

**CITY OF BUFFALO,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2018 and Independent Auditors' Reports*

CITY OF BUFFALO, NEW YORK

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Comptroller of
the City of Buffalo, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buffalo, New York (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Buffalo Fiscal Stability Authority ("BFSA"), which represents 2.2% and 0.1%, respectively, of the assets and revenues of the governmental activities. We also did not audit the financial statements of the Buffalo Board of Education ("BBOE"), which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for BFSA and BBOE, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2018 the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

October 29, 2018

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2018

As management of the City of Buffalo, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. This document should be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation. All amounts are expressed in thousands of dollars, unless otherwise indicated.

Financial Highlights

- The liabilities and deferred inflows of resources of the City's primary government exceeded assets and deferred outflows of resources at the close of the fiscal year ended June 30, 2018 by \$950,670. This consists of \$440,736 net investment in capital assets, \$35,126 restricted for specific purposes, and unrestricted net position of \$(1,426,532).
- The City's total primary government net position decreased by \$26,569 during the year ended June 30, 2018. Net position decreased \$22,379 for governmental activities and \$4,190 for business-type activities, respectively.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$149,999.
- At the end of the current fiscal year, the combined committed and assigned fund balance for the General Fund was \$52,150, or 10.6 percent, of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization fund is \$38,741 or 7.8 percent of total General Fund expenditures and transfers out, and assigned fund balance is \$13,409, or 2.8 percent of total General Fund expenditures and transfers out. The General Fund reported no unassigned fund balance as of June 30, 2018.
- The City's total general obligation bonded debt outstanding, including notes that have been refinanced but have not yet matured, and bonds issued by the Buffalo Fiscal Stability Authority ("BFSA"), is \$230,320 (\$198,009 net governmental activities general obligation bonds issued by the City, \$22,255 governmental activities general obligation bonds issued by BFSA, and \$10,056 business-type activities general obligation bonds). The City issued serial bonds of \$20,300 for governmental activities, and made total scheduled principal payments of \$32,180 (\$25,290 for net governmental activities general obligation bonds issued by the City, \$5,520 for governmental activities general obligation bonds issued by BFSA, and \$1,370 for business-type activities general obligation bonds) during the year ended June 30, 2018.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$114,580, as compared to \$122,835 at the beginning of the year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contained other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government support, public safety, streets and sanitation, economic assistance and opportunity, culture and recreation, health and community services, and education. The business-type activities of the City include parking ramps, refuse collection services, and a water system.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Buffalo Board of Education, a legally separate school district for which the City is financially accountable, and the Buffalo Urban Renewal Agency, a public benefit corporation through which Federal urban renewal grants for the City are channeled. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds’ balance sheet and the governmental funds’ statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund, which are considered major funds. Additionally, the General Fund of the Buffalo Fiscal Stability Authority (“BFSA”) is reported as a major fund of the City (BFSA Special Revenue). Data from the City’s Special Revenue and Permanent Funds, as well as the Debt Service Fund of the BFSA are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds—The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its refuse collection, parking ramps, and water system operations. An *internal service fund* is used to account for the central print shop. Because the print shop predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste and Recycling Fund, Parking Fund and Water System. In addition, the Internal Service Fund is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 21-25 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City’s own programs. The City maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-87 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City’s net pension (asset)/liability, the City’s total other postemployment benefits liability, and the City’s budgetary comparison for the General Fund. Required supplementary information and related notes to the required supplementary information can be found on pages 88-99 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented along with other supplementary information immediately following the required supplementary information in the Supplementary Information section of this report on pages 100-108.

Finally, the Federal Awards Information can be found on pages 109-119.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$950,670 at the close of the most recent fiscal year, as compared to \$924,101 at the close of the fiscal year ended June 30, 2017, as restated.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government (000's omitted)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30,		June 30,		June 30,	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
Current and other assets	\$ 457,514	\$ 532,926	\$ 39,990	\$ 58,172	\$ 497,504	\$ 591,098
Capital assets	510,509	511,262	191,425	188,263	701,934	699,525
Total assets	968,023	1,044,188	231,415	246,435	1,199,438	1,290,623
Deferred outflows of resources	107,644	83,985	8,005	6,667	115,649	90,652
Current and other liabilities	258,673	299,998	5,862	6,844	264,535	306,842
Noncurrent liabilities	1,507,354	1,750,780	207,242	230,805	1,714,596	1,981,585
Total liabilities	1,766,027	2,050,778	213,104	237,649	1,979,131	2,288,427
Deferred inflows of resources	270,999	16,375	15,627	574	286,626	16,949
Net position:						
Net investment in capital assets	356,804	354,182	83,933	71,822	440,737	426,004
Restricted	35,126	34,124	-	-	35,126	34,124
Unrestricted	(1,353,289)	(1,327,286)	(73,244)	(56,943)	(1,426,533)	(1,384,229)
Total net position	\$ (961,359)	\$ (938,980)	\$ 10,689	\$ 14,879	\$ (950,670)	\$ (924,101)

The largest portion of the City's net position, \$440,737, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$35,126, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining component of the City's net position, \$(1,426,533), represents unrestricted net position which reflects liabilities not related to the City's capital assets and not expected to be repaid from current resources. Long-term liabilities are funded annually within the funds. Of note, the long-term liability associated with other postemployment benefits ("OPEB") obligations totals \$1,256,311. As the revenue recognition criteria for the future funding of this liability has not been met, no asset has been recorded to offset this liability.

Total net position of the City's primary government decreased \$26,569. Significant changes from 2017 (as restated) to 2018 in the Statement of Net Position and reasons for such changes are:

- Current and other assets decreased by \$93,594. The primary reasons for the decrease are a decrease in investments of \$55,302 coupled with a decrease in cash and cash equivalents of \$32,415 related to current year operations and the timing of payments made by the City.
- Deferred outflows of resources increased by \$24,997, due primarily to an increase in deferred outflows relating to pensions.
- Current and other liabilities decreased \$42,307, due to a \$40,098 decrease in amounts owed to component units related to BBOE cash maintained by the City and the related timing of payments.
- Noncurrent liabilities decreased by \$266,989, primarily due to a \$189,419 decrease in total other postemployment benefits ("OPEB") liabilities, and a \$46,504 decrease in the net pension liability.
- Deferred inflows of resources increased \$269,677, due primarily to an increase in deferred inflows relating to OPEB which is partially offset by the decrease in OPEB liability.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2018 and June 30, 2017.

Table 2—Condensed Statements of Changes in Net Position—Primary Government (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
Revenues:						
Program revenues:						
Charges for services	\$ 29,534	\$ 28,313	\$ 67,840	\$ 73,329	\$ 97,374	\$ 101,642
Operating grants and contributions	33,737	32,256	-	-	33,737	32,256
Capital grants and contributions	22,270	26,085	-	-	22,270	26,085
General revenues:						
Property taxes	129,632	127,541	-	-	129,632	127,541
Other taxes	21,092	22,244	-	-	21,092	22,244
Intergovernmental	106,609	95,998	548	667	107,157	96,665
Grants and contributions	-	285	-	-	-	285
Investment earnings	1,253	1,278	291	205	1,544	1,483
State aid	161,528	164,725	-	-	161,528	164,725
Miscellaneous	1,675	9,586	-	-	1,675	9,586
Total revenues	<u>507,330</u>	<u>508,311</u>	<u>68,679</u>	<u>74,201</u>	<u>576,009</u>	<u>582,512</u>
Expenses:						
General government support	99,579	116,246	-	-	99,579	116,246
Public safety	250,593	289,679	-	-	250,593	289,679
Streets and sanitation	48,621	48,233	-	-	48,621	48,233
Economic assist. and opportunity	44,718	49,591	-	-	44,718	49,591
Culture and recreation	17,865	24,154	-	-	17,865	24,154
Health and community services	3,995	4,884	-	-	3,995	4,884
Education	70,823	70,323	-	-	70,823	70,323
Interest and fiscal charges	7,808	8,504	-	-	7,808	8,504
Solid Waste and Recycling	-	-	22,385	22,094	22,385	22,094
Parking	-	-	2,323	2,159	2,323	2,159
Water System	-	-	33,868	35,099	33,868	35,099
Total expenses	<u>544,002</u>	<u>611,614</u>	<u>58,576</u>	<u>59,352</u>	<u>602,578</u>	<u>670,966</u>
Excess (deficiency) of revenues over expenses	(36,672)	(103,303)	10,103	14,849	(26,569)	(88,454)
Transfers	<u>14,293</u>	<u>9,659</u>	<u>(14,293)</u>	<u>(9,659)</u>	<u>-</u>	<u>-</u>
Change in net position	(22,379)	(93,644)	(4,190)	5,190	(26,569)	(88,454)
Net position—beginning, as restated	(938,980)	(47,458)	14,879	62,624	(924,101)	15,166
Restatement	-	(797,878)	-	(52,935)	-	(850,813)
Net position—ending	<u>\$ (961,359)</u>	<u>\$ (938,980)</u>	<u>\$ 10,689</u>	<u>\$ 14,879</u>	<u>\$ (950,670)</u>	<u>\$ (924,101)</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are state aid (31.8%), property taxes (25.6%) and intergovernmental (21.0%).

The largest expense categories for the City’s governmental activities are public safety (46.1%), general government support (18.3%) and education (13.0%). The education category represents the City allocation to the Board.

Significant changes from 2017 to 2018 in revenues and expenses for the City include the following:

- Total revenues decreased by \$981 in the current year as compared to last year. Miscellaneous revenues and capital grants and contributions decreased by \$7,911 and \$3,815, respectively, while intergovernmental revenues increased by \$10,611.
- Total expenses decreased by \$67,612. Fund expenditures decreased \$18,152 largely due to decreased wages within public safety, decreased fringe benefits costs, as well as decreased debt service principal and interest payments. Government-wide expenses were lower in 2018 primarily as a result of the implementation of GASB Statement No. 75. Changes in the OPEB obligation related to actuarial assumptions are being amortized through deferred inflows of resources, as opposed to being allocated and expensed to the various functions during the year the assumptions changed.

Business-type activities—Business-type activities decreased the City’s net position by \$4,190. Overall, revenues decreased \$5,522, expenses decreased \$776, and transfers out increased \$4,634 from 2017 to 2018. The overall decrease in net position is due to the following:

- The Solid Waste and Recycling Fund recorded a decrease in net position of \$565 as a result of operating expenses and transfers out continuing to exceed operating revenues and transfers in.
- The net position of the Parking Fund decreased \$5,720, which was primarily a result of decreased rental fees charged related to one time revenues received during 2017.
- The Water System’s net position increased by \$2,094 as a result of normal operations where operating revenues exceed combined operating and nonoperating expenses and transfers out.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Common Council.

At June 30, 2018, the City’s governmental funds reported combined ending fund balances of \$149,999, a decrease of \$25,155 from the prior year. The City reports no *unassigned fund balance* which, if present, would be available for spending at the City’s discretion. The total fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$31,115, (2) restricted for particular purposes, \$66,217, (3) committed to particular purposes, \$38,741, or (4) assigned for particular purposes, \$13,926.

Nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance totaling \$31,115 consists of \$9,609 of real estate acquired for sale, \$19,522 to cover the deficit in the Solid Waste and Recycling Fund, \$1,954 for prepaid items and \$30 for Permanent Fund principal.

Restricted fund balance in the amount of \$66,217 are amounts constrained to specific purposes and consist of \$38,316 to finance specific capital projects, \$7,200 for future capital outlay, \$14,605 to pay debt service, \$3,896 for federal and state programs, \$469 for state mandated initiatives, \$1,620 for emergency medical services and \$111 for compliance with the Permanent Fund.

Commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City's highest level of decision-making authority. \$38,741 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$13,926 consists of \$9,926 to liquidate contracts and purchase orders, \$765 for motor vehicle self-insurance, \$2,718 for judgments and claims, and \$517 in funds held by the BFSAs. These assignments indicate management's intention to utilize these funds for the state purposes.

The General Fund is the chief operating fund of the City. During the current fiscal year, total fund balance decreased to \$91,990. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. As discussed, at June 30, 2018 the City reported no unassigned fund balance, while total fund balance represents approximately 18.6 percent of total General Fund expenditures and transfers out. While the City had planned to use \$12,187 of fund balance, as a result of actual revenues falling below budgeted amounts, particularly within state aid, fines and miscellaneous revenues related to the sale of property, as well as unexpected costs, such as wages and duty disability costs within public safety and payment of prior year claims in other expenditures, total fund balance of the City's General Fund decreased by \$22,941.

The Debt Service Fund has a total fund balance of \$8,476, which is restricted solely for the purpose of payment of debt service. The decrease in fund balance during the current year in the Debt Service Fund of \$3,399 is due primarily to its planned use in the 2017-2018 adopted budget.

The Capital Projects Fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for in the appropriate proprietary fund. At the end of the current fiscal year, Capital Projects Fund fund balance was \$38,378, of which \$38,316 is restricted for encumbrances and future projects. The remaining \$62 is considered to not be in spendable form for prepaid items. The increase in fund balance of \$1,145 is related to revenues and proceeds from the issuance of debt in excess of capital outlay.

The BFSAs Special Revenue Fund is used to account for the General Fund of the BFSAs and, therefore, is their chief operating fund. Total fund balance at the end of the current fiscal year was \$989. Of this amount, \$469 is restricted by enabling legislation for state aid received on behalf of the City, \$3 is nonspendable for prepaid items and \$517 represents BFSAs' assigned fund balance for operations. The \$274 decrease in fund balance is attributable to a decrease in intergovernmental revenues.

Other nonmajor governmental funds consist of the Special Revenue Fund, the BFSAs Debt Service Fund, and the Permanent Fund. The Special Revenue Fund is used to account for programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, fund balance of the Special Revenue Fund was \$3,896. This balance is restricted for use in accordance with federal and state grant regulations. The fund balance of the Special Revenue Fund increased \$164 from the prior year, and is attributable revenues in excess of expenditures related to federal grant funding. The BFSAs Debt Service Fund has a total fund balance of \$6,129, which is restricted to pay debt service. The fund balance of the BFSAs Debt Service Fund increased \$150 as a result of increased investment earnings. The Permanent Fund is used to report resources that are legally restricted to the extent that only

earnings and not principal may be used for the purposes for which they were established. The balance at the end of the current fiscal year was \$141.

Proprietary funds—Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The net position of the enterprise funds at the end of the current fiscal year totaled \$10,689. The balance includes a net position of \$(67,013) for the Solid Waste and Recycling Fund, and net position balances of \$39,917 for the Parking Fund and \$37,785 for the Water System. The underlying reasons for any changes were described under the aforementioned heading Business-type activities.

The Internal Service Fund is used to account for the central print shop. The total net position at the end of the fiscal year was \$103. This represents a decrease of \$14, which is due to expenditures exceeding revenues.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General Fund. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the City has appropriately assigned an equal amount of fund balance at year-end for this purpose. The budgetary comparison schedule for the General Fund, a major fund, is provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended June 30, 2018 is presented below in Table 3.

Table 3—General Fund Budget

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
Revenues and other financing sources	\$ 487,457	\$ 487,456	\$ 471,278	\$ (16,178)
Expenditures and other financing uses	499,644	511,081	504,144	6,937
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (12,187)</u>	<u>\$ (23,625)</u>	<u>\$ (32,866)</u>	<u>\$ (9,241)</u>

Adopted budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$3,276 within other expenditures to cover the costs of prior year claims recognized in the current year, \$1,682 in public works, parks and streets of general government support for the new public safety headquarters renovation, and \$1,681 in other general government support for electrical costs. Other amendments totaling \$4,798 were authorized during the year mainly due to increases in wages throughout various City departments and roll-forward of prior year’s encumbrances.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations indicate that actual revenues were \$16,178 below the final budget, while actual expenditures and other financing uses were less than the final budget by \$6,937. Regarding revenues, an unfavorable variance was noted within miscellaneous revenues as the City recorded sale of properties of \$884, while the budgeted amount was estimated at \$7,360. Further, state aid fell \$3,976 below the final budget primarily due to no tribal compact funds received during the year.

Capital Assets and Debt Administration

Capital assets—The City’s capital assets for its governmental activities and business-type activities as of June 30, 2018 amounted to \$701,934 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the City’s capital asset policy.

Capital assets, net of depreciation for governmental activities and business-type activities as of June 30, 2018 and June 30, 2017 are presented in Table 4 below.

Table 4—Summary of Capital Assets (Net of Depreciation) (000’s omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2018	2017	2018	2017	2018	2017
Land	\$ 10,048	\$ 10,048	\$ 3,362	\$ 3,362	\$ 13,410	\$ 13,410
Buildings and improvements	185,581	177,063	118,033	120,156	303,614	297,219
Improvements other than buildings	25,390	23,043	45	69	25,435	23,112
Machinery and equipment	12,883	16,925	2,265	2,425	15,148	19,350
Infrastructure	251,236	262,430	61,948	60,066	313,184	322,496
Construction in progress	25,371	21,753	5,772	2,185	31,143	23,938
Total	<u>\$ 510,509</u>	<u>\$ 511,262</u>	<u>\$ 191,425</u>	<u>\$ 188,263</u>	<u>\$ 701,934</u>	<u>\$ 699,525</u>

Significant changes from 2017 to 2018 in capital assets include:

- Buildings and improvements increased \$6,395 largely due to major capital projects completed during the year such as improvements to City Court, the North Buffalo Ice Rink, the Museum of Science, and the Johnnie B. Wiley Amateur Athletic Sports Pavilion.
- Construction in progress increased \$7,205 largely due to major capital projects ongoing during the year such as the renovation of the new Police and Fire Headquarters at the Michael J. Dillon U.S. Court House Building, and elevator improvements to City Court.
- The above increases were partially offset by a \$9,312 decrease within infrastructure, due to normal annual depreciation and a reduction in the number of completed infrastructure projects.

The City’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide and proprietary fund financial statements. The City has elected to depreciate their infrastructure assets. Additional information on the City’s capital assets can be found in Note 5 to the financial statements.

Long-term debt—At June 30, 2018, the City had total bonded debt outstanding for governmental activities of \$220,264, including bonds issued by BFSAs, as compared to \$230,774 in the prior year. During the year ended June 30, 2018, the City issued serial bonds of \$20,300 for governmental activities. The BFSAs’ total bonded debt outstanding at the end of the current fiscal year is \$22,255.

The bonds outstanding for business-type activities at June 30, 2018 consisted of \$10,056 in general obligation bonds issued by the City for parking and \$114,580 of revenue bonds issued by the Water Authority reported within the Water System.

A summary of the City's long-term liabilities at June 30, 2018 and June 30, 2017 is presented in Table 5 below.

