

**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, 2023 and 2022*  
*and Independent Auditors' Report*

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**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, 2023 and 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Buffalo Municipal Water Finance Authority  
Buffalo, New York:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Authority management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAS, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

### ***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 is the responsibility of management and, 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***

Management is responsible for the other information. The other information, as listed in the table of contents, comprises certain information included in the financial statements of the Authority, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

October 31, 2023

**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, 2023 and 2022**

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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, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The Authority's total assets and deferred outflows of resources decreased by \$7,416,948 from June 30, 2022 to June 30, 2023 primarily due a decrease in restricted cash and cash equivalents related to the issuance of long-term debt. Total liabilities decreased by the same amount, \$7,416,948. The Authority made principal payments on water system revenue refunding bonds of \$6,610,000.
- The Authority's restricted cash and cash equivalents decreased \$11,154,959 from June 30, 2022 to June 30, 2023.

**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 budget and actual comparison for the years ended June 30, 2023 and 2022 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, 2023 and June 30, 2022.

**Table 1—Condensed Statements of Net Position for the fiscal years ended June 30, 2023 and June 30, 2022**

	June 30,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 1,883,877	\$ 1,387,336	\$ 496,541	35.8
Restricted cash and cash equivalents	29,739,320	40,894,279	(11,154,959)	(27.3)
Due from Water Board	7,552,880	7,282,877	270,003	3.7
Total current assets	<u>39,176,077</u>	<u>49,564,492</u>	<u>(10,388,415)</u>	<u>(21.0)</u>
Noncurrent assets:				
Due from Water Board	89,860,407	86,547,803	3,312,604	3.8
Total noncurrent assets	<u>89,860,407</u>	<u>86,547,803</u>	<u>3,312,604</u>	<u>3.8</u>
Total assets	<u>129,036,484</u>	<u>136,112,295</u>	<u>(7,075,811)</u>	<u>(5.2)</u>
Deferred outflows of resources	<u>2,263,944</u>	<u>2,605,081</u>	<u>(341,137)</u>	<u>(13.1)</u>
Liabilities:				
Current liabilities	9,996,943	9,861,006	135,937	1.4
Noncurrent liabilities	121,303,485	128,856,370	(7,552,885)	(5.9)
Total liabilities	<u>131,300,428</u>	<u>138,717,376</u>	<u>(7,416,948)</u>	<u>(5.3)</u>
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, 2022 and June 30, 2021.

**Table 2—Condensed Statements of Net Position for the fiscal years ended June 30, 2022 and June 30, 2021**

	June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 1,387,336	\$ 900,461	\$ 486,875	54.1
Restricted cash and cash equivalents	40,894,279	31,647,223	9,247,056	29.2
Due from Water Board	7,282,877	6,991,545	291,332	4.2
Total current assets	49,564,492	39,539,229	10,025,263	25.4
Noncurrent assets:				
Due from Water Board	86,547,803	88,667,806	(2,120,003)	(2.4)
Total noncurrent assets	86,547,803	88,667,806	(2,120,003)	(2.4)
Total assets	136,112,295	128,207,035	7,905,260	6.2
Deferred outflows of resources	2,605,081	2,578,220	26,861	1.0
Liabilities:				
Current liabilities	9,861,006	9,625,722	235,284	2.4
Noncurrent liabilities	128,856,370	121,159,533	7,696,837	6.4
Total liabilities	138,717,376	130,785,255	7,932,121	6.1
Total net position	\$ -	\$ -	\$ -	

As illustrated in Table 1, the sum of assets and deferred outflows of resources as well as the total liabilities decreased \$7,416,948 from June 30, 2022 to June 30, 2023, while in Table 2, the sum of assets and deferred outflows of resources as well as the total liabilities increased \$7,932,121 from June 30, 2021 to June 30, 2022.

There was no change in net position for the fiscal years ended June 30, 2023 and 2022 since transfers in from the Buffalo Water Board covered all operating expenses.

Significant changes from 2022 to 2023 in the Statement of Net Position and the reasons for the changes are:

- Total assets decreased \$7,416,948, which was primarily the result of a decrease in restricted cash and cash equivalents of \$11,154,959 related to the payment of revenue bonds, which was partially offset by an increase in the due from Buffalo Water Board of \$3,582,067 related to increased expenses incurred and paid for with bond proceeds managed by the Authority on behalf of the Water Board.
- Deferred outflows of resources decreased \$341,137 due to current year amortization of the outstanding deferred charge on refunding.
- Total liabilities decreased by \$7,416,948 due to scheduled principal payments.

