anticipation Notes of other local governments.
- d. Results of the annual independent audit – the independent auditors have issued an unmodified opinion on the Board’s financial statements for the fiscal year ended June 30, 2020.
- e. Investment income record – The Board had investment income of \$80,354 for the fiscal year ended June 30, 2020.
- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Board since the last investment report – no such fees or commissions were paid during the fiscal year ended June 30, 2020.