Table 5—Summary of Long-Term Liabilities (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
Bonds payable, net of premiums and discounts	\$ 239,169	\$ 250,722	\$ 131,061	\$ 141,336	\$ 370,230	\$ 392,058
Compensated absences	24,541	28,479	1,386	1,401	25,927	29,880
Workers' compensation	8,006	8,472	1,901	1,951	9,907	10,423
Landfill post-closure monitoring	700	770	-	-	700	770
OPEB obligation	1,184,927	1,363,344	71,384	82,386	1,256,311	1,445,730
Judgments and claims	8,300	13,000	-	-	8,300	13,000
Net pension liability	41,711	85,993	1,509	3,731	43,220	89,724
Total	\$ 1,507,354	\$ 1,750,780	\$ 207,241	\$ 230,805	\$ 1,714,595	\$ 1,981,585

The New York State Constitution restricts the annual real property tax levy for operating expenses to two percent of average full value of taxable City property over the last five years. This limitation does not apply to taxes for debt service. The New York State Constitution also provides that the City may not contract indebtedness in an amount greater than nine percent of the average full value of taxable real property for the most recent five years. Water debt, self-sustaining debt and revenue anticipation notes are excluded from the debt limit. This limit as of fiscal year end was \$756,517. The City had a debt-contracting margin of \$576,910 on July 1, 2018. During the year ended June 30, 2018 the City had no changes in their bond ratings.

Additional information on the City's long-term debt can be found in Note 11 to the financial statements.

Next Year's Budget

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2019 budget. The total budgeted appropriations for the City's General Fund operations are \$414,453. This budget is a \$14,054 increase from the fiscal year 2018 total budgeted appropriations of \$400,399. This budget was approved by the BFSAs.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Buffalo, Office of the Comptroller, 1225 City Hall, Buffalo, New York 14202; Buffalo Board of Education, Finance, 708 City Hall, Buffalo, New York 14202; and Buffalo Urban Renewal Agency, 214 City Hall, Buffalo, New York 14202.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, NEW YORK
Statement of Net Position
June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 217,380,791	\$ 27,484,745	\$ 244,865,536	\$ 276,903	\$ 89,210
Restricted cash and cash equivalents	111,898,105	20,555,057	132,453,162	34,664,460	1,111,085
Investments	5,882,015	5,111,813	10,993,828	-	-
Receivables (net of allowances)	19,159,144	10,047,122	29,206,266	13,253,782	1,163,773
Intergovernmental receivables	23,458,912	-	23,458,912	75,851,626	797,005
Due from component units/ primary government	44,962,000	-	44,962,000	213,476,072	77,509
Internal balances	23,209,659	(23,209,659)	-	-	-
Prepaid items and other assets	1,953,823	-	1,953,823	1,663,316	2,629
Real estate acquired for resale	9,609,376	-	9,609,376	-	3,636,624
Noncurrent net pension asset	-	-	-	13,960,812	-
Capital assets not being depreciated	35,419,574	9,134,817	44,554,391	33,876,689	-
Capital assets, net of accumulated depreciation	475,089,718	182,290,665	657,380,383	883,824,565	463,051
Total assets	968,023,117	231,414,560	1,199,437,677	1,270,848,225	7,340,886
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	2,123,772	3,207,691	5,331,463	26,592,388	-
Deferred outflows—relating to pensions	105,520,418	4,797,435	110,317,853	197,864,709	732,965
Total deferred outflows of resources	107,644,190	8,005,126	115,649,316	224,457,097	732,965
LIABILITIES					
Accounts payable and accrued liabilities	31,496,844	5,177,841	36,674,685	65,463,388	1,436,041
Retainages payable	1,518,396	-	1,518,396	-	-
Intergovernmental payables	10,541,979	490,317	11,032,296	34,718,521	473,417
Due to component units/primary government	213,553,581	-	213,553,581	44,962,000	-
Unearned revenue	1,561,725	194,181	1,755,906	-	-
Noncurrent liabilities:					
Due within one year	45,489,377	11,001,776	56,491,153	80,773,141	39,474
Due in more than one year	1,461,864,986	196,239,639	1,658,104,625	3,144,182,967	26,104,096
Total liabilities	1,766,026,888	213,103,754	1,979,130,642	3,370,100,017	28,053,028
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	89,270,080	4,771,266	94,041,346	63,992,726	813,031
Deferred inflows—relating to OPEB	181,728,983	10,855,706	192,584,689	649,088,000	-
Total deferred inflows of resources	270,999,063	15,626,972	286,626,035	713,080,726	813,031
NET POSITION					
Net investment in capital assets	356,803,797	83,932,625	440,736,422	80,990,648	463,051
Restricted for:					
Capital outlay	7,200,300	-	7,200,300	203,630	-
Debt service	12,190,436	-	12,190,436	30,444,695	-
Grants	3,896,483	-	3,896,483	-	256,933
State mandated initiatives	468,567	-	468,567	-	-
Real estate held for sale	9,609,376	-	9,609,376	-	-
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	3,156,044	-
Joint Schools Construction Board projects	-	-	-	145,789	-
Perpetual care—Expendable	110,832	-	110,832	502,938	-
Perpetual care—Unexpendable	30,000	-	30,000	-	-
Other purposes	1,619,975	-	1,619,975	3,835,350	-
Unrestricted	(1,353,288,410)	(73,243,665)	(1,426,532,075)	(2,724,904,515)	(21,512,192)
Total net position	\$(961,358,644)	\$ 10,688,960	\$ (950,669,684)	\$(2,587,875,421)	\$(20,792,208)

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

CITY OF BUFFALO, NEW YORK
Statement of Activities
Year Ended June 30, 2018

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	BOE	BURA	
Primary government:										
Governmental activities:										
General government support	\$ 99,579,042	\$ 8,145,849	\$ 2,781,766	\$ 144,722	\$ (88,506,705)	\$ -	\$ (88,506,705)	\$ -	\$ -	
Public safety	250,592,593	14,106,847	4,550,730	381,665	(231,553,351)	-	(231,553,351)	-	-	
Streets and sanitation	48,621,196	1,480,367	5,100	17,921,299	(29,214,430)	-	(29,214,430)	-	-	
Economic assistance and opportunity	44,718,481	5,389,341	4,433,599	1,511,184	(33,384,357)	-	(33,384,357)	-	-	
Culture and recreation	17,864,985	264,693	-	2,311,294	(15,288,998)	-	(15,288,998)	-	-	
Health and community services	3,995,458	146,787	21,965,611	-	18,116,940	-	18,116,940	-	-	
Education	70,822,758	-	-	-	(70,822,758)	-	(70,822,758)	-	-	
Interest and fiscal charges	7,807,887	-	-	-	(7,807,887)	-	(7,807,887)	-	-	
Total governmental activities	<u>544,002,401</u>	<u>29,533,884</u>	<u>33,736,806</u>	<u>22,270,164</u>	<u>(458,461,547)</u>	<u>-</u>	<u>(458,461,547)</u>	<u>-</u>	<u>-</u>	
Business-type activities:										
Solid Waste and Recycling	22,385,217	18,939,872	-	-	-	(3,445,345)	(3,445,345)	-	-	
Parking	2,322,846	7,090,260	-	-	-	4,767,414	4,767,414	-	-	
Water System	33,868,186	41,810,029	-	-	-	7,941,843	7,941,843	-	-	
Total business-type activities	<u>58,576,249</u>	<u>67,840,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,263,912</u>	<u>9,263,912</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 602,578,650</u>	<u>\$ 97,374,045</u>	<u>\$ 33,736,806</u>	<u>\$ 22,270,164</u>	<u>(458,461,547)</u>	<u>9,263,912</u>	<u>(449,197,635)</u>	<u>-</u>	<u>-</u>	
Component units:										
BOE	\$ 1,015,854,008	\$ 3,832,269	\$ 147,820,003	\$ -	-	-	-	(864,201,736)	-	
BURA	48,111,570	2,152,179	44,343,413	-	-	-	-	-	(1,615,978)	
Total component units	<u>\$ 1,063,965,578</u>	<u>\$ 5,984,448</u>	<u>\$ 192,163,416</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(864,201,736)</u>	<u>(1,615,978)</u>	
General revenues:										
Taxes:										
Property taxes					129,631,870	-	129,631,870	-	-	
Interest and penalties					3,464,804	-	3,464,804	-	-	
Mortgage taxes					3,471,933	-	3,471,933	-	-	
Payments in lieu of taxes					3,480,625	-	3,480,625	-	-	
Gross utility tax					10,675,719	-	10,675,719	-	-	
Intergovernmental—unrestricted					106,608,500	547,705	107,156,205	46,256,229	-	
Investment earnings					1,253,203	291,661	1,544,864	554,388	213,523	
Contribution from City of Buffalo					-	-	-	70,822,758	-	
State aid—unrestricted					161,527,752	-	161,527,752	764,176,187	-	
Miscellaneous					1,675,310	-	1,675,310	8,456,374	455,751	
Transfers					14,293,406	(14,293,406)	-	-	-	
Total general revenues and transfers					<u>436,083,122</u>	<u>(13,454,040)</u>	<u>422,629,082</u>	<u>890,265,936</u>	<u>669,274</u>	
Change in net position					(22,378,425)	(4,190,128)	(26,568,553)	26,064,200	(946,704)	
Net position—beginning, as restated					<u>(938,980,219)</u>	<u>14,879,088</u>	<u>(924,101,131)</u>	<u>(2,613,939,621)</u>	<u>(19,845,504)</u>	
Net position—ending					<u>\$ (961,358,644)</u>	<u>\$ 10,688,960</u>	<u>\$ (950,669,684)</u>	<u>\$(2,587,875,421)</u>	<u>\$ (20,792,208)</u>	

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

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>BFSA Special Revenue</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 217,292,740	\$ -	\$ -	\$ -	\$ -	\$ 217,292,740
Restricted cash and cash equivalents	39,282,881	9,325,928	58,007,003	468,567	4,813,726	111,898,105
Investments	-	-	-	-	5,882,015	5,882,015
Receivables:						
Delinquent taxes and assessments	12,272,743	-	-	-	-	12,272,743
Accounts receivable	14,756,804	-	913,686	-	-	15,670,490
Other receivables	-	-	-	-	4,136	4,136
Due from other agencies	877,579	-	786,423	-	-	1,664,002
Intergovernmental receivables	2,603,024	-	4,222,844	14,243,298	274,923	21,344,089
Due from other funds	52,079,886	163,971	-	-	924,959	53,168,816
Allowances	<u>(8,807,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,807,371)</u>
Net receivables	73,782,665	163,971	5,922,953	14,243,298	1,204,018	95,316,905
Prepaid items	1,888,288	-	62,294	3,241	-	1,953,823
Real estate acquired for resale	9,609,376	-	-	-	-	9,609,376
Total assets	<u>\$ 341,855,950</u>	<u>\$ 9,489,899</u>	<u>\$ 63,992,250</u>	<u>\$ 14,715,106</u>	<u>\$ 11,899,759</u>	<u>\$ 441,952,964</u>
LIABILITIES						
Accounts payable	\$ 12,731,831	\$ -	\$ 3,707,785	\$ 10,563	\$ 1,064,379	\$ 17,514,558
Accrued liabilities	11,201,059	-	-	37,299	328,968	11,567,326
Intergovernmental payables	103,528	-	38,272	-	129,574	271,374
Due to other funds	1,278,670	1,013,812	19,083,607	8,446,165	133,082	29,955,336
Due to component units	205,459,556	-	2,784,571	5,231,945	77,509	213,553,581
Due to retirement systems	9,819,784	-	-	-	-	9,819,784
Unearned revenue	<u>1,561,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,561,725</u>
Total liabilities	<u>242,156,153</u>	<u>1,013,812</u>	<u>25,614,235</u>	<u>13,725,972</u>	<u>1,733,512</u>	<u>284,243,684</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue—property taxes	<u>7,710,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,710,077</u>
Total deferred inflows of resources	<u>7,710,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,710,077</u>
FUND BALANCES						
Nonspendable	31,019,754	-	62,294	3,241	30,000	31,115,289
Restricted	8,820,275	8,476,087	38,315,721	468,567	10,136,247	66,216,897
Committed	38,740,903	-	-	-	-	38,740,903
Assigned	13,408,788	-	-	517,326	-	13,926,114
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>91,989,720</u>	<u>8,476,087</u>	<u>38,378,015</u>	<u>989,134</u>	<u>10,166,247</u>	<u>149,999,203</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 341,855,950</u>	<u>\$ 9,489,899</u>	<u>\$ 63,992,250</u>	<u>\$ 14,715,106</u>	<u>\$ 11,899,759</u>	<u>\$ 441,952,964</u>

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

CITY OF BUFFALO, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2018

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Total fund balances—governmental funds (page 17)		\$ 149,999,203
City capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of these assets is \$1,026,182,996 and the accumulated depreciation is \$515,674,352.		510,508,644
Buffalo Fiscal Stability Authority capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of these assets is \$54,559 and the accumulated depreciation is \$53,911.		648
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		2,123,772
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		7,710,077
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		44,962,000
Deferred outflows and inflows of resources related to pensions (including BFSA) and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions employer contributions	\$ 9,856,649	
Deferred outflows related to pensions experience, changes of assumptions, investment earnings, and changes in proportion	95,663,769	
Deferred inflows related to pension plans	(89,270,080)	
Deferred inflows related to OPEB liability	<u>(181,728,983)</u>	(165,478,645)
Internal service funds are used by management to charge the costs of internal print services. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		102,999
Net accrued interest expense for serial bonds is not reported in the funds.		(2,414,583)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.		(1,518,396)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
General obligations bonds—City	\$ (198,009,485)	
General obligations bonds—BFSA	(22,255,000)	
Unamortized premiums on bonds—City	(17,141,293)	
Unamortized premiums on bonds—BFSA	(1,763,504)	
Compensated absences	(24,540,940)	
Workers' compensation	(8,006,362)	
Landfill post-closure monitoring costs	(700,000)	
OPEB liability—City	(1,183,643,696)	
OPEB liability—BFSA	(1,283,543)	
Judgments and claims	(8,300,000)	
Net pension liability—City	(41,650,166)	
Net pension liability—BFSA	<u>(60,374)</u>	(1,507,354,363)
Net position of governmental activities		<u>\$ (961,358,644)</u>

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

CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended June 30, 2018

	General	Debt Service	Capital Projects	BFSA Special Revenue	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes, assessments, and other tax items	\$ 140,956,447	\$ -	\$ -	\$ -	\$ -	\$ 140,956,447
Utility and other nonproperty tax items	11,405,037	-	-	-	-	11,405,037
Intergovernmental	263,287,908	10,466,048	21,600,499	18,936	28,780,826	324,154,217
Investment interest	881,113	169,141	-	-	202,966	1,253,220
License, permit, rentals, fines, and other service charges	30,223,372	141,176	-	-	-	30,364,548
Miscellaneous	6,631,025	370,367	1,112,855	-	160,347	8,274,594
Total revenues	453,384,902	11,146,732	22,713,354	18,936	29,144,139	516,408,063
EXPENDITURES						
Current:						
General government support	60,078,767	-	-	501,674	226,072	60,806,513
Public safety	159,856,714	-	-	-	1,761,651	161,618,365
Streets and sanitation	12,701,544	-	-	-	438,604	13,140,148
Economic assistance and opportunity	2,326,841	-	-	-	26,093,116	28,419,957
Culture and recreation	9,093,201	-	-	-	8,788	9,101,989
Health and community services	2,363,088	-	-	-	243,700	2,606,788
Education	70,822,758	-	-	-	-	70,822,758
Fringe benefits	140,468,906	-	-	161,284	-	140,630,190
Other	7,118,412	-	-	-	-	7,118,412
Debt service:						
Principal	-	25,289,733	-	-	5,520,000	30,809,733
Interest and fiscal charges	60,600	8,444,440	101,721	-	1,057,400	9,664,161
Capital outlay:						
General government support	-	-	7,460,754	-	-	7,460,754
Public safety	-	-	3,780,107	-	-	3,780,107
Streets and sanitation	-	-	22,402,827	-	-	22,402,827
Economic assistance and opportunity	-	-	3,368,362	-	-	3,368,362
Culture and recreation	-	-	6,184,254	-	-	6,184,254
Total expenditures	464,890,831	33,734,173	43,298,025	662,958	35,349,331	577,935,318
Excess (deficiency) of revenues over expenditures	(11,505,929)	(22,587,441)	(20,584,671)	(644,022)	(6,205,192)	(61,527,255)
OTHER FINANCING SOURCES (USES)						
Transfers in	17,893,344	24,835,360	938,686	370,363	6,524,809	50,562,562
Transfers out	(29,327,938)	(6,895,172)	-	-	(6,046)	(36,229,156)
Serial bonds issued	-	-	20,300,000	-	-	20,300,000
Premium on bonds	-	1,247,956	490,600	-	-	1,738,556
Total other financing sources (uses)	(11,434,594)	19,188,144	21,729,286	370,363	6,518,763	36,371,962
Net change in fund balances	(22,940,523)	(3,399,297)	1,144,615	(273,659)	313,571	(25,155,293)
Fund balances—beginning	114,930,243	11,875,384	37,233,400	1,262,793	9,852,676	175,154,496
Fund balances—ending	\$ 91,989,720	\$ 8,476,087	\$ 38,378,015	\$ 989,134	\$ 10,166,247	\$ 149,999,203

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

CITY OF BUFFALO, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances—total governmental funds (page 19) \$ (25,155,293)

City governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions, net	\$ 34,478,085	
Depreciation expense	(35,204,403)	
Loss on disposal	<u>(25,872)</u>	(752,190)

Buffalo Fiscal Stability Authority governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. (594)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (606,290)

Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds. (9,623,215)

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

Direct pension contributions	\$ 42,082,561	
Cost of benefits earned net of employee contributions	(46,429,543)	
Changes in OPEB assumptions	<u>(181,728,983)</u>	(186,075,965)

The internal service funds are used by management to charge the costs of internal print services. The net revenue of certain activities of internal service funds is reported with governmental activities. (14,258)

In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid. 706,247

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Proceeds from general obligations bonds—City	\$ (20,300,000)	
Repayment of general obligations bonds—City	25,289,733	
Repayment of general obligations bonds—BFSA	5,520,000	
Premium on general obligations bonds—City	(1,738,556)	
Amortization of bond premiums—City	2,302,886	
Amortization of bond premiums—BFSA	478,405	
Change in compensated absences	3,938,036	
Change in workers' compensation	465,805	
Change in landfill post-closure monitoring costs	70,000	
Change in other post-employment benefits obligation—City	178,579,517	
Change in other post-employment benefits obligation—BFSA	(162,693)	
Change in judgments and claims	<u>4,700,000</u>	<u>199,143,133</u>

Change in net position of governmental activities \$ (22,378,425)

