

CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER
FINANCE AUTHORITY
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' Report

CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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 Municipal Water Finance Authority
Buffalo, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo Municipal Water Finance Authority (the "Authority"), 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 Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Authority 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

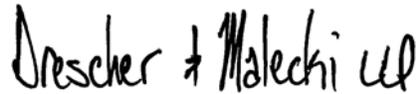
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Authority's basic financial statements. The 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.



October 29, 2020

CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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 Municipal Water Finance Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the fiscal years ended June 30, 2020 and 2019. The information provided here should be read in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

Financial Highlights

- The Authority's total assets and deferred outflows of resources decreased \$4,274,584 from June 30, 2019 to June 30, 2020 primarily due to scheduled principal payments of \$4,210,000 on water system revenue bonds. Total liabilities decreased by the same amount, \$4,274,584.
- The Authority's restricted cash and cash equivalents decreased \$1,767,339 from June 30, 2019 to June 30, 2020.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise of 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 Authority, which reports information about the general operations of the Authority. The Authority was established to issue debt for the City of Buffalo Water Board (the "Water Board").

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

The *statements of net position* present all of the Authority's assets, deferred outflows of resources, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority 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 Authority.

The *statements of revenues, expenses, and changes in net position* present information showing how the Authority'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 to 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 the cash balances during the reporting period. The statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, non-capital financing and financing activities.

These financial statements can be found on pages 8-10 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 11-16 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *Other Information*, which includes the Authority’s budgetary comparison for the years ended June 30, 2020 and 2019 and the Schedule of Authority Investments, as required to be reported under New York State Public Authority Law. Other Information can be found on pages 17-19 of this report.

Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Authority’s activities. These two statements report the net position of the Authority and changes thereof. Net position, the difference between the sum of assets and deferred outflows of resources and liabilities, is one way to measure financial health or financial position. In accordance with a financing agreement, the Water Board is required to transfer funds to the Authority to cover the expenses of the Authority, and any fund transfers to the Authority that are not needed for current year operations are returned to the Water Board. Therefore, the Authority does not accumulate any net position.

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	\$ 416,833	\$ 384,445	\$ 32,388	8.4
Restricted cash and cash equivalents	40,821,758	42,589,097	(1,767,339)	(4.1)
Due from Water Board	6,702,943	4,725,997	1,976,946	41.8
Total current assets	<u>47,941,534</u>	<u>47,699,539</u>	<u>241,995</u>	0.5
Noncurrent assets:				
Due from Water Board	82,782,557	86,938,936	(4,156,379)	(4.8)
Total noncurrent assets	<u>82,782,557</u>	<u>86,938,936</u>	<u>(4,156,379)</u>	(4.8)
Total assets	<u>130,724,091</u>	<u>134,638,475</u>	<u>(3,914,384)</u>	(2.9)
Deferred outflows of resources	<u>2,457,796</u>	<u>2,817,996</u>	<u>(360,200)</u>	(12.8)
Liabilities:				
Current liabilities	9,568,220	7,046,223	2,521,997	35.8
Noncurrent liabilities	<u>123,613,667</u>	<u>130,410,248</u>	<u>(6,796,581)</u>	(5.2)
Total liabilities	<u>133,181,887</u>	<u>137,456,471</u>	<u>(4,274,584)</u>	(3.1)
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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	\$ 384,445	\$ 349,403	\$ 35,042	10.0
Restricted cash and cash equivalents	42,589,097	20,360,876	22,228,221	109.2
Due from Water Board	4,725,997	8,761,024	(4,035,027)	(46.1)
Total current assets	<u>47,699,539</u>	<u>29,471,303</u>	<u>18,228,236</u>	61.9
Noncurrent assets:				
Due from Water Board	86,938,936	90,002,438	(3,063,502)	(3.4)
Total noncurrent assets	<u>86,938,936</u>	<u>90,002,438</u>	<u>(3,063,502)</u>	(3.4)
Total assets	<u>134,638,475</u>	<u>119,473,741</u>	<u>15,164,734</u>	12.7
Deferred outflows of resources	<u>2,817,996</u>	<u>3,065,256</u>	<u>(247,260)</u>	(8.1)
Liabilities:				
Current liabilities	7,046,223	11,408,293	(4,362,070)	(38.2)
Noncurrent liabilities	<u>130,410,248</u>	<u>111,130,704</u>	<u>19,279,544</u>	17.3
Total liabilities	<u>137,456,471</u>	<u>122,538,997</u>	<u>14,917,474</u>	12.2
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

As illustrated in Table 1, the sum of assets and deferred outflows of resources as well as the total liabilities decreased \$4,274,584 from June 30, 2019 to June 30, 2020, while in Table 2, the sum of assets and deferred outflows of resources, and total liabilities each increased \$14,917,474 from June 30, 2018 to June 30, 2019.