Significant changes from 2021 to 2022 in the Statement of Net Position and the reasons for the changes are:

- Total assets increased \$7,905,260, which was primarily the result of an increase in restricted cash and cash equivalents related to the issuance of revenue bonds and related premiums, which was partially offset by a decrease in the due from Buffalo Water Board of \$1,828,671 related to decreased expenses incurred and paid for with bond proceeds managed by the Authority on behalf of the Water Board.
- Deferred outflows of resources increased \$26,861 due to a new deferred charge on refunding from the issuance of current year water system revenue refunding bonds, which was partially offset by current year amortization of the outstanding deferred charge on refunding.
- Total liabilities increased by \$7,932,121, resulting primarily from the issuance of revenue bonds and 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, 2023 and June 30, 2022.

**Table 3—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2023 and June 30, 2022**

	Year Ended June 30,		Increase/(Decrease)	
	2023	2022	Dollars	Percent (%)
Operating expenses	\$ 65,908	\$ 460,955	\$ (395,047)	(85.7)
Transfers in	65,908	460,955	(395,047)	(85.7)
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, 2023 and 2022. The decrease in operating expenses during the year ended June 30, 2023 was the result of fewer fiscal charges related to the prior year bond issuances.

Table 4, as presented below, shows the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

**Table 4—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2022 and June 30, 2021**

	Year Ended June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Operating expenses	\$ 460,955	\$ 440,710	\$ 20,245	4.6
Transfers in	460,955	440,710	20,245	4.6
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 4, there was no change in net position for the years ended June 30, 2022 and 2021. The increase in operating expenses during the year ended June 30, 2022 was the result of fiscal charges related to the 2022 fiscal year bond issuances.

### **Long-Term Debt**

The Authority had \$116,050,000 and \$122,660,000 of outstanding revenue bonds at June 30, 2023 and 2022, respectively. These bonds are scheduled to be paid in full by 2052. During the year ended June 30, 2023, the Authority made scheduled principal payments of \$6,610,000.

### **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, 2023 and 2022**

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,883,877	\$ 1,387,336
Restricted cash and cash equivalents	29,739,320	40,894,279
Due from Buffalo Water Board	7,552,880	7,282,877
Total current assets	<u>39,176,077</u>	<u>49,564,492</u>
Noncurrent assets:		
Due from Buffalo Water Board	89,860,407	86,547,803
Total noncurrent assets	<u>89,860,407</u>	<u>86,547,803</u>
Total assets	<u>129,036,484</u>	<u>136,112,295</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	2,263,944	2,605,081
Total deferred outflows of resources	<u>2,263,944</u>	<u>2,605,081</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	7,473	10,609
Accrued interest	2,436,590	2,567,520
Bonds payable due within one year	7,552,880	7,282,877
Total current liabilities	<u>9,996,943</u>	<u>9,861,006</u>
Noncurrent liabilities:		
Bonds payable due in more than one year	121,303,485	128,856,370
Total noncurrent liabilities	<u>121,303,485</u>	<u>128,856,370</u>
Total liabilities	<u>131,300,428</u>	<u>138,717,376</u>
<b>NET POSITION</b>		
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, 2023 and 2022**

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	<b>Year Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Operating expenses:		
Professional services	\$ 48,492	\$ 62,677
Fiscal agent fees and other expenses	17,416	398,278
Total operating expenses	65,908	460,955
Operating loss	(65,908)	(460,955)
Transfers from Buffalo Water Board	65,908	460,955
Change in net position	-	-
Total net position—beginning	-	-
Total net position—ending	\$ -	\$ -

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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, 2023 and 2022**