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

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2018

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 258,480	\$ 7,991,121	\$ 19,235,144	\$ 27,484,745	\$ 88,051
Restricted cash and cash equivalents	194,181	-	20,360,876	20,555,057	-
Investments	-	-	5,111,813	5,111,813	-
Receivables:					
Accounts receivable	9,139,102	2,618,294	21,067,011	32,824,407	19,146
Other receivables	158,561	-	1,483,454	1,642,015	-
Due from other agencies	-	-	127,425	127,425	-
Due from other funds	184,505	-	-	184,505	3,525
Allowances	<u>(7,597,873)</u>	<u>-</u>	<u>(16,948,852)</u>	<u>(24,546,725)</u>	<u>-</u>
Net receivables	<u>1,884,295</u>	<u>2,618,294</u>	<u>5,729,038</u>	<u>10,231,627</u>	<u>22,671</u>
Total current assets	<u>2,336,956</u>	<u>10,609,415</u>	<u>50,436,871</u>	<u>63,383,242</u>	<u>110,722</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,217,093	145,116	3,362,210	-
Construction in progress	-	3,375,834	2,396,773	5,772,607	-
Total capital assets not being depreciated	<u>1</u>	<u>6,592,927</u>	<u>2,541,889</u>	<u>9,134,817</u>	<u>-</u>
Capital assets being depreciated:					
Buildings, building improvements, and infrastructure	4,088,220	71,678,839	231,370,338	307,137,397	-
Improvements other than buildings	175,071	61,758	252,393	489,222	-
Machinery and equipment	10,084,409	109,762	1,197,902	11,392,073	-
Accumulated depreciation	<u>(10,967,268)</u>	<u>(34,397,227)</u>	<u>(91,363,532)</u>	<u>(136,728,027)</u>	<u>-</u>
Total capital assets being depreciated	<u>3,380,432</u>	<u>37,453,132</u>	<u>141,457,101</u>	<u>182,290,665</u>	<u>-</u>
Total noncurrent assets	<u>3,380,433</u>	<u>44,046,059</u>	<u>143,998,990</u>	<u>191,425,482</u>	<u>-</u>
Total assets	<u>5,717,389</u>	<u>54,655,474</u>	<u>194,435,861</u>	<u>254,808,724</u>	<u>110,722</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	142,435	3,065,256	3,207,691	-
Deferred outflows—relating to pensions	<u>2,600,383</u>	<u>-</u>	<u>2,197,052</u>	<u>4,797,435</u>	<u>-</u>
Total deferred outflows of resources	<u>2,600,383</u>	<u>142,435</u>	<u>5,262,308</u>	<u>8,005,126</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	788,530	170,059	889,718	1,848,307	377
Other accrued liabilities	287,281	93,421	2,948,832	3,329,534	-
Due to other funds	-	3,329,859	542,216	3,872,075	7,346
Due to retirement systems	265,386	707	224,224	490,317	-
Unearned revenue	194,181	-	-	194,181	-
Accrued compensated absences	28,620	-	37,353	65,973	-
Accrued workers' compensation	341,856	-	315,881	657,737	-
General obligation and revenue bonds payable within one year, net	<u>-</u>	<u>1,517,042</u>	<u>8,761,024</u>	<u>10,278,066</u>	<u>-</u>
Total current liabilities	<u>1,905,854</u>	<u>5,111,088</u>	<u>13,719,248</u>	<u>20,736,190</u>	<u>7,723</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2018

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Noncurrent liabilities:					
Due to other funds	19,522,089	-	-	19,522,089	-
Accrued compensated absences	490,446	-	829,782	1,320,228	-
Accrued workers' compensation	882,086	-	361,367	1,243,453	-
Accrued other postemployment benefits obligation	42,667,873	101,809	28,613,819	71,383,501	-
General obligation and revenue bonds payable, net	-	9,652,654	111,130,704	120,783,358	-
Net pension liability	817,985	-	691,114	1,509,099	-
Total noncurrent liabilities	<u>64,380,479</u>	<u>9,754,463</u>	<u>141,626,786</u>	<u>215,761,728</u>	<u>-</u>
Total liabilities	<u>66,286,333</u>	<u>14,865,551</u>	<u>155,346,034</u>	<u>236,497,918</u>	<u>7,723</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	2,586,198	-	2,185,068	4,771,266	-
Deferred inflows—relating to OPEB	6,457,949	15,592	4,382,165	10,855,706	-
Total deferred inflows of resources	<u>9,044,147</u>	<u>15,592</u>	<u>6,567,233</u>	<u>15,626,972</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	3,380,433	33,018,798	47,533,394	83,932,625	-
Unrestricted	<u>(70,393,141)</u>	<u>6,897,968</u>	<u>(9,748,492)</u>	<u>(73,243,665)</u>	<u>102,999</u>
Total net position	<u>\$ (67,012,708)</u>	<u>\$ 39,916,766</u>	<u>\$ 37,784,902</u>	<u>\$ 10,688,960</u>	<u>\$ 102,999</u>

(concluded)

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

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CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position—
Proprietary Funds
Year Ended June 30, 2018

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Operating revenues:					
Charges for services	\$ 18,588,687	\$ -	\$ 41,542,600	\$ 60,131,287	\$ 67,317
Rent	-	7,090,260	-	7,090,260	-
Other	351,185	-	267,429	618,614	-
Total operating revenues	<u>18,939,872</u>	<u>7,090,260</u>	<u>41,810,029</u>	<u>67,840,161</u>	<u>67,317</u>
Operating expenses:					
Services and supplies	16,234,820	167,997	17,349,314	33,752,131	41,575
Fringe benefits	5,634,354	16,105	4,321,186	9,971,645	-
Depreciation	516,043	1,593,511	6,162,113	8,271,667	-
Other	-	-	600,294	600,294	-
Total operating expenses	<u>22,385,217</u>	<u>1,777,613</u>	<u>28,432,907</u>	<u>52,595,737</u>	<u>41,575</u>
Operating income (loss)	<u>(3,445,345)</u>	<u>5,312,647</u>	<u>13,377,122</u>	<u>15,244,424</u>	<u>25,742</u>
Nonoperating revenues (expenses):					
Interest earnings	30	5,005	286,626	291,661	-
Interest expense	-	(545,233)	(5,417,530)	(5,962,763)	-
Loss on disposal of capital assets	-	-	(17,749)	(17,749)	-
Other	-	107,518	440,187	547,705	-
Total nonoperating revenues (expenses)	<u>30</u>	<u>(432,710)</u>	<u>(4,708,466)</u>	<u>(5,141,146)</u>	<u>-</u>
Income (loss) before transfers	(3,445,315)	4,879,937	8,668,656	10,103,278	25,742
Transfers in	3,553,892	-	-	3,553,892	-
Transfers out	<u>(673,078)</u>	<u>(10,600,000)</u>	<u>(6,574,220)</u>	<u>(17,847,298)</u>	<u>(40,000)</u>
Change in net position	(564,501)	(5,720,063)	2,094,436	(4,190,128)	(14,258)
Total net position—beginning, as restated	<u>(66,448,207)</u>	<u>45,636,829</u>	<u>35,690,466</u>	<u>14,879,088</u>	<u>117,257</u>
Total net position—ending	<u>\$ (67,012,708)</u>	<u>\$ 39,916,766</u>	<u>\$ 37,784,902</u>	<u>\$ 10,688,960</u>	<u>\$ 102,999</u>

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

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2018

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 17,987,839	\$ 7,080,400	\$ 41,716,537	\$ 66,784,776	\$ 67,317
Payments to suppliers for goods and services	(16,265,243)	(167,997)	(17,820,106)	(34,253,346)	(52,616)
Payments to employees for services	(5,547,564)	8,930	(5,169,856)	(10,708,490)	-
Net cash provided by (used for) operating activities	<u>(3,824,968)</u>	<u>6,921,333</u>	<u>18,726,575</u>	<u>21,822,940</u>	<u>14,701</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	3,553,892	-	11,041,737	14,595,629	-
Transfers to other funds	(673,078)	(10,600,000)	(16,936,829)	(28,209,907)	(40,000)
Advances from other funds	1,164,692	8,297,673	7,902,742	17,365,107	-
Advances to other funds	-	-	(7,731,235)	(7,731,235)	7,328
Net cash provided by (used for) noncapital financing activities	<u>4,045,506</u>	<u>(2,302,327)</u>	<u>(5,723,585)</u>	<u>(3,980,406)</u>	<u>(32,672)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(353,893)	(2,145,426)	(8,934,675)	(11,433,994)	-
Disposal of capital assets	-	-	(17,749)	(17,749)	-
Principal payments on bonds	-	(1,370,267)	(8,422,469)	(9,792,736)	-
Proceeds from issuance of debt and premium	-	107,518	-	107,518	-
Interest and other fiscal charges	-	(585,334)	(5,074,666)	(5,660,000)	-
Net cash (used for) capital and related financing activities	<u>(353,893)</u>	<u>(3,993,509)</u>	<u>(22,449,559)</u>	<u>(26,796,961)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on short-term investments	30	5,005	282,712	287,747	-
Net cash provided by investing activities	<u>30</u>	<u>5,005</u>	<u>282,712</u>	<u>287,747</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(133,325)	630,502	(9,163,857)	(8,666,680)	(17,971)
Cash, cash equivalents and investments—beginning	585,986	7,360,619	53,871,690	61,818,295	106,022
Cash, cash equivalents and investments—ending	<u>\$ 452,661</u>	<u>\$ 7,991,121</u>	<u>\$ 44,707,833</u>	<u>\$ 53,151,615</u>	<u>\$ 88,051</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2018

(concluded)

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (3,445,345)	\$ 5,312,647	\$ 13,377,122	\$ 15,244,424	\$ 25,742
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	516,043	1,593,511	6,162,113	8,271,667	-
Pension expense	-	-	(687,876)	(687,876)	-
(Increase) decrease in receivables	(943,410)	289,876	539,319	(114,215)	(10,848)
(Increase) in deferred outflow—relating to pensions	(1,143,981)	-	(724,420)	(1,868,401)	-
(Decrease) in payables	(30,423)	(305,426)	(499,332)	(835,181)	(193)
Increase (decrease) in other accrued liabilities	(9)	25,326	5,774	31,091	-
Increase (decrease) in due to retirement systems	28,043	6,328	(15,764)	18,607	-
(Decrease) in unearned revenue	(8,623)	-	-	(8,623)	-
Increase (decrease) in compensated absences	(75,265)	-	60,048	(15,217)	-
Increase (decrease) in workers' compensation	(104,552)	-	55,124	(49,428)	-
(Decrease) in accrued other postemployment benefits obligation	(6,342,886)	(16,521)	(4,643,370)	(11,002,777)	-
(Decrease) in net pension liability	(1,037,015)	-	(1,184,564)	(2,221,579)	-
Increase in deferred inflows—relating to pensions	2,304,506	-	1,900,236	4,204,742	-
Increase in deferred inflows—relating to OPEB	6,457,949	15,592	4,382,165	10,855,706	-
Total adjustments	<u>(379,623)</u>	<u>1,608,686</u>	<u>5,349,453</u>	<u>6,578,516</u>	<u>(11,041)</u>
Net cash provided by (used for) operating activities	<u>\$ (3,824,968)</u>	<u>\$ 6,921,333</u>	<u>\$ 18,726,575</u>	<u>\$ 21,822,940</u>	<u>\$ 14,701</u>

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

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 23,911	\$ 1,749,832
Investments	32,912	-
Receivables	5,574	-
Total assets	62,397	\$ 1,749,832
LIABILITIES		
Accounts payable	-	\$ 72,792
Intergovernmental payables	-	25,716
Amounts held in custody for others	-	1,651,324
Total liabilities	-	\$ 1,749,832
NET POSITION		
Restricted	\$ 62,397	

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

CITY OF BUFFALO, NEW YORK
Statement of Changes in Net Position—
Fiduciary Funds
Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Investment earnings:	
Interest	\$ 17
DEDUCTIONS	
Awards	-
Total deductions	-
Change in net position	17
Net position—beginning	62,380
Net position—ending	\$ 62,397

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

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CITY OF BUFFALO, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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 City's accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The City of Buffalo, New York (the "City") is a municipal entity governed by an elected Mayor, Comptroller, and a nine-member elected City Common Council (the "Council").

The City's financial statements include those entities for which the City has clear oversight responsibility. This responsibility is determined through a review of such factors as the selecting of governing boards, financial interdependency and the ability to influence management and operations on a continuing basis. The accompanying financial statements present the City (the "primary government") and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units—The component unit columns in the government-wide financial statements include the financial data of the City's discretely presented component units. These component units are reported in a separate column to emphasize that they are legally separate from the City and that they are not simply an extension of the primary government.

Board of Education—The Board of Education, City of Buffalo, New York (the "Board") is a unit of local government created under the Constitution of the State, whose members are elected by the voters of the City in accordance with State statutes. The Board's primary function is to provide education for pupils. Services, such as transportation of pupils, administration, finance, and plant maintenance, support the primary function of the Board. The Board is financially dependent upon the City and has no independent authority to issue debt or levy taxes, with the exception of the Special Revenue Program Bonds issued by the State of New York Municipal Bond Bank Agency (see Note 11). The Board's Joint Schools

Construction Board (“JSCB”) bonds payable represent bonds issued by the Erie County Industrial Development Agency (the “Issuer”) to provide money to finance the renovation and/or equipping of certain public school facilities for use by the Board. The bonds are special limited obligations of the Issuer payable from amounts due from the Board under an installment sale agreement.

Buffalo Urban Renewal Agency—The Buffalo Urban Renewal Agency (“BURA”) is a public benefit corporation formed by an act of the State Legislature in 1966. Its corporate purpose includes the general planning and operation of various urban renewal programs designed to prevent or eliminate blight and deterioration in the Buffalo urban area. Most of the funding for the various programs conducted by BURA is obtained from the federal government through the City, representing an ongoing relationship with both financial benefit and burden to the City. Additionally, the majority of the governing body is composed of City officials and the City has the ability to remove appointed members and to approve BURA’s budget.

Blended Component Units—The following blended component units are legally separate entities from the City, but are, in substance, part of the City’s operations and therefore data from these units are combined with data of the primary government.

Buffalo Municipal Water Finance (the “Authority”) and the Buffalo Water Board (the “Water Board”)—The Authority and the Water Board are legally separate from the City; however, the Authority and the Water Board are reported as if they were part of the primary government (the “Water System”) because a majority of their Boards of Directors and/or management are City officials. In addition, the sole purpose of the Authority was to facilitate the financing of the City Water System’s acquisition by the Water Board and to finance construction improvements. The Water Board purchased the net assets of the Water System and is responsible for generating sufficient revenues to meet the debt service requirements of the City and Authority related to the Water System.

Buffalo Fiscal Stability Authority—The Buffalo Fiscal Stability Authority (the “BFSA”) is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Buffalo Fiscal Stability Authority Act (the “BFSA Act”), Chapter 122 of the State Laws of 2003, as amended from time to time. Nine directors, seven of which are appointed by the Governor, govern the BFSA. Its corporate purpose is to act as a temporary financial intermediary to the City. The BFSA is included as a blended component unit of the City’s primary government because their services are provided almost entirely to the City. The BFSA is fiscally dependent on the City, as they cannot issue debt without approval of the City, and cannot levy taxes or set rates that affect revenues. As such, the City is financially accountable for the BFSA.

Buffalo Fiscal Stability Authority Act—In May 2003, the State enacted the BFSA Act, pursuant to Chapter 122 of the State Laws of 2003. The BFSA Act provides the BFSA different financial control and oversight powers depending upon whether the City’s financial condition causes it to be in a control period or an advisory period. The BFSA Act defined and established a control period to be in effect as of the date of the BFSA Act and continue until specific conditions were met regarding the stability of the City’s finances. In May 2012, the BFSA determined that such conditions had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed if the BFSA determines at any time that a fiscal crisis is imminent or that any of the certain events, as outlined in the BFSA Act, have occurred or are likely to occur.

The Authority, the Water Board and the BFSA are included as blended component units because exclusion would be misleading.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed below:

Buffalo Water Board
502 City Hall
Buffalo, NY 14202

Buffalo Municipal Water Finance Authority
502 City Hall
Buffalo, NY 14202

Buffalo Board of Education
Office of the Chief Financial Officer
708 City Hall
Buffalo, NY 14202

City of Buffalo Urban Renewal Agency
Financial Control of Agencies
214 City Hall
Buffalo, NY 14202

Buffalo Fiscal Stability Authority
Market Arcade Building, Suite 400
617 Main Street
Buffalo, NY 14202

Related Organizations—Although the following are related to the City, they are not included in the City’s reporting entity:

Buffalo Sewer Authority—The Mayor also appoints the Board of Directors of the Buffalo Sewer Authority (the “Sewer Authority”), but the City’s accountability for the Sewer Authority does not extend beyond making these appointments. The Sewer Authority has its own taxing and debt-raising powers.

Buffalo Municipal Housing Authority (the “Housing Authority”)—The Mayor also is responsible for appointing five of the seven members of the Board of Directors of the Housing Authority and funds the operating deficits of the state-sponsored projects. The City’s accountability does not extend beyond this point. The Housing Authority was created by the State Legislature as a separate and independent government body not under City control. A 1982 State Supreme Court ruling supported the City’s conclusion regarding the independence of the Housing Authority.

BURA Inc. (the “Corporation”)—As provided in Section 1411 of the Not-For-Profit Corporation Law, the Corporation is a charitable corporation as defined in Section 201 of the Not-For-Profit Corporation Law, and it is formed and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Current members of the Board of Directors of the Corporation are related to the City as five out of six work, or are on the Board, for BURA. However, the City cannot impose will upon the BURA Inc. nor is there a financial benefit/burden relationship with the City to require it to be presented as a component unit of the City.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. It is the City's policy to record transactions between funds as operating transfers. Interfund services provided and used are not eliminated in the process of consolidation.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of current operations are financed by this fund and supported mainly by property taxes and intergovernmental revenues. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received, unless prohibited by the purpose and object of such funds.
- *Debt Service Fund*—The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on City and Board general improvement bonds, notes, and capital leases. The City has elected to report the Debt Service Fund as a major fund to enhance consistency, even though it did not meet the criteria for mandatory reporting in the current year.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources, such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing, or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for use of any of the enterprise funds are not included in the capital projects funds.
- *BFSA Special Revenue Fund*—This fund represents the General Fund of the BFSA and is used to account for all of their financial resources, except those required to be accounted for in another fund. This fund finances the operations of the BFSA, whereby they intercept state aid and sales tax from the City and transfer to the debt service account to pay debt issued on behalf of the City. The City has elected to report the BFSA Special Revenue Fund as a major fund to enhance consistency, even though it did not meet the criteria for mandatory reporting in the current year.

The City reports the following major proprietary funds:

- *Solid Waste and Recycling Fund*—The Solid Waste and Recycling Fund is used to account for the City's solid waste removal system.
- *Parking Fund*—The Parking Fund is used to account for public parking facilities operated by the City.
- *Water System Fund*—The Water System Fund accounts for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City.

Additionally, the City reports the following fund types:

Internal Service Fund—The *Internal Service Fund* accounts for operations in which amounts expended for the print shop are reimbursed by charges to the operations of other funds.

Nonmajor Governmental Funds—The nonmajor governmental funds include the *Special Revenue Fund*, the *BFSA Debt Service Fund*, and *Permanent Fund*:

- *Special Revenue Fund*—The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes.
- *BFSA Debt Service Fund*—This fund accounts for the state aid and sales tax resources that the BFSA intercepts from the City to pay principal and interest on general obligations bonds issued by the BFSA on behalf of the City.
- *Permanent Fund*—The Permanent Fund is used to account for assets held by the City in a trustee capacity that are legally restricted to the extent that only earnings, and not principal, may be used for purposes stipulated in the bequests and trust agreements.