There was no change in net position for the fiscal years ended June 30, 2020 and 2019 since transfers in from the Buffalo Water Board covered all operating expenses.

Significant changes from 2019 to 2020 in the Statement of Net Position and the reasons for the changes are:

- Total assets decreased \$3,914,384, which was primarily the result of a decrease in restricted cash and cash equivalents related to the expense of cash from debt previously restricted.
- Deferred outflows of resources decreased \$360,200 due to current year amortization of a deferred loss on refunding.
- Total liabilities decreased by \$4,274,584, resulting primarily from scheduled principal payments.

Significant changes from 2018 to 2019 in the Statement of Net Position and the reasons for the changes are:

- Total assets increased \$15,164,734, which was primarily the result of an increase in restricted cash and cash equivalents related to unspent debt proceeds.

- Deferred outflows of resources decreased \$247,260 due to current year amortization of a deferred loss on refunding.
- Total liabilities increased by \$14,917,474, resulting primarily from the issuance of refunding bonds, offset by scheduled principal payments.

Table 3, as presented below, shows the 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 (%)
Operating expenses	\$ 82,958	\$ 531,797	\$ (448,839)	(84.4)
Transfers in	82,958	531,797	(448,839)	(84.4)
Change in net position	-	-	-	
Net position—beginning	-	-	-	
Net position—ending	\$ -	\$ -	\$ -	

While the Statements of Net Position display the change in the Authority’s financial position, the Statements of Revenues, Expenses, and Changes in Net Position provide information on the nature and source of these changes. As illustrated in Table 3, there was no change in net position for the years ended June 30, 2020 and 2019. The decrease in operating expenses during the year ended June 30, 2020 was the result of fiscal charges related to prior year bond issuances.

Table 4, as presented below, shows the 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 (%)
Operating expenses	\$ 531,797	\$ 54,710	\$ 477,087	872.0
Transfers in	531,797	54,710	477,087	872.0
Change in net position	-	-	-	
Net position—beginning	-	-	-	
Net position—ending	\$ -	\$ -	\$ -	

As illustrated in Table 4, there was no change in net position for the years ended June 30, 2019 and 2018. The increase in operating expenses during the year ended June 30, 2019 was the result of fiscal charges related to bond issuances.

Long-Term Debt

The Authority had \$121,060,000 and \$125,270,000 of outstanding revenue bonds at June 30, 2020 and June 30, 2019, respectively. These bonds are scheduled to be paid in full by 2049. During the year ended June 30, 2020, the Authority made principal payments on water system revenue bonds of \$4,210,000.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority'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, 14202.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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	\$ 416,833	\$ 384,445
Restricted cash and cash equivalents	40,821,758	42,589,097
Due from Buffalo Water Board	6,702,943	4,725,997
Total current assets	<u>47,941,534</u>	<u>47,699,539</u>
Noncurrent assets:		
Due from Buffalo Water Board	82,782,557	86,938,936
Total noncurrent assets	<u>82,782,557</u>	<u>86,938,936</u>
Total assets	<u>130,724,091</u>	<u>134,638,475</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	2,457,796	2,817,996
Total deferred outflows of resources	<u>2,457,796</u>	<u>2,817,996</u>
LIABILITIES		
Current liabilities:		
Accounts payable	14,325	-
Accrued interest	2,850,952	2,320,226
Bonds payable due within one year	6,702,943	4,725,997
Total current liabilities	<u>9,568,220</u>	<u>7,046,223</u>
Noncurrent liabilities:		
Bonds payable due in more than one year	123,613,667	130,410,248
Total noncurrent liabilities	<u>123,613,667</u>	<u>130,410,248</u>
Total liabilities	<u>133,181,887</u>	<u>137,456,471</u>
NET POSITION		
Unrestricted	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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 expenses:		
Professional services	\$ 46,875	\$ 40,850
Fiscal agent fees and other expenses	36,083	490,947
Total operating expenses	82,958	531,797
Operating loss	(82,958)	(531,797)
Transfers from Buffalo Water Board	82,958	531,797
Change in net position	-	-
Total net position—beginning	-	-
Total net position—ending	\$ -	\$ -