	<b>Year Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net change from services provided	\$ (199,974)	\$ (517,003)
Net cash (used for) operating activities	(199,974)	(517,003)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from Buffalo Water Board	65,908	460,955
Advances (to) from City of Buffalo Water Board	(3,582,607)	1,828,671
Net cash provided by (used for) noncapital financing activities	(3,516,699)	2,289,626
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on bonds	(6,610,000)	(5,995,000)
Payment to refunded bond escrow agent	-	(14,070,000)
Proceeds from issuance of debt and premium	-	28,522,195
Interest and other fiscal charges	(331,745)	(495,887)
Net cash provided by (used for) capital and related financing activities	(6,941,745)	7,961,308
Net increase (decrease) in cash and cash equivalents	(10,658,418)	9,733,931
Cash and cash equivalents (including restricted cash and cash equivalents)—beginning	42,281,615	32,547,684
Cash and cash equivalents (including restricted cash and cash equivalents)—ending	\$ 31,623,197	\$ 42,281,615
<b>Reconciliation of operating loss to net cash (used for) operating activities:</b>		
Operating loss	\$ (65,908)	\$ (460,955)
Adjustments to reconcile operating loss to net cash (used for) operating activities:		
Changes in assets and liabilities:		
(Decrease) in accounts payable	(3,136)	(899)
(Decrease) in accrued liabilities	(130,930)	(55,149)
Net cash (used for) operating activities	\$ (199,974)	\$ (517,003)

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, 2023 and 2022**

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**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, 2023 and 2022, however, when the Authority does have investments they are stated at fair value in accordance with GASB.

***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, 2023 and 2022, the Authority reports a deferred loss on refunding within deferred outflows of resources for \$2,263,944 and \$2,605,081, 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, 2023 and 2022, 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, 2023, the Authority implemented GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements (“PPPs”). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (“SBITAs”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 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 the remainder of GASB Statement No. 99, *Omnibus 2022*; and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024, and No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, and 101 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, 2023, of which the bank balance at June 30, 2023, was \$31,631,894.

***Deposits***—All deposits are carried at fair value and are classified by custodial credit risk at June 30, 2022 and 2021 as follows:

	June 30, 2023		June 30, 2022	
	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>30,881,894</u>	<u>30,873,197</u>	<u>40,479,615</u>	<u>41,531,615</u>
Total	<u>\$ 31,631,894</u>	<u>\$ 31,623,197</u>	<u>\$ 41,229,615</u>	<u>\$ 42,281,615</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, 2023 and 2022, 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 \$29,739,320 and \$40,894,279 at June 30, 2023 and 2022, 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, 2023		June 30, 2022	
	Bank Balance	Carrying Balance	Bank Balance	Carrying Balance
U.S. Treasury	\$ 575,869	\$ 575,869	\$ 550,254	\$ 550,254
Money market fund	29,163,451	29,163,451	40,344,025	40,344,025
Total	<u>\$ 29,739,320</u>	<u>\$ 29,739,320</u>	<u>\$ 40,894,279</u>	<u>\$ 40,894,279</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, 2023 and 2022.

### 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, 2023, the Board owed the Authority \$115,861,287 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 \$18,448,000 as of June 30, 2023, 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 \$97,413,287, of which \$7,552,880 is recorded as a current asset and \$89,860,407 as a noncurrent asset. As of June 30, 2022, the Board owed the Authority \$110,910,577 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 \$17,079,897 as of June 30, 2022, 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 \$93,830,680, of which \$7,282,877 is recorded as a current asset and \$86,547,803 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, 2023 and 2022 is presented on the following page.

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 6,735,000	\$ -	\$ 1,035,000	\$ 5,700,000	\$ 1,070,000
2012	2,575,000	5.6-6.3	2031	1,740,000	-	160,000	1,580,000	165,000
2015	46,655,000	2.0-5.0	2036	33,480,000	-	2,830,000	30,650,000	2,940,000
2019	24,285,000	4.0-5.0	2049	23,500,000	-	420,000	23,080,000	445,000
2019	11,985,000	3.0-5.0	2038	11,005,000	-	865,000	10,140,000	900,000
2021	4,580,000	2.0-5.0	2050	4,530,000	-	90,000	4,440,000	90,000
2021	16,850,000	2.0-5.0	2041	16,400,000	-	585,000	15,815,000	615,000
2022	13,435,000	2.0-4.0	2050	13,435,000	-	245,000	13,190,000	260,000
2022	11,835,000	3.0-4.0	2041	11,835,000	-	380,000	11,455,000	395,000
Total				122,660,000	-	6,610,000	116,050,000	6,880,000
Unamortized bond premium				13,573,234	-	679,145	12,894,089	679,145
Unamortized bond discount				(93,987)	-	(6,263)	(87,724)	(6,268)
Net bonded debt				<u>\$ 136,139,247</u>	<u>\$ -</u>	<u>\$ 7,282,882</u>	<u>\$ 128,856,365</u>	<u>\$ 7,552,877</u>