Fiduciary Funds—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Private Purpose Trust Fund* and the *Agency Fund*. Activities reported in the Private Purpose Trust fund represent certain trust arrangements, while activities in the Agency Fund represent monies held for prisoners, deposits to be returned, and payroll withholdings due to other entities.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

Cash, Cash Equivalents and Investments—The City’s cash, cash equivalents, and investments 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, certificates of deposit and revenue anticipation notes. Investments are stated at fair value based on quoted market prices.

Restricted Cash and Cash Equivalents—Unspent proceeds from debt are reported as restricted cash and cash equivalents within the City’s Debt Service Fund and Capital Projects Fund. The City also reports restricted cash within its governmental and proprietary funds for amounts with constraints placed on their use by either external parties and/or statute and for unearned revenues.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Real Estate Acquired for Resale—Represents assets held by the City with the intention to resell.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as within each individual proprietary fund. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of four years. 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Capital assets	Years
Buildings	50
Building improvements	20
Improvements other than buildings	10 - 30
Infrastructure	20 - 50
Water system	20 - 40
Machinery and equipment	4 - 30

The capitalization threshold for the Board is \$5,000. Capital assets of the Board are depreciated using the straight-line method over the following estimated useful lives:

Capital assets	Years
Buildings	50
Building improvements	20
Land improvements	20
General equipment	10
Computer, business machine, and audit visual equipment	5
Automotive	7

BURA does not own infrastructure assets such as roads, bridges or sewers. BURA defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life exceeding five years. Assets are depreciated using the straight-line method over their useful lives, which range from 5 to 50 years.

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2018, the City reported unearned revenues within the General Fund and Solid Waste and Recycling Fund in the amounts of \$1,561,725 and \$194,181, respectively. The City received cash in advance related to grants, prepaid user fees, and other items but has not performed the services, and therefore recognizes a liability.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the City has two items that qualify for reporting in this category. The first item is deferred loss on refunding, which is reported in the government-wide financial statements and within the proprietary funds. The second item is related to pensions and is also reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the City's proportion of the collective net position asset or liability, the difference during the measurement period between the City's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

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, 2018, the City has three items that qualify for reporting in this category. The first item arises under a modified accrual basis of accounting. Accordingly, *unavailable revenues* are reported as deferred inflows of resources only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes that will not be realized within the period of availability. These amounts are deferred and recognized in the period that the amounts become available. The second item represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements as well as within the individual proprietary funds. The final item represents the effects of the change in the City'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 government-wide financial statements as well as within the individual proprietary funds.

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

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

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

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

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

The City has adopted a minimum fund balance policy which outlines the City’s target to maintain unrestricted fund balance of not less than fifteen percent of annual operating expenditures for the fiscal year.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied as of July 1, on which date they become liens on real property. The first half may be paid on or before July 31 without interest, and the second half on or before December 31 without interest. Interest on delinquent property taxes is charged at the rate of 18% per annum. The lien date is June 1 of the year following the levy of the taxes.

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt services and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended June 30, 2018, the City had a legal tax margin of approximately \$61.5 million.

Compensated Absences—The City’s policy is to pay employees for unused vacation, compensatory time, and sick time based on union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as a long-term liability. For business-type activities, the full liability is recognized in both the government-wide statement of net position and the proprietary fund financial statements.

Due to Retirement Systems—Amounts owed to the New York State Retirement Systems for wages of employees of the City, but not yet billed, are reported as liabilities in the financial statements.

Pensions—The City is mandated by New York State law to participate in the New York State Teacher’s Retirement System (“TRS”), the New York State Local Employees’ Retirement System (“ERS”) and the New York State Police and Fire Retirement System (“PFRS”). 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 7.

Other Postemployment Benefits—In addition to providing pension benefits, the City 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 8.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund’s principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: refuse collection charges for the Solid Waste and Recycling Fund, parking fees for the Parking Fund, and sale of water for the Water System. Operating expenses for the enterprise funds, and the Internal Service Fund, include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles 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/expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications—Certain amounts were reclassified from the Board’s, BURA’s, and BFSA’s financial statement presentation to conform to the City’s reporting presentation. In the Board’s statement of net position, \$5,231,945 previously classified as due to City of Buffalo was reclassified as due to component units. This amount represented sales tax that was a receivable from Erie County on behalf of the Board. And, in the BFSA’s statement of revenue, expenditures, and change in net position, \$294,193,325 in investment income and intergovernmental revenue offset other distributions relating to proceeds and interest payments on bonds issued by the BFSA on behalf of the City.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2018, the City implemented GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB Statement No. 81 improves accounting for financial

reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for the situation in which a government is a beneficiary. GASB Statement No. 82 addresses the issues raised during implementation of Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Other than the matter discussed in Note 2, GASB Statements No. 75, 81, 82, 85, and 86 did not have a material impact on the City’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Payments*, effective for the fiscal year ending June 30, 2019; No. 84, *Fiduciary Activities*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the fiscal year ending June 30, 2020, and No. 87, *Leases*, and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ending June 30, 2021. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89 and 90 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Fund Position—At June 30, 2018, the Solid Waste and Recycling Fund had a total net position of \$(67,012,708). This net deficit includes accrued postemployment benefits obligation of \$42,667,873. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$19,522,089. Although the City anticipates the deficit to be remedied by future rate increases or through General Fund subsidies, no formal plan exists.

At June 30, 2018, the City’s governmental activities had a total net position of \$(961,358,644) due primarily to the City’s recognition of long-term liabilities including other postemployment benefits.

The Board has a total net position of \$(2,587,875,421) at June 30, 2018, which is caused primarily by its recognition of long-term liabilities including other postemployment benefits.

BURA has a total net position of \$(20,792,208) at June 30, 2018, which is caused primarily by the recognition of long-term liabilities including other postemployment benefits.

Legal Compliance—Budgets—Through the budget, the Council sets the direction of the City, allocates its resources and established its priorities. The annual budget assures the efficient and effective uses of the City’s economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it established the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 1, for the fiscal year beginning July 1, the Mayor submits to the Common Council a complete operating plan of proposed expenditures and estimated revenues for the City's General Fund and the Debt Service Fund.
- The Council considers the operating budgets at the first meeting following their submission by the Mayor and has the power to delete, reduce, or add items to the budgets. If no additions are made by the Council, the budgets are passed by the Council and are adopted without any Mayoral actions. Any additions to the proposed executive budgets require Mayoral approval.
- The appropriation for every function of each City department, division, agency, or other purpose is fixed. The total expenditures for each function may not exceed the original appropriation during the fiscal year without Council approval. Increases over budget appropriations as originally adopted require a two-thirds vote of approval by the Council after certification by both the Mayor and Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted.
- Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the New York State Comptroller.

2. RESTATEMENT OF NET POSITION

During the year ended June 30, 2018, the City, BFSAs and BURAs implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The implementation of GASB Statement No. 75 requires the net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. As a result, the City's, BFSAs' and BURAs' OPEB liabilities were restated from \$594,216,000, \$701,164 and \$16,024,128 to \$1,444,609,488, \$1,120,850 and \$24,152,940, respectively, at June 30, 2017. Net position at June 30, 2017 has been restated as follows.

	<u>Primary Government</u>				<u>Component Unit</u>	
	<u>Governmental</u>	<u>Business-Type Activities</u>				<u>BURA</u>
		<u>Activities</u>	<u>Solid Waste and Recycling</u>	<u>Parking</u>		
	<u>Total</u>					
Net position—June 30, 2017, as previously stated	\$ (141,102,320)	\$ (34,957,451)	\$ 45,712,159	\$ 57,059,655	\$ (73,287,957)	\$ (11,716,692)
GASB Statement No. 75 implementation:						
OPEB liability adjustment - City	(797,458,213)	(31,490,756)	(75,330)	(21,369,189)	(850,393,488)	-
OPEB liability adjustment - BFSAs and BURAs	(419,686)	-	-	-	(419,686)	(8,128,812)
Net position—June 30, 2017, as restated	<u>\$ (938,980,219)</u>	<u>\$ (66,448,207)</u>	<u>\$ 45,636,829</u>	<u>\$ 35,690,466</u>	<u>\$ (924,101,131)</u>	<u>\$ (19,845,504)</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the City's investment policies. 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 City is authorized to deposit or invest funds in banks or trust companies located in, and authorized to do business in, New York 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. Cash in banks was fully collateralized at June 30, 2017, of which the bank carrying balance at June 30, 2018, was \$396,897,623.

Cash, cash equivalents and investments at June 30, 2018 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,750	\$ -	\$ -	\$ 8,750
Deposits	329,270,146	48,039,802	1,773,743	379,083,691
Investments	<u>5,882,015</u>	<u>5,111,813</u>	<u>32,912</u>	<u>11,026,740</u>
Total	<u>\$ 335,160,911</u>	<u>\$ 53,151,615</u>	<u>\$ 1,806,655</u>	<u>\$ 390,119,181</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 217,380,791	\$ 27,484,745	\$ -	\$ 244,865,536
Restricted cash and cash equivalents	111,898,105	20,555,057	-	132,453,162
Cash held in fiduciary funds	-	-	1,773,743	1,773,743
Total	<u>\$ 329,278,896</u>	<u>\$ 48,039,802</u>	<u>\$ 1,773,743</u>	<u>\$ 379,092,441</u>

Deposits—The City deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts or certificates of deposit issued by FDIC-insured commercial banks or trust companies located within New York State. Some of the City's accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for City operating cash and for investment purposes. There are no deposits which are uninsured or not collateralized.

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the City'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. 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. As of June 30, 2018, the City's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the City's name.

Governmental Activities Restricted Cash and Cash Equivalents—General Fund restricted cash of \$3,835,350 represents monies set aside as part of the funding requirements of the State for the settlement of a dispute between the Board and the Buffalo Teachers Federation. The initial settlement was bonded and such restricted cash will be used to pay the debt service requirements. Additionally, \$25,065,531 in restricted cash in the General Fund represents additional cash held in a bank custodial account. Further, the City also reports \$1,561,725 of restricted cash related to unearned revenues within the General Fund. The Debt Service Fund restricted assets of \$9,325,928 are held by a trustee for future debt service payments. Restricted cash of \$58,007,003 is reported within the Capital Projects Fund for amounts representing nonoperating cash raised through borrowings, grants and transfers from other funds. Additionally, the City reports \$8,820,275, \$468,567, \$4,101,145, \$637,357, and \$75,224 in the General Fund, BFSA Special Revenue Fund, Special Revenue Fund, BFSA Debt Service Fund and Permanent Fund, respectively, which represent amounts with constraints placed on their use by either external parties and/or statute.

Business-Type Activities Restricted Cash and Cash Equivalents—Business-type restricted cash within the Water System represents monies raised from the issuance of debt to fund additions to enterprise plant assets and may only be used for this purpose. The Solid Waste Fund reports restricted cash of \$194,181 related to unearned revenues.

The restricted cash of the Water System consists primarily of Treasury notes, Treasury bills, and certificates of deposit with a commercial bank. At June 30, 2018, \$783,056 of the Water System’s restricted cash consisted of U.S. government securities recorded in the Water System’s name and held in a bank custodial account. The Water System also maintains restricted money market accounts with fair values totaling \$19,577,820 at June 30, 2018.

Investments—At June 30, 2018, total investments of \$11,026,740 consisted of investments held by the City of \$5,173,285, held by the BFSA of \$5,820,543, and maintained in fiduciary funds of \$32,912. Investments at June 30, 2018 are presented in the following table:

	Cost	Fair Value
Certificates of deposit	\$ 5,206,197	\$ 5,206,197
U.S. Treasury SLGs	884,153	921,668
Federal Home Loan Banks	4,823,966	4,898,875
Total	<u>\$ 10,914,316</u>	<u>\$ 11,026,740</u>

Investments in the City consist of certificates of deposit issued with thirteen week maturities. Investments in fiduciary funds consist solely of certificates of deposit at June 30, 2018. Additionally, investments include restricted amounts for those fund balances constrained to specific purposes through constitutional provisions or by enabling legislation.

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities related to the BFSA’s investments are generally short-term with certificates of deposit issued with 30-day maturities and commercial paper due within 45 days.

Fair Value Measurements—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.

All investments reported by the City are measured using level 1 inputs.

Custodial Credit Risk—Investments—For investments, this is the risk that, in the event of the failure of the counterparty, the City 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 City’s name.

Credit Risk—In compliance with the State law, City investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, 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, City deposits and investments are placed with multiple institutions. The general rule is not to place more than \$100 million or 50% of the City’s total investment portfolio, whichever is less, in overnight investments with any one institution.

Interest Rate Risk—The City 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 City generally limits its investments to 180 days or less.

Board of Education

At June 30, 2018, cash in banks was \$276,903, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$34,664,460 at June 30, 2018, for various purposes as follows:

- \$18,938,160 is restricted for the local share contribution held in trust which can only be disbursed in accordance with the Indenture Trust Agreement, and represents an amount of the Series 2008, 2009, 2011 and 2013 bond proceeds to be deposited and maintained by a trustee. Such cash is held with a fiscal agent.
- \$11,506,535 represents a local share contribution to be held in trust and can only be disbursed in accordance with the Local Share Trust and Depository Agreement.
- \$3,525,675 represents endowment funds and can be used in accordance with the respective endowment document.
- \$694,090 is restricted to support obligations related to workers' compensation claims.

Buffalo Urban Renewal Agency

At June 30, 2018, BURA reported total deposits of \$1,200,295. BURA's deposits are maintained in demand deposit or savings accounts. By State statute, all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2018, BURA's deposits were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—Restricted cash reported in BURA's General Fund for funds held in escrow and also in its special revenue funds as grant funds held prior to disbursement of approved expenditures. At June 30, 2018, BURA reported \$1,111,085 of restricted cash.

4. RECEIVABLES

Receivables at June 30, 2018, for the City's individual funds and related allowances for estimated uncollectible amounts are as follows:

	Gross Receivable	Allowance	Net Receivable
Receivables:			
Governmental funds:			
General Fund:			
Taxes	\$ 12,272,743	\$ (3,459,426)	\$ 8,813,317
Accounts receivable	14,756,804	(5,347,945)	9,408,859
Due from other agencies	877,579	-	877,579
Intergovernmental receivables	2,603,024	-	2,603,024
Due from other funds	52,079,886	-	52,079,886
Total	<u>\$ 82,590,036</u>	<u>\$ (8,807,371)</u>	<u>\$ 73,782,665</u>
Debt Service Fund:			
Due from other funds	<u>\$ 163,971</u>	<u>\$ -</u>	<u>\$ 163,971</u>
Capital Projects Fund:			
Accounts receivable	\$ 913,686	\$ -	\$ 913,686
Due from other agencies	786,423	-	786,423
Intergovernmental receivables	4,222,844	-	4,222,844
Total	<u>\$ 5,922,953</u>	<u>\$ -</u>	<u>\$ 5,922,953</u>
BFSA Special Revenue Fund:			
Intergovernmental receivables	<u>\$ 14,243,298</u>	<u>\$ -</u>	<u>\$ 14,243,298</u>
Nonmajor governmental funds:			
Other receivables	\$ 4,136	\$ -	\$ 4,136
Intergovernmental receivables	274,923	-	274,923
Due from other funds	924,959	-	924,959
Total	<u>\$ 1,204,018</u>	<u>\$ -</u>	<u>\$ 1,204,018</u>
Total governmental funds	<u>\$ 104,124,276</u>	<u>\$ (8,807,371)</u>	<u>\$ 95,316,905</u>

	Gross Receivable	Allowance	Net Receivable
Receivables:			
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 9,139,102	\$ (7,531,083)	\$ 1,608,019
Other receivables	158,561	(66,790)	91,771
Due from other funds	184,505	-	184,505
Total	<u>\$ 9,482,168</u>	<u>\$ (7,597,873)</u>	<u>\$ 1,884,295</u>
Parking Fund:			
Accounts receivable	\$ 2,618,294	\$ -	\$ 2,618,294
Water System:			
Accounts receivable	\$ 21,067,011	\$ (16,948,852)	\$ 4,118,159
Other receivables	1,483,454	-	1,483,454
Due from other agencies	127,425	-	127,425
Total	<u>\$ 22,677,890</u>	<u>\$ (16,948,852)</u>	<u>\$ 5,729,038</u>
Internal Service Fund:			
Accounts receivable	\$ 19,146	\$ -	\$ 19,146
Due from other funds	3,525	-	3,525
Total	<u>\$ 22,671</u>	<u>\$ -</u>	<u>\$ 22,671</u>
Total proprietary funds	<u>\$ 34,801,023</u>	<u>\$ (24,546,725)</u>	<u>\$ 10,254,298</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York, State, or other local governments. Amounts are shown net of related advances from New York State. Intergovernmental receivables at June 30, 2018 are shown below:

Intergovernmental receivables:

Governmental funds:

General Fund:

Due from Erie County	\$ 2,070,140
Due from New York State	<u>532,884</u>
Total	<u>\$ 2,603,024</u>

Capital Projects Fund:

Due from New York State	<u>\$ 4,222,844</u>
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BFSA Special Revenue Fund:

Due from New York State	<u>\$ 14,243,298</u>
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Nonmajor governmental funds:

Special Revenue Fund:

Due from New York State	\$ 253,696
Due from federal government	<u>21,227</u>
Total	<u>\$ 274,923</u>

Total governmental funds	<u>\$ 21,344,089</u>
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Board of Education

Significant revenues accrued by the Board include the following:

Receivables at June 30, 2018, consisted of the following:

General Fund:	
Health insurance refunds	\$ 10,235,122
Tuition billing	1,048,997
Health services	955,367
Miscellaneous revenues	777,741
Special Aid Fund	111,975
Nonmajor governmental funds	124,580
Total	<u>\$ 13,253,782</u>

Intergovernmental receivables at June 30, 2018, consisted of the following:

General Fund:	
State aid - lottery aid	\$ 11,482,761
State aid - excess cost aid	14,918,762
State aid - Medicaid	2,768,576
Special Aid Fund: Federal and State aid*	34,865,684
Capital Projects Fund: State awards	10,007,636
School Lunch Fund: Federal and state reimbursements	1,808,207
Total	<u>\$ 75,851,626</u>

*Amount reported net of unearned revenue

In addition, the Board reports amounts owed from the City of \$213,476,072 as due from primary government at June 30, 2018.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2018 consisted of the following:

	General	Community Development Block Grant	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 22,552,629	\$ 64,675,110	\$ 87,227,739
Notes receivable	2,798,632	-	-	2,798,632
Allowance for uncollectibles	(1,634,859)	(22,552,629)	(64,675,110)	(88,862,598)
Total receivables	<u>\$ 1,163,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,163,773</u>

Program Loans Receivable—Represents amounts due to BURA of \$87,227,739, which are offset by allowances for uncollectibles.

Notes Receivable—Represents amounts due from various sources for projects designed to stimulate economic development and housing improvements in the City, provided net of allowances for uncollectible accounts. BURA reports amounts of \$2,798,632 which are offset by an allowance for uncollectibles in the amount of \$1,634,859.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2018 consisted of the following:

	Community Development Block Grant	Nonmajor Governmental Funds	Total
Due from federal government	<u>\$ 559,861</u>	<u>\$ 237,144</u>	<u>\$ 797,005</u>

In addition, BURA reports amounts owed from the City of \$77,509 as due from primary government at June 30, 2018.