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

CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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		
Net change from services provided	\$ 462,093	\$ (858,840)
Net cash provided by (used for) operating activities	462,093	(858,840)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from Buffalo Water Board	82,958	531,797
Advances from City of Buffalo governmental funds	2,179,433	7,098,529
Net cash provided by noncapital financing activities	2,262,391	7,630,326
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	(4,210,000)	(8,410,000)
Payment to escrow agent	-	(17,499,835)
Proceeds from issuance of debt and premium	-	41,175,542
Interest and other fiscal charges	(249,435)	226,070
Net cash provided by (used for) capital and related financing activities	(4,459,435)	15,491,777
Net increase (decrease) in cash and cash equivalents	(1,734,951)	22,263,263
Cash and cash equivalents (including restricted cash and cash equivalents)—beginning	42,973,542	20,710,279
Cash and cash equivalents (including restricted cash and cash equivalents)—ending	\$ 41,238,591	\$ 42,973,542
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (82,958)	\$ (531,797)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Changes in assets and liabilities:		
Decrease in accounts payable	14,325	-
(Increase) decrease in accrued liabilities	530,726	(327,043)
Net cash provided by (used for) operating activities	\$ 462,093	\$ (858,840)

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

CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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 Municipal Water Finance Authority (the “Authority”), 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 Authority’s accounting policies are described below.

Reporting Entity

The Buffalo Municipal Water Finance Authority (the “Authority”) is a public benefit corporation created pursuant to Section 1048A-BB of Title 2B of Article V of the New York State Public Authorities Law (the “Act”). According to the Act, the Authority may borrow money and issue negotiable or non-negotiable notes, bonds, or other obligations. The Authority is the entity created to finance the capital needs of the Buffalo Water System (the “System”), which is owned by the Buffalo Water Board (the “Board”), a public benefit corporation created by the Act. The Authority is a blended component unit of the City and, as such, is included in the City’s basic financial statements.

The Authority, Board, and City have entered into a financing agreement originally dated September 24, 1992, to ensure sufficient water rates are collected to fund the costs of operating, managing, and maintaining the System. The Board is responsible for establishing rates and charges for water services; collection of user charges and fees; and operations, repairs, and maintenance of the System. By an amendment dated August 1, 1997, the Authority amended its previous financing agreement with the Board and the City to allow the Board to engage a private contractor to manage the operation and maintenance of the System, which was previously performed by the City.

The Authority continues to hold construction funds for the Board and disburses funds as capital project expenditures are incurred. The Board pays funds to the Authority to meet Authority debt service obligations. The operations of the Authority are limited to facilitating the financing of the System’s acquisition and construction improvements. As a result of the financing agreement between the Authority, Board, and City, the bond issuance and interest costs are, from an economic standpoint, borne by the Board and, therefore, accounted for by the Board. Transfers from the Board fund the operating and administrative costs of the Authority.

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 and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash, Cash Equivalents and Investments—The Authority’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 State Agencies, repurchase agreements, obligations of New York State or its localities and certificates of deposit. The Authority had no investments at June 30, 2020 and 2019, however, when the Authority does have investments they are stated at fair value which approximates cost.

Restricted Cash and Cash Equivalents—Unspent proceeds from debt are reported as restricted cash and cash equivalents.

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 Authority reports a deferred loss on refunding within deferred outflows of resources for \$2,457,796 and \$2,817,996, respectively.

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 Authority does not have any items that qualify for reporting in this category.

Other

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

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2020, the Authority 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 Authority’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Authority has not completed the process of evaluating the impact that will result from adopting GASB 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 Authority 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 Authority’s available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the Authority’s investment policies. The Authority, through the City, has its own written investment guidelines, which have been established by the Comptroller’s Office pursuant to Section 114A of the City Charter. The Authority is authorized to deposit or invest funds in banks or trust companies located in, and authorized to do business in, New York State. The Authority’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. Cash in banks was fully collateralized at June 30, 2020, of which the bank balance at June 30, 2020, was \$40,453,315.

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	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Uninsured:				
Collateral held by pledging bank's agent in Authority's name	<u>39,703,315</u>	<u>40,488,591</u>	<u>40,445,006</u>	<u>42,223,542</u>
Total	<u>\$ 40,453,315</u>	<u>\$ 41,238,591</u>	<u>\$ 41,195,006</u>	<u>\$ 42,973,542</u>

Custodial Credit Risk—Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of June 30, 2020 and 2019, the Authority’s deposits were FDIC insured or collateralized with securities held by the pledging bank’s agent in the Authority’s name.

Restricted Cash and Cash Equivalents—The Authority reports restricted cash, totaling \$40,821,758 and \$42,589,097 at June 30, 2020 and 2019, respectively. These funds represent unspent debt proceeds and are set aside for construction purposes and future payments on the Authority’s long-term debt.

Restricted cash and cash equivalents consists of the following:

	June 30, 2020		June 30, 2019	
	Bank Balance	Carrying Balance	Bank Balance	Carrying Balance
U.S. Treasury	\$ 720,953	\$ 720,953	\$ 720,953	\$ 720,953
Money market fund	40,100,805	40,100,805	41,868,144	41,868,144
Total	<u>\$ 40,821,758</u>	<u>\$ 40,821,758</u>	<u>\$ 42,589,097</u>	<u>\$ 42,589,097</u>

The Authority's investment policies are included within the Schedule of Authority Investments on page 19 of this report. There were no investments recorded by the Authority for the years ending June 30, 2020 and 2019.