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 7,735,000	\$ -	\$ 1,000,000	\$ 6,735,000	\$ 1,035,000
2011	2,720,000	0.6-3.5	2022	290,000	-	290,000	-	-
2012	17,150,000	2.0-4.0	2043	14,070,000	-	14,070,000	-	-
2012	2,575,000	5.6-6.3	2031	1,895,000	-	155,000	1,740,000	160,000
2015	46,655,000	2.0-5.0	2036	36,780,000	-	3,300,000	33,480,000	2,830,000
2019	24,285,000	4.0-5.0	2049	23,900,000	-	400,000	23,500,000	420,000
2019	11,985,000	3.0-5.0	2038	11,355,000	-	350,000	11,005,000	865,000
2021	4,580,000	2.0-5.0	2050	4,580,000	-	50,000	4,530,000	90,000
2021	16,850,000	2.0-5.0	2041	16,850,000	-	450,000	16,400,000	585,000
2022	13,435,000	2.0-4.0	2050	-	13,435,000	-	13,435,000	245,000
2022	11,835,000	3.0-4.0	2041	-	11,835,000	-	11,835,000	380,000
Total				117,455,000	25,270,000	20,065,000	122,660,000	6,610,000
Unamortized bond premium				10,870,809	3,252,195	549,770	13,573,234	679,145
Unamortized bond discount				(174,731)	-	(80,744)	(93,987)	(6,268)
Net bonded debt				<u>\$ 128,151,078</u>	<u>\$ 28,522,195</u>	<u>\$ 20,534,026</u>	<u>\$ 136,139,247</u>	<u>\$ 7,282,877</u>

***Amortization of Bond Premiums and Discounts***—The total remaining unamortized premiums on Water Revenue bonds payable at June 30, 2023 is \$12,894,089. Additionally, unamortized discount on bonds of \$87,724 is reported at June 30, 2023.

Future payments on long-term debt at June 30, 2023 are presented below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 6,880,000	\$ 4,904,377
2025	7,280,000	4,559,001
2026	7,595,000	4,195,668
2027	7,980,000	3,814,895
2028	8,560,000	3,411,861
2029-2033	27,695,000	12,194,956
2034-2038	19,190,000	8,074,646
2039-2043	15,380,000	4,946,814
2044-2028	10,665,000	2,307,026
2049 and thereafter	4,825,000	286,625
Total	<u>\$ 116,050,000</u>	<u>\$ 48,695,869</u>

## 5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2023, which is the date the financial statements are available for issuance, and have determined, except as disclosed below, there are no subsequent events that require disclosure under generally accepted accounting principles.

On August 1, 2023, the City issued \$32,990,000 in Water System Revenue Bonds, Series 2023-A, with an interest rate of 5.00 percent for various water projects. The bonds mature on July 1, 2053.

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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, 2023**

	<b>Budgeted Amounts</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Adopted</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
Operating expenses:				
Professional services	\$ 100,500	\$ 110,500	\$ 65,908	\$ 44,592
Fiscal agent fees and other expenses	449,500	447,000	-	447,000
Total operating expenses	550,000	557,500	65,908	491,592
Operating loss	(550,000)	(557,500)	(65,908)	491,592
Other financing sources:				
Transfers from Buffalo Water Board	550,000	557,500	65,908	(491,592)
Total other financing sources	550,000	557,500	65,908	(491,592)
Change in net position	-	-	-	-
Total net position—beginning	-	-	-	-
Total net position—ending	\$ -	\$ -	\$ -	\$ -

**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, 2022**

	<b>Budgeted Amounts</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Adopted</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
Operating expenses:				
Professional services	\$ 100,500	\$ 104,250	\$ 62,677	\$ 41,573
Fiscal agent fees and other expenses	449,500	449,500	398,278	51,222
Total operating expenses	550,000	553,750	460,955	92,795
Operating loss	(550,000)	(553,750)	(460,955)	92,795
Other financing sources:				
Transfers from Buffalo Water Board	550,000	553,750	460,955	(92,795)
Total other financing sources	550,000	553,750	460,955	(92,795)
Change in net position	-	-	-	-
Total net position—beginning	-	-	-	-
Total net position—ending	\$ -	\$ -	\$ -	\$ -

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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, 2023**

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**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, 2023.
- e. Investment income record – The Authority had no investment income for the fiscal year ended June 30, 2023.
- 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, 2023.

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