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government’s governmental activities, for the fiscal year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital assets, not being depreciated:				
Land	\$ 10,048,121	\$ -	\$ -	\$ 10,048,121
Construction in progress	<u>21,752,948</u>	<u>25,371,453</u>	<u>21,752,948</u>	<u>25,371,453</u>
Total capital assets, not being depreciated	<u>31,801,069</u>	<u>25,371,453</u>	<u>21,752,948</u>	<u>35,419,574</u>
Capital assets, being depreciated:				
Buildings and building improvements	309,317,596	15,928,564	-	325,246,160
Improvements other than buildings	60,947,034	4,760,110	-	65,707,144
Machinery and equipment	71,995,362	979,453	3,225,802	69,749,013
Infrastructure	<u>520,931,282</u>	<u>9,192,486</u>	<u>-</u>	<u>530,123,768</u>
Total capital assets, being depreciated	<u>963,191,274</u>	<u>30,860,613</u>	<u>3,225,802</u>	<u>990,826,085</u>
Less accumulated depreciation for:				
Buildings and building improvements	132,254,334	7,410,619	-	139,664,953
Improvements other than buildings	37,904,442	2,412,564	-	40,317,006
Machinery and equipment	55,069,826	4,996,358	3,199,930	56,866,254
Infrastructure	<u>258,501,665</u>	<u>20,386,489</u>	<u>-</u>	<u>278,888,154</u>
Total accumulated depreciation	<u>483,730,267</u>	<u>35,206,030</u>	<u>3,199,930</u>	<u>515,736,367</u>
Total capital assets, being depreciated, net	<u>479,461,007</u>	<u>(4,345,417)</u>	<u>25,872</u>	<u>475,089,718</u>
Governmental activities capital assets, net	<u>\$ 511,262,076</u>	<u>\$ 21,026,036</u>	<u>\$ 21,778,820</u>	<u>\$ 510,509,292</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital assets, not being depreciated:				
Land	\$ 3,362,210	\$ -	\$ -	\$ 3,362,210
Construction in progress	2,184,934	3,847,456	259,783	5,772,607
Total capital assets, not being depreciated	<u>5,547,144</u>	<u>3,847,456</u>	<u>259,783</u>	<u>9,134,817</u>
Capital assets, being depreciated:				
Buildings and building improvements	185,966,134	2,682,533	-	188,648,667
Improvements other than buildings	489,222	-	-	489,222
Machinery and equipment	11,472,847	509,273	590,047	11,392,073
Infrastructure	113,816,466	4,672,264	-	118,488,730
Total capital assets, being depreciated	<u>311,744,669</u>	<u>7,864,070</u>	<u>590,047</u>	<u>319,018,692</u>
Less accumulated depreciation for:				
Buildings and building improvements	65,810,043	4,806,169	-	70,616,212
Improvements other than buildings	420,173	24,042	-	444,215
Machinery and equipment	9,047,756	651,289	572,298	9,126,747
Infrastructure	53,750,686	2,790,167	-	56,540,853
Total accumulated depreciation	<u>129,028,658</u>	<u>8,271,667</u>	<u>572,298</u>	<u>136,728,027</u>
Total capital assets, being depreciated, net	<u>182,716,011</u>	<u>(407,597)</u>	<u>17,749</u>	<u>182,290,665</u>
Business-type activities capital assets, net	<u>\$ 188,263,155</u>	<u>\$ 3,439,859</u>	<u>\$ 277,532</u>	<u>\$ 191,425,482</u>

Depreciation expense was charged to the functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 3,988,422
Public safety	6,662,082
Streets and sanitation	19,544,461
Economic assistance and opportunity	28,179
Culture and recreation	4,543,629
Health and community services	439,257
Total governmental activities depreciation expense	<u>\$ 35,206,030</u>
Business-type activities:	
Solid waste and recycling	\$ 516,043
Parking	1,593,511
Water system	6,162,113
Total business-type activities depreciation expense	<u>\$ 8,271,667</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital assets, not being depreciated:				
Land	\$ 3,006,700	\$ -	\$ -	\$ 3,006,700
Construction in progress	<u>11,787,084</u>	<u>22,562,834</u>	<u>3,479,929</u>	<u>30,869,989</u>
Total capital assets, not being depreciated	<u>14,793,784</u>	<u>22,562,834</u>	<u>3,479,929</u>	<u>33,876,689</u>
Capital assets, being depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvement	1,750,398,027	6,185,562	-	1,756,583,589
Equipment	<u>25,377,625</u>	<u>1,565,509</u>	<u>163,328</u>	<u>26,779,806</u>
Total capital assets, being depreciated	<u>1,781,318,338</u>	<u>7,751,071</u>	<u>163,328</u>	<u>1,788,906,081</u>
Less accumulated depreciation for:				
Land improvements	4,480,901	89,738	-	4,570,639
Buildings and building improvement	801,065,084	77,296,828	-	878,361,912
Equipment	<u>20,947,557</u>	<u>1,343,706</u>	<u>142,298</u>	<u>22,148,965</u>
Total accumulated depreciation	<u>826,493,542</u>	<u>78,730,272</u>	<u>142,298</u>	<u>905,081,516</u>
Total capital assets being depreciated, net	<u>954,824,796</u>	<u>(70,979,201)</u>	<u>21,030</u>	<u>883,824,565</u>
Board capital assets, net	<u>\$ 969,618,580</u>	<u>\$ (48,416,367)</u>	<u>\$ 3,500,959</u>	<u>\$ 917,701,254</u>

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital assets, being depreciated:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	<u>22,535</u>	<u>-</u>	<u>9,700</u>	<u>12,835</u>
Total capital assets, being depreciated	<u>794,589</u>	<u>-</u>	<u>9,700</u>	<u>784,889</u>
Less accumulated depreciation for:				
Buildings	299,364	9,639	-	309,003
Equipment	<u>22,535</u>	<u>-</u>	<u>9,700</u>	<u>12,835</u>
Total accumulated depreciation	<u>321,899</u>	<u>9,639</u>	<u>9,700</u>	<u>321,838</u>
BURA capital assets, net	<u>\$ 472,690</u>	<u>\$ (9,639)</u>	<u>\$ -</u>	<u>\$ 463,051</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2018, were as follows:

	General Fund	BFSA Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 11,201,059	\$ 37,299	\$ -	\$ 11,238,358
Other accruals	-	-	328,968	328,968
Total accrued liabilities	<u>\$ 11,201,059</u>	<u>\$ 37,299</u>	<u>\$ 328,968</u>	<u>\$ 11,567,326</u>

7. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

New York State and Local Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The City participates in the PFRS and ERS. These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the System, 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 City also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regards 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.

The Systems are 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 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3.0%) 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 System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2018, the City reported the liabilities on the following page for its proportionate share of the net pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2017, with updated procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by PFRS and ERS Systems in reports provided to the City.

	Governmental activities		Business-type activities
	PFRS	ERS	ERS
Measurement date	March 31, 2018	March 31, 2018	March 31, 2018
Net pension liability	\$ 34,797,285	\$ 6,852,881	\$ 1,509,099
City's portion of the Plan's total net pension liability	3.4426958%	0.2123314%	0.0467582%

As of the March 31, 2018 measurement date, the City's governmental activities portion of the Plan's total net pension liability for PFRS and ERS, respectively, had increased 0.184955% and 0.017739% from their portion of the Plan's total net pension liability of 3.2577408% and 0.1945924% on the March 31, 2017 measurement date. The City's business-type activities portion of the Plan's total net pension liability had increased 0.0070544% from their portion of the Plan's total net pension liability of 0.0397038% on the March 31, 2017 measurement date.

For the year ended June 30, 2018, the City's governmental activities recognized pension expenses of \$35,350,930 and \$9,172,331 for PFRS and ERS, respectively. Business-type activities recognized pension expense of \$2,019,872 for ERS. At June 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Governmental activities		Business-type activities	Governmental activities		Business-type activities
	PFRS	ERS	ERS	PFRS	ERS	ERS
Differences between expected and actual experiences	\$ 14,322,215	\$ 2,444,200	\$ 538,246	\$ 9,246,436	\$ 2,019,796	\$ 444,786
Changes of assumptions	26,365,244	4,544,026	1,000,656	-	-	-
Net difference between projected and actual earnings on pension plan investments	28,164,322	9,953,267	2,191,845	56,721,416	19,646,749	4,326,480
Changes in proportion and differences between the City's contributions and proportionate share of contributions	7,097,770	2,620,535	577,078	1,401,152	-	-
City contributions subsequent to the measurement date	7,619,584	2,223,340	489,610	-	-	-
Total	<u>\$ 83,569,135</u>	<u>\$ 21,785,368</u>	<u>\$ 4,797,435</u>	<u>\$ 67,369,004</u>	<u>\$ 21,666,545</u>	<u>\$ 4,771,266</u>

City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Governmental activities		Business-type activities
	PFRS	ERS	ERS
2019	\$ 9,235,692	\$ 2,354,544	\$ 518,502
2020	8,440,311	1,847,094	406,755
2021	(6,812,755)	(4,374,472)	(963,318)
2022	(4,055,125)	(1,931,683)	(425,380)
2023	1,772,424	-	-

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

	PFRS	ERS
Measurement date	March 31, 2018	March 31, 2018
Actuarial valuation date	April 1, 2017	April 1, 2017
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%

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

The actuarial assumptions used in the April 1, 2017 valuations 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 weighing 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.

	Target Allocation	Long-Term Expected Real Rate of Return
	PFRS and ERS	
Measurement date	March 31, 2018	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	0.0
Inflation-indexed bonds	4.0	1.3
Total	100.0 %	

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the City’s proportionate share of the net pension liabilities calculated using the discount rate of 7.0%, as well as what the City’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	\$ 170,446,523	\$ 34,797,285	\$ (78,980,603)
Employer's proportionate share of the net pension liability/(asset)—ERS	63,268,977	8,361,980	(38,087,149)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2017	April 1, 2017	
Employers' total pension liability	\$ 32,914,423	\$ 183,400,590	\$ 216,315,013
Plan fiduciary net position	31,903,666	180,173,145	212,076,811
Employers' net pension liability	<u>\$ 1,010,757</u>	<u>\$ 3,227,445</u>	<u>\$ 4,238,202</u>
System fiduciary net position as a percentage of total pension liability	96.9%	98.2%	98.0%

Payables to the Pension Plan—Employer contributions are paid annually based on the System’s fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid System wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$7,619,584 and \$2,690,517 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSFA also participates in the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2018, the BFSFA reported a liability of \$60,374 for its proportionate share of the net pension liability. At the March 31, 2018 measurement date, the BFSFA’s

proportion was 0.0018707%, a decrease of 0.0001176% from its proportion measured as of March 31, 2017.

For the year ended June 30, 2018, BFSFA recognized pension expense of \$56,498. At June 30, 2018, the BFSFA 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	\$ 21,534	\$ 17,795
Changes of assumptions	40,033	-
Net difference between projected and actual earnings on pension plan investments	87,689	173,089
Changes in proportion and differences between BFSFA's contributions and proportionate share of contributions	2,934	43,647
BFSFA contributions subsequent to the measurement date	<u>13,725</u>	<u>-</u>
Total	<u>\$ 165,915</u>	<u>\$ 234,531</u>

The BFSFA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2019. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	ERS
2019	\$ (3,566)
2020	(1,293)
2021	(52,188)
2022	(25,294)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the BFSFA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the BFSFA's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 456,809	\$ 60,374	\$ (274,993)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2018 amounted to \$13,725.

Board of Education

The Board participates in the Teachers' Retirement System ("TRS") and the ERS.

Plan Descriptions and Benefits Provided

Teachers' Retirement System—This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law ("NYSRSSL"). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, 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. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS' website at www.nystrs.org.

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute 3.0% to 3.5% of their annual salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2018, the Board reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability were measured as of June 30, 2017 for TRS and March 31, 2018 for ERS. The total pension (asset)/liability used to calculate the net pension (asset)/liability were determined by actuarial valuations as of June 30, 2016 and April 1, 2017 for TRS and ERS, respectively, with update procedures used to roll forward the total pension (asset)/liability to the measurement dates. The Board's proportion of the net pension (asset)/liability was based on a projection of the Board's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by TRS and ERS in reports provided to the Board.

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Net pension liability	\$ (13,960,812)	\$ 4,402,094
Board's portion of the Plan's total net pension liability	1.836709%	0.136396%

As of their respective measurement dates, the Board's portion of the Plan's total net pension (asset)/liability for TRS and ERS, respectively, had increased 0.185211% and 0.003952% from their portion of the Plan's total net pension (asset)/liability of 1.651498% and 0.132444% on the June 30, 2016 and March 31, 2017 measurement dates.

For the year ended June 30, 2018, the Board recognized pension expense of \$33,540,684 for the TRS and \$5,761,572 for ERS, respectively. At June 30, 2018, the Board 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	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ 11,486,318	\$ 1,570,084	\$ 5,443,159	\$ 1,297,459
Changes of assumptions	142,053,978	2,918,952	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,393,694	32,881,750	12,620,510
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,475,180	1,391,699	11,518,784	231,064
Board's contributions subsequent to the measurement date	<u>29,075,372</u>	<u>1,499,432</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 184,090,848</u>	<u>\$ 13,773,861</u>	<u>\$ 49,843,693</u>	<u>\$ 14,149,033</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as shown below:

Year Ending June 30,	TRS	ERS
2019	\$ 1,672,235	\$ 1,382,021
2020	36,024,671	1,072,311
2021	25,336,628	(2,984,392)
2022	5,118,235	(1,344,544)
2023	25,258,380	-
Thereafter	11,761,634	-

Actuarial Assumptions—The total pension (asset)/liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement dates. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7.00%
Salary scale	1.90-4.70%	3.80%
Decrement tables	July 1, 2009- June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. The

actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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	
	TRS	ERS	TRS	ERS
			June 30, 2017	March 31, 2018
Asset class:				
Domestic equities	35.0 %	36.0 %	5.9 %	4.6 %
International equities	18.0	14.0	7.4	6.4
Private equity	8.0	10.0	9.0	7.5
Real estate	11.0	10.0	4.3	5.6
Alternative investments	0.0	0.0	0.0	0.0
Fixed income securities	19.0	0.0	6.8	0.0
Absolute return strategies	0.0	2.0	0.0	3.8
Opportunistic portfolio	0.0	3.0	0.0	5.7
Real assets	0.0	3.0	0.0	5.3
Bonds and mortgages	8.0	17.0	2.8	1.3
Short-term	1.0	1.0	0.6	0.0
Inflation-indexed bonds	0.0	4.0	0.0	1.3
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset)/liability.

Sensitivity of the Proportionate Share of the Net Pension (Asset)/Liability to the Discount Rate Assumption—The chart on the following page presents the Board’s proportionate share of the net pension liabilities/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the Board’s proportionate share of the net pension liabilities/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current assumption.

TRRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability/(asset)	\$ 240,503,438	\$ (13,960,812)	\$ (227,061,990)

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 33,307,433	\$ 4,402,094	\$ (20,050,667)

Pension Plan Fiduciary Net Position—The components of the current-year net pension (asset)/liability of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	TRRS	ERS	Total
Measurement date	June 30, 2017	March 31, 2018	
Employers' total pension liability	\$ 114,708,261	\$ 183,400,590	\$ 298,108,851
Plan fiduciary net position	<u>115,468,360</u>	<u>180,173,145</u>	<u>295,641,505</u>
Employers' net pension (asset)/liability	<u>\$ (760,099)</u>	<u>\$ 3,227,445</u>	<u>\$ 2,467,346</u>
System fiduciary net position as a percentage of the total pension (asset)/liability	100.7%	98.2%	99.2%

Payables to the Pension Plan—For TRRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRRS System. Accrued retirement contributions for TRRS as of June 30, 2018 amounted to \$31,857,068. For ERS, accrued retirement contributions as of June 30, 2018 amounted to \$1,499,431.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2018, BURA reported a liability of \$244,949 for its proportionate share of the net pension liability. At the March 31, 2018 measurement date, BURA's proportion was 0.0075896%, a decrease of 0.0003497% from its proportion measured as of March 31, 2017.

For the year ended June 30, 2018, BURA recognized pension expense of \$288,116. At June 30, 2018, BURA reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 87,365	\$ 72,195
Changes of assumptions	162,421	-
Net difference between projected and actual earnings on pension plan investments	355,769	702,252
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	46,784	38,584
BURA contributions subsequent to the measurement date	80,626	-
Total	<u>\$ 732,965</u>	<u>\$ 813,031</u>

BURA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	ERS
2019	\$ 44,422
2020	47,979
2021	(170,697)
2022	(82,396)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents BURA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what BURA's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 1,853,349	\$ 244,949	\$ (1,115,693)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2018 amounted to \$80,626.

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

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. Additionally, under requirements of state and local law, the City compensates firefighters that retire due to disability before the mandatory retirement age of 70. This compensation is equal to the differential between the retiree’s pension and the salary that he/she would receive if still in active service. 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 as of July 1, 2016, the effective valuation date of the OPEB valuation, is as follows:

Active employees	2,670
Retired employees	2,728
Spouses of retirees	1,664
Dependents	<u>855</u>
Total	<u>7,917</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 City’s total OPEB liabilities for governmental and business-type activities of \$1,183,643,696 and \$71,383,501, respectively, were measured as of June 30, 2017, and were determined by an actuarial valuation as of July 1, 2016.

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 July 1, 2016 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2017 for a reporting date of June 30, 2018. The discount rate was 3.58%. Mortality rates are based on the RP-2014 sex distinct Mortality Tables, adjusted to reflect the scale MP-2014 from the 2006 base year, and projected forward using scale MP-2016. 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 6.0%, while the ultimate healthcare cost trend rate is 4.00%.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

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

	Total OPEB Liability	
	Governmental Activities	Business-type Activities
Balances at June 30, 2017, as restated	\$ 1,362,223,213	\$ 82,386,275
Changes for the year:		
Service cost	56,825,355	2,725,605
Interest	39,804,589	2,385,850
Changes of assumptions	(229,517,536)	(13,881,054)
Contributions—employer	(45,691,925)	(2,233,175)
Net changes	(178,579,517)	(11,002,774)
Balances at June 30, 2018	\$ 1,183,643,696	\$ 71,383,501

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Governmental activities:			
Net OPEB liability	\$ 1,369,427,667	\$ 1,183,643,696	\$ 1,034,513,676
Business-type activities:			
Net OPEB liability	\$ 82,775,585	\$ 71,383,501	\$ 62,531,580

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 (6.0%) and ultimate (4.0%) healthcare cost trend rates.