3. DUE FROM WATER BOARD

Due from the Water Board represents the net receivables and payables between the Authority and the Board. The Authority issues all debt on behalf of the Board. As of June 30, 2020, the Board owed the Authority \$104,167,406 for expenses incurred and paid for with bond proceeds, less any principal payments made on the outstanding bonds by the Board. Additionally, the Authority owed the 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 Board to the Authority totals \$89,485,500, of which \$6,702,943 is recorded as a current asset and \$82,782,557 as a noncurrent asset.

The Authority issues all debt on behalf of the Board. As of June 30, 2019, the Board owed the Authority \$105,620,892 for expenses incurred and paid for with bond proceeds, less any principal payments made on the outstanding bonds by the Board. Additionally, the Authority owed the 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 Board to the Authority totals \$91,664,933, of which \$4,725,997 is recorded as a current asset and \$86,938,936 as a noncurrent asset.

4. LONG-TERM LIABILITIES

All long-term bonded debt instruments are revenue bonds, which are backed by the full faith and credit of the Authority. Interest is paid semi-annually. Principal is paid annually.

A summary of additions and reductions of bonds payable for the years ending June 30, 2020 and 2019 is presented on the following page.

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>

Amortization of Bond Premiums and Discounts—On June 3, 2015, the Authority issued \$46,655,000 in refunding bonds and received a premium of \$6,158,955. The premium is being amortized on a straight-line annual basis over the life of the bonds, which mature on July 1, 2035. Additionally, on May 9, 2019, the Authority issued water system revenue bonds Series 2019A totaling \$24,285,000 and refunding bonds Series 2019B totaling \$11,985,000 and received bond premiums of \$4,905,542. The premiums are being amortized on a straight-line annual basis over the life of the bonds, which mature on July 1, 2048 and July 1, 2038, respectively. The total remaining unamortized premiums on Water Revenue bonds payable at June 30, 2020 is \$9,441,158. Additionally, unamortized discount on bonds of \$184,548 is reported at June 30, 2020.

Future payments on long-term debt at June 30, 2020, are presented below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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>

5. 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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OTHER INFORMATION

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CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
Operating expenses:				
Professional services	\$ 60,500	\$ 62,125	\$ 46,875	\$ 15,250
Fiscal agent fees and other expenses	<u>40,000</u>	<u>50,609</u>	<u>36,083</u>	<u>14,526</u>
Total operating expenses	<u>100,500</u>	<u>112,734</u>	<u>82,958</u>	<u>29,776</u>
 Operating loss	 <u>(100,500)</u>	 <u>(112,734)</u>	 <u>(82,958)</u>	 <u>29,776</u>
Other financing sources:				
Transfers from Buffalo Water Board	<u>100,500</u>	<u>112,734</u>	<u>82,958</u>	<u>(29,776)</u>
Total other financing sources	<u>100,500</u>	<u>112,734</u>	<u>82,958</u>	<u>(29,776)</u>
 Change in net position	 -	 -	 -	 -
Total net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
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</u> <u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
Operating expenses:				
Professional services	\$ 60,500	\$ 63,750	\$ 40,850	\$ 22,900
Fiscal agent fees and other expenses	<u>40,000</u>	<u>51,616</u>	<u>490,947</u>	<u>(439,331)</u>
Total operating expenses	<u>100,500</u>	<u>115,366</u>	<u>531,797</u>	<u>(416,431)</u>
Operating loss	<u>(100,500)</u>	<u>(115,366)</u>	<u>(531,797)</u>	<u>(416,431)</u>
Other financing sources:				
Transfers from Buffalo Water Board	<u>100,500</u>	<u>115,366</u>	<u>531,797</u>	<u>416,431</u>
Total other financing sources	<u>100,500</u>	<u>115,366</u>	<u>531,797</u>	<u>416,431</u>
Change in net position	-	-	-	-
Total net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF BUFFALO, NEW YORK
BUFFALO MUNICIPAL WATER FINANCE AUTHORITY
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK
Schedule of Authority 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 Authority’s investment policy was adopted by the Board of Directors.
- b. Amendments to guidelines – none.
- c. Explanation of guidelines and investments – the Authority has not made any amendments to its investment policy. These guidelines restrict investment of Authority 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 Authority’s financial statements for the fiscal year ended June 30, 2020.
- e. Investment income record – The Authority had no investment income 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 Authority since the last investment report – no such fees or commissions were paid during the fiscal year ended June 30, 2020.

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