	1% Decrease (5.0% / 3.0%)	Healthcare Cost Trend Rates (6.0% / 4.0%)	1% Increase (7.0% / 5.0%)
Governmental activities:			
Net OPEB liability	\$ 1,014,060,927	\$ 1,183,643,696	\$ 1,400,399,645
Business-type activities:			
Net OPEB liability	\$ 61,295,305	\$ 71,383,501	\$ 84,647,699

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, 2018, the City’s governmental and business-type activities recognized OPEB expense of \$48,841,391 and \$2,086,107, respectively.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City 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, 2018, the City reported deferred inflows of resources related to OPEB from the sources shown below.

	Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities
Changes of assumptions	\$ 181,728,983	\$ 10,855,706
Total	<u>\$ 181,728,983</u>	<u>\$ 10,855,706</u>

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

Year Ending June 30,	Governmental Activities	Business-type Activities
2019	\$ (47,788,553)	\$ (3,025,348)
2020	(47,788,553)	(3,025,348)
2021	(47,788,553)	(3,025,348)
2022	(38,363,324)	(1,779,662)

Buffalo Fiscal Stability Authority

Plan Description—The BFSFA maintains a single-employer defined benefit healthcare plan (the “Plan”) providing for lifetime cost sharing of medical, dental, and vision premiums to eligible retirees and spouses.

The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the BFSFA over age 55 and with ten or more years of service. The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

Employees Covered by Benefit Terms—For the year ended June 30, 2018 there were no retirees of the BFSFA receiving benefits. At June 30, 2018, the following employees were covered by the benefit terms:

Active employees	5
Retired employees	<u>-</u>
Total	<u>5</u>

Total OPEB Liability

The Authority's total OPEB liability of \$1,283,543 was measured as of June 30, 2018, and was determined by using the alternative measurement method, available to plans with fewer than 100 employees.

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the Plan as understood by the BFSAs and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the BFSAs and Plan members. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The following assumptions were made:

Healthcare cost trend rates – Initial rates of 4.6% for medical, 7.6% for pharmacy, 3.5% for dental, and 3.0% for vision, reduced to an ultimate rate of 4.7% for medical and pharmacy and 3.0% for dental and vision after ten years.

Salary increases – A 4.0% payroll growth rate was used.

Mortality – RP2000, mortality table for males and females projected 18 years.

Discount rate – 3.87% based on the 20-Year tax-exempt municipal bond yield for bonds with an average rating of AA or higher as of the measurement date.

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

	Total OPEB Liability
Balances at June 30, 2017, as restated	\$ 1,120,850
Changes for the year:	
Service cost	162,693
Interest	-
Contributions—employer	-
Net changes	162,693
Balances at June 30, 2018	\$ 1,283,543

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

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 1,603,836	\$ 1,283,543	\$ 1,037,036

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 (7.6%) and ultimate (3.0%) healthcare cost trend rates.

	1% Decrease (6.6% / 2.0%)	Healthcare Cost Trend Rates (7.6% / 3.0%)	1% Increase (8.6% / 4.0%)
Net OPEB liability	\$ 996,476	\$ 1,283,543	\$ 1,664,197

Funding Policy—Contributions may vary according to length of service. 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, 2018, the Authority recognized OPEB expense of \$162,693.

Board of Education

Plan Description—The Board administers the Board of Education, City of Buffalo, New York’s Retiree Medical and Prescriptions Drug (the “Board’s Plan”) as a single-employer defined benefit other postemployment benefits plan. The Board’s Plan provides for the continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Board subject to applicable collective bargaining and employment agreements. The Board’s Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose for paying benefits under the Board’s Plan.

Funding Policy—The obligations of the plan members, employers, and other entities are established by action of the Board pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members, varies depending on the applicable agreement. The Board currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Board’s Plan are paid by the Board.

Employees Covered by Benefit Terms—At April, 2018, the following employees were covered by the benefit terms:

Active employees	5,063
Retired employees and dependents	<u>4,814</u>
Total	<u><u>9,877</u></u>

Total OPEB Liability

The Board’s total OPEB liability of \$2,290,152,000 was measured as of June 30, 2018, using updated procedures to roll forward the actuarial valuation from June 30, 2017.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	4.67%, average, including inflation
Discount Rate	3.87%

Healthcare Cost Trend Rates	8.50% in 2018, with an ultimate rate of 5.50% for 2026
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy.

The discount rate was based on Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using MP-2015.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

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

	Total OPEB Liability (in thousands)
Balance at July 1, 2017	\$ 2,535,305
Changes for the year:	
Service cost	82,946
Interest	92,126
Changes of assumptions	(124,707)
Differences between expected and actual experience	(234,087)
Contributions—employer	(61,431)
Net changes	(245,153)
Balance at June 30, 2018	\$ 2,290,152

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.87 percent in 2018.

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability (amounts in thousands).

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 2,729,404	\$ 2,290,152	\$ 1,945,716

Additionally, healthcare costs can be subject to considerable volatility over time. The table presented on the following page presents the effect on the net OPEB liability of a 1% change in the initial (8.5%)/ultimate (5.0%) healthcare cost trend rates (amounts in thousands).

	1% Decrease <u>(7.5% to 5.0%)</u>	Healthcare Cost Trend Rates <u>(8.5% to 5.0%)</u>	1% Increase <u>(9.5% to 6.0%)</u>
Net OPEB liability	\$ 1,894,120	\$ 2,290,152	\$ 2,812,500

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended June 30, 2018, the Board recognized OPEB expense of \$56,029,000. The Board reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The following table presents the Board’s deferred inflows of resources at June 30, 2018 (amounts in thousands):

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 385,616
Changes of assumptions	<u>263,472</u>
Total	<u>\$ 649,088</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount (in thousands)</u>
2019	\$ (119,552)
2020	(119,552)
2021	(119,552)
2022	(119,552)
2023	(119,552)
Thereafter	(51,328)

Buffalo Urban Renewal Agency

Plan Description—In addition to pension benefits, the Agency provides continuation of medical insurance coverage to employees that retire under the New York State and Local Employees’ Retirement System at the same time they end their service to the Agency. Based on the collective bargaining agreement, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Health care benefits for non-union employees are similar to those of union employees. The retiree’s share of premium cost range from 0%-25%, depending on the employee hire date.

Employees Covered by Benefit Terms—At June 30, 2018, the following employees were covered by the benefit terms:

Active employees	41
Retired employees and dependents	<u>37</u>
Total	<u>78</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 Agency’s total OPEB liability of \$24,934,650 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

In the June 30, 2018 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2018. The discount rate was 3.61%. Mortality rates are based on the RP2000 Mortality Table. 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 initial healthcare cost trend rate used is 4.60%, while the ultimate healthcare cost trend rate is 3.00%.

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

	<u>Total OPEB Liability</u>
Balances at June 30, 2017, as restated	<u>\$ 24,152,940</u>
Changes for the year:	
Service cost	633,004
Interest	886,485
Effect of economic/demographic gains or losses	(274,519)
Benefit payments	<u>(463,260)</u>
Net changes	<u>781,710</u>
Balances at June 30, 2018	<u>\$ 24,934,650</u>

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

	1% Decrease (2.61%)	Current Discount Rate (3.61%)	1% Increase (4.61%)
Net OPEB liability	\$ 28,411,970	\$ 24,934,650	\$ 22,038,690

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 (4.6%) and ultimate (3.0%) healthcare cost trend rates.

	1% Decrease (3.6% / 2.0%)	Healthcare Cost Trend Rates (4.6% / 3.0%)	1% Increase (5.6% / 4.0%)
Net OPEB liability	\$ 22,046,600	\$ 24,934,650	\$ 28,357,570

Funding Policy— Authorization for the Agency to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the Agency’s Board of Legislators. The Agency’s contributions to the OPEB plan are based on the negotiated contracts with the bargaining unit, as discussed in Note 13. Any amendments to the employer’s contributions are subject to the collective bargaining agreements. The Agency recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Agency’s governmental activities contributed \$463,260 for the fiscal year ended June 30, 2018.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Agency reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. As of June 30, 2018, the Agency reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance coverage for the ballpark, public employee liability, and data processing equipment. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

The City is self-insured for general liability risk. The City is self-insured for workers’ compensation and has accrued its best estimate of both asserted and unasserted workers’ compensation losses. The reserve for workers’ compensation is recorded at an estimated percent value using a discount rate of 5%. For the fiscal years ended June 30, 2016, 2017, and 2018, the City expensed \$7,136,661, \$5,630,811, and \$6,122,343, respectively, for workers’ compensation claims, including medical payments for fire fighters and police officers. The estimated liabilities for business-type activities are recorded as liabilities of the individual enterprise funds; whereas, general liabilities are only recorded in the government-wide financial statements. For the fiscal years ended June 30, 2016, 2017, and 2018, the City incurred expenditures of \$3,696,098, \$8,091,500, and \$7,858,300, respectively, for property damage and personal injury claims.

At June 30, 2018, the City estimated the following workers' compensation liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 3,169,474	\$ -
Workers' compensation — other employees	<u>4,836,888</u>	<u>1,901,190</u>
Total	<u>\$ 8,006,362</u>	<u>\$ 1,901,190</u>

The business-type activities claims and judgments applicable to self-insurance claims are recorded as expenses and liabilities in the appropriate enterprise fund.

Changes in the reported liability in the governmental and business-type activities since June 30, 2016, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2016	\$ 7,584,114	\$ 2,685,229
Claims incurred	5,206,709	577,544
Payments 2016-2017	<u>(4,318,656)</u>	<u>(1,312,155)</u>
Estimated claims — June 30, 2017	8,472,167	1,950,618
Claims incurred	4,998,801	608,310
Payments 2017-2018	<u>(5,464,606)</u>	<u>(657,738)</u>
Estimated claims — June 30, 2018	<u>\$ 8,006,362</u>	<u>\$ 1,901,190</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$8,300,000 and has been included within the City's long-term liabilities. Additionally, management has identified claims judged to be reasonably possible of a negative impact which are not included within the City's liabilities. Such claims have been estimated to range from \$3,100,000 to \$8,700,000.

10. LEASE OBLIGATIONS

Operating Leases—Operating lease obligations are primarily for rental of space and equipment. Lease expenditures/expenses for the year were approximately \$152,068. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Year Ending June 30,	
2019	\$ 166,080
2020	167,672
2021	57,118
2022	58,844
2023	60,635
Thereafter	<u>296,009</u>
Total	<u>\$ 806,358</u>

Buffalo Fiscal Stability Authority

The BFSFA has an operating lease agreement for office space. Rental expense totaled \$43,615 for the year ended June 30, 2018. Future minimum annual rental payments required under the lease are:

Fiscal Year Ending June 30,	
2019	\$ 43,940
2020	43,940
2021	<u>10,985</u>
Total	<u>\$ 98,865</u>

Board of Education

Operating lease obligations are primarily for rental of space and equipment. Lease expenses for the year were approximately \$3,720,054. The future minimum rental payments required for noncancelable leases are shown below:

Fiscal Year Ending June 30,	
2019	\$ 3,887,753
2020	5,443,651
2021	6,655,287
2022	6,492,927
2023	6,327,235
2024-2028	31,879,965
2029-2033	17,017,084
2034-thereafter	<u>5,114,750</u>
Total	<u>\$ 82,818,652</u>

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The City's outstanding long-term liabilities include bonds payable, compensated absences, workers' compensation, landfill post-closure monitoring costs, other postemployment benefits ("OPEB") obligations, judgments and claims, and net pension liability.

A summary of changes in the City's long-term debt at June 30, 2018 is presented in the following table:

	Balance 7/1/2017 (as restated)	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 202,999,218	\$ 20,300,000	\$ 25,289,733	\$ 198,009,485	\$ 26,929,806
General obligations bonds, net - BFSAs	27,775,000	-	5,520,000	22,255,000	5,685,000
Premiums on bonds - City	17,705,623	1,738,556	2,302,886	17,141,293	2,342,802
Premiums on bonds - BFSAs	2,241,909	-	478,405	1,763,504	478,406
Total bonds payable	<u>250,721,750</u>	<u>22,038,556</u>	<u>33,591,024</u>	<u>239,169,282</u>	<u>35,436,014</u>
Compensated absences	28,478,976	-	3,938,036	24,540,940	2,460,289
Workers' compensation	8,472,167	4,998,801	5,464,606	8,006,362	4,143,074
Landfill post-closure monitoring costs	770,000	-	70,000	700,000	70,000
OPEB obligation - City	1,362,223,213	96,629,944	275,209,461	1,183,643,696	-
OPEB obligation - BFSAs	1,120,850	162,693	-	1,283,543	-
Judgments and claims	13,000,000	3,158,300	7,858,300	8,300,000	3,380,000
Net pension liability - City*	85,805,943	-	44,155,777	41,650,166	-
Net pension liability - BFSAs*	186,826	-	126,452	60,374	-
Total governmental activities	<u>\$ 1,750,779,725</u>	<u>\$ 126,988,294</u>	<u>\$ 370,413,656</u>	<u>\$ 1,507,354,363</u>	<u>\$ 45,489,377</u>
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 11,425,783	\$ -	\$ 1,370,267	\$ 10,055,516	\$ 1,410,194
General obligations bonds - Water	167,469	-	167,469	-	-
Water System revenue bonds	122,835,000	-	8,255,000	114,580,000	8,410,000
Premiums on bonds	7,124,212	-	492,402	6,631,810	468,354
Discounts on bonds	(216,521)	-	(10,619)	(205,902)	(10,482)
Total bonds payable	<u>141,335,943</u>	<u>-</u>	<u>10,274,519</u>	<u>131,061,424</u>	<u>10,278,066</u>
Compensated absences	1,401,418	23,682	38,899	1,386,201	65,973
Workers' compensation	1,950,618	608,310	657,738	1,901,190	657,737
OPEB obligation	82,386,275	5,111,455	16,114,229	71,383,501	-
Net pension liability*	3,730,684	-	2,221,585	1,509,099	-
Total business-type activities	<u>\$ 230,804,938</u>	<u>\$ 5,743,447</u>	<u>\$ 29,306,970</u>	<u>\$ 207,241,415</u>	<u>\$ 11,001,776</u>

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

Serial Bonds—Governmental and business-type activities' long-term bonded debt consists of either general obligation bonds backed by the full faith and credit of the City or revenue bonds. The revenue bondholder's recourse is secured solely by the City's Water System revenues. Bonds issued by the BFSAs are secured by sales tax and state aid. The debt issued by the City to the BFSAs has been eliminated in the government-wide financial statements to eliminate the duplicative reporting of total outstanding debt. The debt issued by the City on behalf of the Board of Education is recorded as revenues and expenditures in the governmental funds.

On April 19, 2018, the City issued \$20,300,000 in Series 2018A general improvement serial bonds within its governmental activities. The serial bonds were issued at a premium of \$1,738,556. The bonds carry an interest rate of 3.0% - 5.0% and principal payments begin October 1, 2018 and mature on October 1, 2030.

A summary of additions and payments for the year ended June 30, 2018 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2017	Additions	Payments	Balance 6/30/2018	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2005	\$ 26,167,250	5.0	2025	\$ 4,886,248	\$ -	\$ 1,145,047	\$ 3,741,201	\$ 1,204,549
2005	34,346,833	5.0	2019	957,533	-	637,532	320,001	320,000
2006	25,275,917	5.0	2022	5,029,449	-	1,601,082	3,428,367	1,683,746
2007	22,226,126	5.0	2023	10,409,388	-	1,530,231	8,879,157	1,606,266
2008	22,000,000	3.0-5.3	2023	1,565,000	-	1,565,000	-	-
2009	21,500,000	1.4-6.0	2024	2,900,000	-	1,420,000	1,480,000	1,480,000
2010	21,985,000	2.0-5.0	2025	13,405,000	-	1,430,000	11,975,000	1,500,000
2011	12,825,000	3.0-5.0	2021	1,035,000	-	505,000	530,000	180,000
2012	22,265,000	2.0-4.0	2026	14,555,000	-	1,410,000	13,145,000	1,450,000
2012	3,480,000	3.0-4.0	2022	930,000	-	175,000	755,000	185,000
2012	21,640,000	2.0-5.0	2023	12,785,000	-	1,915,000	10,870,000	1,995,000
2012	4,255,000	2.0-4.0	2024	795,000	-	255,000	540,000	235,000
2013	7,540,000	0.8-3.5	2025	5,200,000	-	595,000	4,605,000	605,000
2014	25,639,769	4.0-5.0	2023	17,435,000	-	2,780,000	14,655,000	2,815,000
2015	29,088,985	2.0-5.0	2026	23,425,000	-	2,480,000	20,945,000	2,455,000
2016	21,703,468	2.0-5.0	2028	20,221,198	-	1,435,949	18,785,249	1,494,903
2016	15,375,000	3.0-4.0	2024	15,375,000	-	-	15,375,000	1,385,000
2017	21,618,019	4.0-5.0	2029	21,618,019	-	1,428,784	20,189,235	1,419,903
2018	20,300,000	3.0-5.0	2030	-	20,300,000	-	20,300,000	1,620,000
Total				<u>172,526,835</u>	<u>20,300,000</u>	<u>22,308,625</u>	<u>170,518,210</u>	<u>23,634,367</u>
Governmental activities general obligations bonds issued by the City of Buffalo on behalf of discretely presented component unit – Board of Education:								
2006	\$ 2,483,000	5.0	2020	\$ 684,000	\$ -	\$ 217,000	\$ 467,000	\$ 228,000
2007	5,889,000	5.0	2019	1,239,000	-	604,000	635,000	635,000
2008	8,920,000	3.0-5.3	2023	630,000	-	630,000	-	-
2009	3,530,000	2.5-5.0	2024	480,000	-	235,000	245,000	245,000
2010	4,900,000	2.5-4.0	2025	2,875,000	-	320,000	2,555,000	330,000
2011	21,825,000	3.0-4.0	2021	2,105,000	-	490,000	1,615,000	510,000
2012	4,900,000	3.0-4.0	2026	3,200,000	-	310,000	2,890,000	320,000
2012	15,355,000	2.0-5.0	2021	10,365,000	-	2,485,000	7,880,000	2,550,000
2012	5,000,000	2.0-3.3	2027	3,520,000	-	310,000	3,210,000	315,000
2012	6,720,000	2.0-4.0	2025	3,530,000	-	400,000	3,130,000	410,000
2012	11,230,000	1.0-4.0	2023	6,875,000	-	915,000	5,960,000	935,000
2012	20,515,000	1.0-5.0	2024	12,495,000	-	1,630,000	10,865,000	1,695,000
2016	5,845,000	2.0-4.0	2023	5,680,000	-	170,000	5,510,000	800,000
Total				<u>53,678,000</u>	<u>-</u>	<u>8,716,000</u>	<u>44,962,000</u>	<u>8,973,000</u>
Less bonds issued by City to BFSA:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (4,886,248)	\$ -	\$ (1,145,047)	\$ (3,741,201)	\$ (1,204,549)
2005BC	41,605,310	5.0	2019	(957,533)	-	(637,532)	(320,001)	(320,000)
2006A	27,758,917	4.0-5.0	2020	(5,713,449)	-	(1,818,082)	(3,895,367)	(1,911,746)
2007A	28,115,126	4.0-5.0	2023	(11,648,387)	-	(2,134,231)	(9,514,156)	(2,241,266)
Total mirror bonds				<u>(23,205,617)</u>	<u>-</u>	<u>(5,734,892)</u>	<u>(17,470,725)</u>	<u>(5,677,561)</u>
Net governmental activities general obligation bonds issued by the City of Buffalo				<u>202,999,218</u>	<u>20,300,000</u>	<u>25,289,733</u>	<u>198,009,485</u>	<u>26,929,806</u>

(continued)

(concluded)

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2017	Additions	Payments	Balance 6/30/2018	Due Within One Year
Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:								
2005BC	\$ 47,065,000	5.0	2019	\$ 1,985,000	\$ -	\$ 860,000	\$ 1,125,000	\$ 805,000
2007A	28,470,000	4.0-5.0	2023	14,085,000	-	2,110,000	11,975,000	2,215,000
2015A	14,170,000	3.0-5.0	2025	11,705,000	-	2,550,000	9,155,000	2,665,000
Total				<u>27,775,000</u>	<u>-</u>	<u>5,520,000</u>	<u>22,255,000</u>	<u>5,685,000</u>
Total governmental activities bonds				<u>230,774,218</u>	<u>20,300,000</u>	<u>30,809,733</u>	<u>220,264,485</u>	<u>32,614,806</u>
Unamortized premium - City				17,705,623	1,738,556	2,302,886	17,141,293	2,342,802
Unamortized premium - BFSFA				2,241,909	-	478,405	1,763,504	478,406
Total governmental activities bonds, net				<u>\$ 250,721,750</u>	<u>\$ 22,038,556</u>	<u>\$ 33,591,024</u>	<u>\$ 239,169,282</u>	<u>\$ 35,436,014</u>
Business-type activities — general obligation bonds:								
Parking:								
2012	\$ 8,415,000	2.0-5.0	2022	\$ 4,895,000	\$ -	\$ 920,000	\$ 3,975,000	\$ 950,000
2016	4,066,532	2.0-5.0	2028	3,788,802	-	269,051	3,519,751	280,097
2017	2,741,981	4.0-5.0	2029	2,741,981	-	181,216	2,560,765	180,097
Subtotal — Parking				<u>11,425,783</u>	<u>-</u>	<u>1,370,267</u>	<u>10,055,516</u>	<u>1,410,194</u>
Water System:								
2005	\$ 6,552,147	5.0	2018	\$ 167,469	\$ -	\$ 167,469	\$ -	\$ -
Total				<u>11,593,252</u>	<u>-</u>	<u>1,537,736</u>	<u>10,055,516</u>	<u>1,410,194</u>
Business-type activities — Water System Revenue Bonds:								
2002	\$ 11,785,000	2.5-4.8	2018	\$ 345,000	\$ -	\$ 345,000	\$ -	\$ -
2006	19,917,236	3.6-4.8	2028	11,445,000	-	885,000	10,560,000	915,000
2007	13,010,000	3.6-4.4	2038	10,610,000	-	325,000	10,285,000	335,000
2007	29,220,000	5	2027	14,890,000	-	3,745,000	11,145,000	3,925,000
2010	23,975,000	2.0-6.9	2041	21,050,000	-	535,000	20,515,000	550,000
2011	2,720,000	1.5-5.1	2022	1,355,000	-	250,000	1,105,000	265,000
2012	17,150,000	1.8-4.0	2043	15,700,000	-	390,000	15,310,000	405,000
2012	2,575,000	5.6-6.3	2031	2,445,000	-	130,000	2,315,000	135,000
2015	46,655,000	2.0-5.0	2036	44,995,000	-	1,650,000	43,345,000	1,880,000
Total				<u>122,835,000</u>	<u>-</u>	<u>8,255,000</u>	<u>114,580,000</u>	<u>8,410,000</u>
Total business-type activities bonds				<u>134,428,252</u>	<u>-</u>	<u>9,792,736</u>	<u>124,635,516</u>	<u>9,820,194</u>
Unamortized premium				7,124,212	-	492,402	6,631,810	468,354
Unamortized discount				(216,521)	-	(10,619)	(205,902)	(10,482)
Total business-type activities bonds, net				<u>\$ 141,335,943</u>	<u>\$ -</u>	<u>\$ 10,274,519</u>	<u>\$ 131,061,424</u>	<u>\$ 10,278,066</u>

Amortization of Bond Premiums and Discounts—As previously discussed, on April 19, 2018, the City issued general improvement serial bonds Series 2018A totaling \$20,300,000 and received a bond premium of \$1,738,556. The premium is being amortized on a straight-line annual basis over the life of the bonds, which mature on October 1, 2030. The total remaining unamortized premiums on bonds at June 30, 2018 are \$18,904,797 and \$6,631,810 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$205,902 are reported in business-type activities at June 30, 2018.

The City's debt service requirements for its bonds are as follows:

Governmental Activities—City of Buffalo, New York

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 23,634,367	\$ 7,631,504	\$ 31,265,871
2020	23,408,488	6,555,544	29,964,032
2021	21,329,720	5,447,897	26,777,617
2022	21,951,503	4,479,515	26,431,018
2023	22,589,972	3,493,798	26,083,770
2024-2028	49,667,942	7,090,941	56,758,883
2029-2030	7,936,218	319,899	8,256,117
Total	<u>\$ 170,518,210</u>	<u>\$ 35,019,098</u>	<u>\$ 205,537,308</u>

Issued by City on behalf of Component Unit—Board of Education

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 8,973,000	\$ 1,457,844	\$ 10,430,844
2020	8,624,000	1,135,044	9,759,044
2021	8,695,000	809,800	9,504,800
2022	5,600,000	571,306	6,171,306
2023	5,575,000	386,550	5,961,550
2024-2027	7,495,000	366,588	7,861,588
Total	<u>\$ 44,962,000</u>	<u>\$ 4,727,132</u>	<u>\$ 49,689,132</u>

Governmental Activities—Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 5,685,000	\$ 879,063	\$ 6,564,063
2020	5,440,000	612,262	6,052,262
2021	4,690,000	373,575	5,063,575
2022	1,960,000	225,225	2,185,225
2023	4,480,000	219,225	4,699,225
Total	<u>\$ 22,255,000</u>	<u>\$ 2,309,350</u>	<u>\$ 24,564,350</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 9,820,194	\$ 5,902,481	\$ 15,722,675
2020	9,852,615	5,453,067	15,305,682
2021	7,387,171	5,061,117	12,448,288
2022	7,743,082	4,717,261	12,460,343
2023	6,628,992	4,386,275	11,015,267
2024-2028	38,109,679	16,705,236	54,814,915
2029-2033	23,108,783	8,131,084	31,239,867
2034-2038	13,725,000	4,030,389	17,755,389
2039-2043	8,260,000	861,185	9,121,185
Total	<u>\$ 124,635,516</u>	<u>\$ 55,248,095</u>	<u>\$ 179,883,611</u>

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$24,540,940 for governmental activities and \$1,386,201 for business-type activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such are not readily determinable. Typically, the General Fund has been used to liquidate this liability within the governmental funds. The City has estimated that \$2,460,289 and \$65,973 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers' Compensation—Accrued workers' compensation, which totals \$8,006,362 and \$1,901,190 for governmental activities and business-type activities, respectively, represents the City's estimate of both asserted and unasserted workers' compensation losses. The payments related to these liabilities are dependent upon many factors and, therefore, timing of future payments are not readily determinable. The City has estimated that \$4,143,074 and \$657,737 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 9 for additional information related to workers' compensation.

Landfill Post-Closure Monitoring Costs—In accordance with the Environmental Conservation Law of the State of New York, the City is complying with post-closure monitoring of Unity Island. The cost of post-closure is based on the percentage of the landfill's total capacity used to date, which is 100%. The City is still required to monitor the site for another 10 years, with an estimated annual cost of \$70,000 each of the remaining years. The estimate, which is subject to various changes resulting from inflation, deflation, technology or changes in the applicable laws or regulations, for the outstanding liability at June 30, 2018 was \$700,000.

OPEB Obligation—As explained in Note 8, the City provides health insurance coverage for certain retirees. The City'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. Typically, the General Fund has been used to liquidate this liability within the governmental funds. The long-term OPEB liability is estimated to be \$1,184,927,239 and \$71,383,501 in the governmental activities and business-type activities, respectively.

Judgments and Claims—As explained in Note 9, the City records a liability for general liability claims in the government-wide financial statements. The City’s judgments and claims liability, which totals \$8,300,000 at June 30, 2018, represents estimated amounts due for various outstanding claims. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation). The City has estimated that \$3,380,000 of the aforementioned claims will be paid in the next fiscal year.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Employee Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$41,710,540 and \$1,509,099 in the governmental activities and business-type activities, respectively. Typically, the General Fund has been used to liquidate this liability within the governmental funds. Refer to Note 7 for additional information related to the City’s net pension liability.

Debt Contracting Limitation and Unissued Bonds—The City’s debt contracting limitation under its legal debt margin at July 1, 2018, was approximately \$756.5 million. The effective borrowing capacity is \$564.5 million.

The list of the City’s authorized and unissued bonds at June 30, 2018, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 12,362,919</u>

Board of Education

A summary of changes in the Board’s long-term liabilities for the year ended June 30, 2018, is as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Governmental activities:					
Due to other governments	\$ 9,553,332	\$ -	\$ 713,332	\$ 8,840,000	\$ 713,334
Revenue bonds payable	11,530,000	-	630,000	10,900,000	645,000
JSCB bonds payable	798,790,000	-	56,220,000	742,570,000	53,055,000
Premium on bonds	111,305,209	-	10,603,632	100,701,577	10,588,184
Compensated absences	21,262,099	8,911,700	6,546,362	23,627,437	7,274,623
Pension deferral	2,704,466	-	2,704,466	-	-
Workers' compensation	42,074,000	11,667,000	9,978,000	43,763,000	8,497,000
OPEB obligation	2,535,305,000	175,581,000	420,734,000	2,290,152,000	-
Net pension liability - ERS*	12,444,723	-	8,042,629	4,402,094	-
Total	<u>\$ 3,544,968,829</u>	<u>\$ 196,159,700</u>	<u>\$ 516,172,421</u>	<u>\$ 3,224,956,108</u>	<u>\$ 80,773,141</u>

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

Source of Funding—Amounts due to other governments, due to City of Buffalo (bonded debt), and revenue bonds payable are repaid through annual appropriation of the Board’s general fund. Payments for compensated absences are charged to the Board’s general fund.

Due to Other Governments—In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid to help pay for a litigation settlement with the Buffalo Teachers Federation. In June 2006, the Board received an additional lottery advance of \$1,400,000. The advances are recorded as long-term interest-free loans with annual maturities as shown below:

Fiscal Year Ending June 30,	Principal
2019	\$ 713,334
2020	713,334
2021	713,332
2022	713,334
2023	713,334
2024-2028	3,566,666
2029-2033	1,566,666
2034-2036	140,000
Total	<u>\$ 8,840,000</u>

Revenue Bonds Payable—Represents amounts due for Municipal Bond Agency Revenue Bonds, issued pursuant to the State of New York Municipal Bond Agency (the “Agency”) Act and a General Resolution and a Series Resolution to provide funds to (i) finance a portion of the cost of settling litigation involving the Board and the Buffalo Teachers Federation (ii) fund the Debt Service Reserve Fund to at least the Debt Service Reserve Fund Requirement and (iii) pay legal, accounting, financing, and other fees and expenses relating to the issuance of the Bonds.

The Bonds are special revenue obligations of the Agency and are secured by Annual Payments payable by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), and amounts received by the Agency pursuant to the Agency’s statutory right to intercept State School Aid payable to the City and all funds and accounts established by the General Resolution described in the Official Statement.

The remaining annual maturities of revenue bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 645,000	\$ 440,891	\$ 1,085,891
2020	665,000	421,141	1,086,141
2021	695,000	390,466	1,085,466
2022	730,000	354,841	1,084,841
2023	765,000	336,591	1,101,591
2024-2028	4,375,000	1,123,856	5,498,856
2029-2031	3,025,000	288,906	3,313,906
Total	<u>\$ 10,900,000</u>	<u>\$ 3,356,692</u>	<u>\$ 14,256,692</u>

Joint Schools Construction Board Bonds Payable—Represents bond payments due for the design, construction, and financing of public educational facilities in the City.

In prior years, the Board defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board’s financial statements. The amount of \$148,000,000 of these bonds defeased in the prior years are outstanding at June 30, 2018.

The remaining annual maturities of Joint Schools Construction Board bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 53,055,000	\$ 37,312,625	\$ 90,367,625
2020	55,780,000	34,664,975	90,444,975
2021	65,280,000	31,878,625	97,158,625
2022	74,675,000	28,617,375	103,292,375
2023	78,495,000	24,886,475	103,381,475
2024-2028	317,980,000	69,854,738	387,834,738
2029-2032	97,305,000	9,716,938	107,021,938
Total	<u>\$ 742,570,000</u>	<u>\$ 236,931,751</u>	<u>\$ 979,501,751</u>

Compensated Absences—Compensated absences, which totaled \$23,627,437 at June 30, 2018, represent amounts relating to sick and personal leave for employees. Payment of these liabilities is dependent upon many factors (including retirement, termination, or employees leaving service), and, therefore, payment of such is not readily determinable. The Board has estimated that \$7,274,623 will be paid in the next fiscal year.

Pension Deferral—As explained in Note 7, the Board participates in the New York and Local Employees’ Retirement System (“ERS”). In the prior year, the Board elected to participate in the alternate contribution stabilization program for ERS as enacted by New York State under Chapter 57, Laws of 2013. The program provides short-term cash relief by allowing municipalities to defer payment on a portion of the annual contribution, but requires repayment with interest in the following year. The Board made a payment of \$2,704,466 during the year ended June 30, 2018 to retire this liability.

Workers’ Compensation—Workers’ compensation obligations total \$43,763,000 at June 30, 2018, representing estimated amounts due for various outstanding claims.

OPEB Obligation—Refer to Note 8.

Net Pension Liability—The Board reported a liability, \$4,402,094, for its proportionate share of the net pension liability of the Employees’ Retirement System. Refer to Note 7 for additional information related to the Board’s net pension liability.

Buffalo Urban Renewal Agency

BURA's outstanding long-term liabilities include compensated absences, other postemployment benefits ("OPEB") obligation, long-term retirement liability, net pension liability, and long-term due to other governments.

A summary of changes in BURA's long-term liabilities at June 30, 2018 follows:

	Balance 7/1/2017 (as restated)	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Governmental activities:					
Compensated absences	\$ 367,029	\$ 137,105	\$ 83,094	\$ 421,040	\$ 21,052
OPEB obligation	24,152,940	1,244,970	463,260	24,934,650	-
Long-term retirement liability	110,532	-	18,422	92,110	18,422
Net pension liability*	745,994	-	501,045	244,949	-
Long-term due to other governments	450,821	-	-	450,821	-
Total	<u>\$ 25,827,316</u>	<u>\$ 1,382,075</u>	<u>\$ 1,065,821</u>	<u>\$ 26,143,570</u>	<u>\$ 39,474</u>

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

Compensated Absences—BURA records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2018, for governmental activities is \$421,040. Management estimates that \$21,052 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 8, BURA provides health insurance coverage for certain retirees. The BURA's annual postemployment benefit ("OPEB") cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The estimated long-term OPEB liability is \$24,934,650 as of June 30, 2018.

Long-Term Retirement Liability—As explained in Note 7, BURA participates in the New York and Local Employees' Retirement System ("ERS"). BURA elected to amortize certain payments relating to ERS during 2011 and 2013 over ten years in accordance with Chapter 260 of the Laws of 2004 of the State of New York. Accordingly, at June 30, 2018, BURA has recorded a liability in the amount of \$92,110, of which \$18,422 is considered due within one year.

Net Pension Liability—BURA reported a liability, \$244,949, for its proportionate share of the net pension liability of the Employees' Retirement System. Refer to Note 7 for additional information related to BURA's net pension liability.

Long-Term Due to Other Governments—BURA reports a long-term liability, \$450,821, which is owed to the City to be used to pay HUD for claims related to prior years' activity. Repayment is based on the future sale of property and availability of funds. The City has recorded an intergovernmental payable for \$450,821 and a corresponding intergovernmental receivable on its statement of net position.

12. NET POSITION AND FUND BALANCE

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

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the City's governmental and business-type activities net investment in capital assets are shown below.

Governmental activities:

Capital assets, net of accumulated depreciation		\$ 510,509,292
Related debt:		
Serial bonds issued for capital assets	\$ (175,302,485)	
Unspent debt proceeds	<u>38,378,015</u>	
Bonds payable issued for capital assets		(136,924,470)
Deferred loss on refunding		2,123,772
Unamortized premiums		<u>(18,904,797)</u>
Net investment in capital assets—governmental activities		<u>\$ 356,803,797</u>

Business-type activities:

Capital assets, net of accumulated depreciation		\$ 191,425,482
Related debt:		
Serial bonds issued for capital assets	(124,635,516)	
Unspent debt proceeds	<u>20,360,876</u>	
Bonds payable issued for capital assets		(104,274,640)
Deferred loss on refunding		3,207,691
Unamortized premium		(6,631,810)
Unamortized discount		<u>205,902</u>
Net investment in capital assets—business-type activities		<u>\$ 83,932,625</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the City not restricted for any project or other purpose.

Nonspendable Fund Balance—In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the City at June 30, 2018 include:

Real estate acquired for sale	\$ 9,609,376
Long-term due from other funds	19,522,090
Prepaid items	1,953,823
Permanent Fund - corpus	<u>30,000</u>
Total	<u>\$ 31,115,289</u>

- **Real Estate Acquired for Sale**—This amount represents real estate acquired for resale.
- **Long-term Due from Other Funds**—Represents a long-term receivable from the Solid Waste and Recycling Fund for operating losses incurred in the fund since its inception.
- **Prepaid Items**—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods.
- **Permanent Fund—Corpus**—Represents the amount of principal that is nonspendable due to specific purposes stipulated in the bequest which established the Forsyth Park fund.

Restricted Fund Balance—In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balances of the City at June 30, 2018 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 38,315,721	\$ -	\$ -	\$ 38,315,721
Capital outlay	7,200,300	-	-	-	-	7,200,300
Debt service	-	8,476,087	-	-	6,128,932	14,605,019
Grants	-	-	-	-	3,896,483	3,896,483
State mandated initiatives	-	-	-	468,567	-	468,567
Emergency medical services	1,619,975	-	-	-	-	1,619,975
Permanent fund - interest	-	-	-	-	110,832	110,832
Total	\$ 8,820,275	\$ 8,476,087	\$ 38,315,721	\$ 468,567	\$ 10,136,247	\$ 66,216,897

- **Restricted for Capital Projects**—Represents funds that have been reserved to fund future capital projects and the purchase of capital assets. This amount includes commitments for the expenditures of monies within the Capital Projects Fund.
- **Restricted for Capital Outlay**—This category represents amounts set aside for future departmental capital expenditures. The City appropriated \$3,985,640 of this balance for use within the 2018-2019 General Fund Adopted Budget.
- **Restricted for Debt Service**—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods.
- **Restricted for Grants**—This category includes federal and state monies that have been restricted as they can only be used for specific purposes as authorized by grantor agencies. This amount includes amounts which are restricted by commitments for the expenditure of money within the Special Revenue Fund.
- **Restricted for State Mandated Initiatives**—Represents money provided by the State through aid and incentives for municipalities that is held by the BFSA on behalf of the City. At June 30, 2017, \$468,567 of fund balance was restricted for state aid that did not meet the BFSA Special Revenue Fund revenue recognition criteria.
- **Restricted for Emergency Medical Services**—Represents funds that have been restricted as they can only be used for specific purposes as outlined within emergency ambulance service agreement.

- **Restricted for Permanent Fund – Interest**—Represents the amount of interest earnings on the nonspendable principal that is reserved to be used for specific purpose stipulated in the bequest which established the Forsyth Park fund. The interest earnings are limited to the purchase or erection of works of art to be placed in the park system of the City of Buffalo.

Committed Fund Balance—In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City’s highest level of decision-making authority. The City’s policy requires commitments to be adopted through formal action (adoption of an ordinance) of the Common Council. As of June 30, 2018, the City reported the commitment described below:

- **Committed to Emergency Stabilization**—Represents a minimum of 30 days of the prior fiscal year’s total general fund operating expenditures. If during a fiscal year, the City has extraordinary operating or capital needs that could not be anticipated and cannot be funded with current budget resources, the City may use this fund. At June 30, 2018, the City reported \$38,740,903 within its Emergency Stabilization Fund.

Assigned Fund Balance—In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the City. For example, the amount appropriated to reduce the tax levy as determined through the budget process and finalized when the tax rates are established would be considered assigned fund balance. The Common Council authorizes the Comptroller to make a determination of the assigned amounts of fund balance. At June 30, 2018 assigned fund balance includes:

	General Fund	BFSA Special Revenue Fund	Total
Encumbrances	\$ 9,925,484	\$ -	\$ 9,925,484
Motor vehicle self-insurance	765,460	-	765,460
Judgments and claims	2,717,844	-	2,717,844
Specific use	-	517,326	517,326
Total	<u>\$ 13,408,788</u>	<u>\$ 517,326</u>	<u>\$ 13,926,114</u>

- **Assigned to Encumbrances**—Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of monies are recorded, is employed as part of the City’s budgetary control mechanism for all funds. Unencumbered appropriations lapse at fiscal year-end.
- **Assigned to Motor Vehicle Self-Insurance**—Represents fund balance set aside for motor vehicle self-insurance.
- **Assigned to Judgments and Claims**—Represents amounts assigned to cover potential settlement of various claims and litigation. The City estimates \$8,300,000 of potential settlements, and has assigned \$2,717,844 of available fund balance for that purpose.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

If the City must use funds for emergency expenditures, the Common Council shall authorize the Comptroller to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds, as classified by GASB, will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

13. RELATED PARTY TRANSACTIONS

The City provides annual support to the Board of Education. During the year ended June 30, 2018, the City contributed \$70,322,758 in economic support for operating purposes (\$60,348,132) and school tax relief reimbursement (\$10,474,626).

Buffalo Fiscal Stability Authority

The Act and other legal documents of the BFSA establish various legal financial relationships between the BFSA, the City and the City of Buffalo School District (the “District”). The resulting financial transactions between the BFSA, the City, and the District include the receipt and use of revenues as well as BFSA debt issuances to fund financeable costs of the City. The receipt and remittance of revenues in 2018 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$131,828,417 were recorded, of which \$78,482,239 was or will be paid to the City and \$46,256,229 was designated for the District.
- State aid of \$161,632,780 was received during 2018.
- Distributions paid or accrued to the City in 2018 totaled \$247,320,348, which includes \$78,482,239 of sales tax receipts, \$168,703,784 of State aid and other revenue, and interest receipts of \$134,325.

Board of Education

During the year ended June 30, 2018, the Board transferred \$10,466,048 to the City for payment of the Board’s portion of principal and interest on long-term debt.

Board Urban Renewal Agency

The City is the primary sponsor of the programs conducted by the Agency and is a nominal recipient of most of the Agency’s federal and state funding. The Agency is a related entity to the City, Buffalo Economic Renaissance Corporation (“BERC”) and the Buffalo Neighborhood Revitalization Corporation (“BNRC”).

In 2010, the City notified BERC that effective May 1, 2010 the subrecipient agreements between BERC and BURA had expired. Additionally, BURA demanded the return of any unexpended program income. In order to ensure that any such program income is returned to BURA, BERC established an escrow account in the initial amount of \$800,000 and an agreement was reached whereby BERC would transfer to BURA such program income, if any, from real estate operations.

Furthermore, BERC was required to transfer control of all of its CDBG loans to BURA during the year ended June 30, 2012. As of June 30, 2018, all of BERC’s assets and liabilities were transferred to BURA.

At June 30, 2018, net amounts due from related parties consisted of:

Due from BNRC, net of payables	\$ 10,628
Total	<u>\$ 10,628</u>

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2018 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 52,079,886	\$ 1,278,670
Debt Service Fund	163,971	1,013,812
Capital Projects Fund	-	19,083,607
BFSA Special Revenue Fund	-	8,446,165
Nonmajor governmental funds	<u>924,959</u>	<u>133,082</u>
Total governmental funds	<u>53,168,816</u>	<u>29,955,336</u>
Proprietary funds:		
Solid Waste and Recycling Fund	184,505	19,522,089
Parking Fund	-	3,329,859
Water System	-	542,216
Internal Service Fund	<u>3,525</u>	<u>7,346</u>
Total proprietary funds	<u>188,030</u>	<u>23,401,510</u>
Total	<u>\$ 53,356,846</u>	<u>\$ 53,356,846</u>

To improve cash management, all City disbursements are made from a consolidated account in the General Fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both of these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reasons why interfund receivables and payables exist.

Included within the General Fund's due from other funds totaling \$52,079,886 is a portion due from the Solid Waste and Recycling Fund in the amount of \$19,522,089, which is considered long-term and has been reserved within nonspendable fund balance.

The City made the following transfers during the year ended June 30, 2018:

Transfers out:	Transfers in:						Total
	General Fund	Debt Service Fund	Capital Projects Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	Solid Waste & Recycling Fund	
General Fund	\$ -	\$ 24,835,360	\$ 938,686	\$ -	\$ -	\$ 3,553,892	\$ 29,327,938
Debt Service Fund	-	-	-	370,363	6,524,809	-	6,895,172
Nonmajor Governmental Funds	6,046	-	-	-	-	-	6,046
Solid Waste & Recycling Fund	673,078	-	-	-	-	-	673,078
Parking Fund	10,600,000	-	-	-	-	-	10,600,000
Water System	6,574,220	-	-	-	-	-	6,574,220
Internal Service Fund	40,000	-	-	-	-	-	40,000
Total	<u>\$ 17,893,344</u>	<u>\$ 24,835,360</u>	<u>\$ 938,686</u>	<u>\$ 370,363</u>	<u>\$ 6,524,809</u>	<u>\$ 3,553,892</u>	<u>\$ 54,116,454</u>

The City records the receipt of all property taxes levied as revenue in the General Fund and records a transfer to the Debt Service Fund where the payment on long-term debt is reported. Based on the financing and operation agreements of the Water Board, revenues collected are transferred to the Water Authority and Water Enterprise Fund to cover their operational costs. Other transfers are the result of indirect costs.

15. LABOR RELATIONS

Approximately 2,775 of the City’s employees are covered by a total of eight collective bargaining agreements. The following table shows, for each union, the dates through which a contract has been negotiated.

Union	Expiration Date
Firefighters	6/30/17
Blue Collar	6/30/19
White Collar	6/30/19
Police	6/30/19
Crossing Guards	8/31/19
Building Inspectors	6/30/20
Operating Engineers	6/30/20
Pipe Caulkers	6/30/22

16. COMMITMENTS

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

The City considers encumbrances to be significant for amounts that are encumbered in excess of \$500,000. The City has a total of \$59,312,905 encumbrances outstanding at June 30, 2018. In the General Fund, encumbrances of \$9,925,484 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$34,137,517 and \$15,249,904 of outstanding encumbrances, respectively. As of June 30, 2018, the City had the following significant encumbrances:

Description	General Fund	Capital Projects Fund	Special Revenue Fund
Buildings	\$ 539,726	\$ 7,105,677	\$ 3,300,000
Vehicles	-	760,838	-
Bridges	-	1,447,452	-
Streets	-	16,848,992	1,688,589

Board of Education

Encumbrances—At June 30, 2018, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$3,168,134 in the Board’s General Fund.

Construction Commitment—As of June 30, 2018, the Board has approximately \$7,248,000 committed to various renovations.

17. TAX ABATEMENTS

The City is subject to programs entered into by Erie County Industrial Development Agency (“ECIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the ECIDA incentivized projects would have been completed absent tax abatements, the unrealized property tax revenue is \$7,505,153. However, during 2018, the City collected \$3,480,625 related to these new incentivized projects.

Additionally, the City offers other tax exemptions subject to various NYS programs such as land banks, historic properties, home improvements, mixed use properties, business investment properties and property improvements in an Empire Zone. These programs provide real property tax exemptions on certain allowable properties in accordance with the regulations of the NYS Real Property Tax Laws or the Not-For-Profit Laws of New York. Absent such exemptions, the unrealized property tax revenue is \$10,340,465. However, during 2018, the City collected \$4,083,031 related to the NYS programs.

18. CONTINGENCIES

Litigation—The City is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the City. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the City’s financial condition or results of operation.

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

Revenue Sharing—On July 3, 2007, the Seneca Nation of Indians opened the Seneca Buffalo Creek Casino, which engages in Class III Gaming pursuant to authority contained in the Seneca Nation/New York State Gaming Compact (the "Compact"), which was made effective on August 18, 2002. After the conclusion of the initial fourteen year period of the Compact, the Compact was automatically extended in December 2016 for an additional seven years without objection by the Seneca Nation or the State. During the fiscal year ended June 30, 2017, the Seneca Nation notified State officials that they would be making their final casino revenue sharing payment as of December 31, 2016 under their interpretation of the Compact. New York State and the City contend that the revenue sharing

payments are due from the Seneca Nation and that the compact requires that the Seneca Nation to make future payments.

Landfill Postclosure—As discussed in Note 11, the City is responsible to perform specified operation and maintenance functions at a landfill site for a period of thirty years. At June 30, 2018, the liability is \$700,000. The landfill postclosure care liability is an estimate and is subject to changes resulting from inflation, deflation, technology or changes in applicable laws or regulations.

Board of Education

Litigation—Various types of claims have been asserted against the Board by various claimants. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and recorded in the government-wide financial statements. The claims are in various stages of processing and some may ultimately be brought to trial. Claims are paid and ultimately funded by the fund associated with the loss. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss if any, has been made in the accompanying financial statements. It is the opinion of management that there will not be any material adverse effects on the Board’s financial statements as a result of these actions.

State Aid—The State periodically reviews its distribution of aid to school boards throughout the State. Thus, revenues recorded as of June 30, 2018 are subject to potential revision.

Grants—The Board has received grants, which are subject to audit by agencies of the State and federal governments. Such audits may result in disallowances and request for a return of funds. Based on prior years’ experience, the Board’s administration believes disallowances, if any, will be immaterial.

Buffalo Urban Renewal Agency

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

Litigation—Various legal actions are pending against the Agency. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Agency.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2018, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Five Fiscal Years*

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Board of Education ("BOE"):					
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
BOE's proportion of the net pension liability (asset)	1.836709%	1.651498%	1.668248%	1.695591%	1.695591%
BOE's proportionate share of the net pension liability (asset)	<u>\$ (13,960,812)</u>	<u>\$ 17,688,235</u>	<u>\$(173,277,759)</u>	<u>\$(188,878,283)</u>	<u>\$ (10,757,018)</u>
BOE's covered payroll	\$ 308,322,717	\$ 259,159,687	\$ 264,357,397	\$ 259,159,687	\$ 258,505,177
BOE's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(4.5%)	6.8%	(65.5%)	(72.9%)	(4.2%)
Plan fiduciary net position as a percentage of the total pension liability	100.7%	99.0%	110.5%	111.5%	100.7%

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

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Teachers' Retirement System
Last Five Fiscal Years*

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Board of Education ("BOE"):					
Contractually required contribution	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597
Contributions in relation to the contractually required contribution	<u>(34,111,928)</u>	<u>(34,062,426)</u>	<u>(33,792,412)</u>	<u>(43,929,324)</u>	<u>(40,700,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOE's covered payroll	\$ 307,737,480	\$ 308,322,717	\$ 259,159,687	\$ 258,505,177	\$ 248,023,907
Contributions as a percentage of covered payroll	11.1%	11.0%	13.0%	17.0%	16.4%

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

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Five Fiscal Years*

	Year Ended June 30,				
	2018	2017	2016	2015	2014
City of Buffalo ("City"):					
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	3.4426958%	3.2577408%	3.1811703%	3.5779889%	3.5779889%
City's proportionate share of the net pension liability	<u>\$ 34,797,285</u>	<u>\$ 67,521,629</u>	<u>\$ 94,187,680</u>	<u>\$ 9,848,756</u>	<u>\$ 14,895,509</u>
City's covered payroll	\$ 128,055,727	\$ 131,271,249	\$ 131,399,856	\$ 121,626,842	\$ 130,718,240
City's proportionate share of the net pension liability as a percentage of its covered payroll	27.2%	51.4%	71.7%	8.1%	11.4%
Plan fiduciary net position as a percentage of the total pension liability	96.9%	93.5%	90.2%	99.0%	98.5%

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

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Police and Fire Retirement System
Last Five Fiscal Years*

	Year Ended June 30,				
	2018	2017	2016	2015	2014
City of Buffalo ("City"):					
Contractually required contribution	\$ 31,033,697	\$ 30,655,038	\$ 23,005,037	\$ 40,418,943	\$ 30,767,293
Contributions in relation to the contractually required contribution	<u>(31,033,697)</u>	<u>(30,655,038)</u>	<u>(23,005,037)</u>	<u>(40,418,943)</u>	<u>(30,767,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 130,584,701	\$ 134,207,252	\$ 130,265,189	\$ 123,270,081	\$ 137,177,059
Contributions as a percentage of covered payroll	23.8%	22.8%	17.7%	32.8%	22.4%

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

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Five Fiscal Years*

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%	97.2%
City of Buffalo ("City"):					
City's proportion of the net pension liability	0.2590897%	0.2342962%	0.2177420%	0.2151949%	0.2151949%
City's proportionate share of the net pension liability	<u>\$ 8,361,980</u>	<u>\$ 22,014,998</u>	<u>\$ 34,948,192</u>	<u>\$ 7,269,810</u>	<u>\$ 9,724,354</u>
City's covered payroll	\$ 70,012,046	\$ 75,362,488	\$ 66,139,468	\$ 59,801,701	\$ 57,291,143
City's proportionate share of the net pension liability as a percentage of its covered payroll	11.9%	29.2%	52.8%	12.2%	17.0%
Buffalo Fiscal Stability Authority ("BFSA"):					
BFSA's proportion of the net pension liability	0.0018707%	0.0019883%	0.0018893%	0.0018411%	0.0018411%
BFSA's proportionate share of the net pension liability	<u>\$ 60,374</u>	<u>\$ 186,826</u>	<u>\$ 303,242</u>	<u>\$ 62,198</u>	<u>\$ 67,581</u>
BFSA's covered payroll	\$ 368,236	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
BFSA's proportionate share of the net pension liability as a percentage of its covered payroll	16.4%	48.3%	85.5%	18.6%	19.4%
Board of Education ("BOE"):					
BOE's proportion of the net pension liability	0.136396%	0.132444%	0.141447%	0.142493%	0.142493%
BOE's proportionate share of the net pension liability	<u>\$ 4,402,094</u>	<u>\$ 12,444,723</u>	<u>\$ 22,702,665</u>	<u>\$ 4,813,758</u>	<u>\$ 6,439,054</u>
BOE's covered payroll	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 49,237,845
BOE's proportionate share of the net pension liability as a percentage of its covered payroll	10.3%	31.0%	54.8%	12.3%	13.1%
Buffalo Urban Renewal Agency ("BURA"):					
BURA's proportion of the net pension liability	0.0075896%	0.0079393%	0.0074517%	0.0080528%	0.0080528%
BURA's proportionate share of the net pension liability	<u>\$ 244,949</u>	<u>\$ 745,994</u>	<u>\$ 1,196,017</u>	<u>\$ 272,042</u>	<u>\$ 363,893</u>
BURA's covered payroll	\$ 2,224,950	\$ 2,314,866	\$ 2,317,443	\$ 2,107,411	\$ 2,259,204
BURA's proportionate share of the net pension liability as a percentage of its covered payroll	11.0%	32.2%	51.6%	12.9%	16.1%

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

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Five Fiscal Years*

	Year Ended June 30,				
	2018	2017	2016	2015	2014
City of Buffalo ("City"):					
Contractually required contributions	\$ 11,048,864	\$ 10,020,599	\$ 10,243,551	\$ 11,374,650	\$ 11,646,194
Contributions in relation to the contractually required contribution	<u>(11,048,864)</u>	<u>(10,020,599)</u>	<u>(10,243,551)</u>	<u>(11,374,650)</u>	<u>(11,646,194)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 71,435,074	\$ 77,691,737	\$ 63,077,840	\$ 63,457,322	\$ 59,261,548
Contributions as a percentage of covered payroll	15.5%	12.9%	16.2%	17.9%	19.7%
Buffalo Fiscal Stability Authority ("BFSA"):					
Contractually required contributions	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625
Contributions in relation to the contractually required contribution	<u>(55,466)</u>	<u>(58,035)</u>	<u>(67,365)</u>	<u>(62,469)</u>	<u>(75,625)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFSA's covered payroll	\$ 375,724	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
Contributions as a percentage of covered payroll	14.8%	15.0%	19.0%	18.7%	21.7%
Board of Education ("BOE"):					
Contractually required contributions	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573
Contributions in relation to the contractually required contribution	<u>(6,266,223)</u>	<u>(6,363,848)</u>	<u>(7,283,149)</u>	<u>(7,695,528)</u>	<u>(5,070,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (359,764)</u>	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
BOE's covered payroll	\$ 55,203,507	\$ 53,178,712	\$ 51,421,185	\$ 50,901,094	\$ 40,651,043
Contributions as a percentage of covered payroll	11.4%	12.0%	14.2%	15.1%	12.5%
Buffalo Urban Renewal Agency ("BURA"):					
Contractually required contributions	\$ 333,843	\$ 367,814	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	<u>(333,843)</u>	<u>(367,814)</u>	<u>(346,327)</u>	<u>(393,546)</u>	<u>(466,649)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's covered payroll	\$ 2,309,933	\$ 2,247,303	\$ 2,335,268	\$ 2,097,796	\$ 2,252,172
Contributions as a percentage of covered payroll	14.5%	16.4%	14.8%	18.8%	20.7%

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

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018*
(Amounts expressed in thousands)

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
City of Buffalo - Governmental Activities:		
Total OPEB liability		
Service cost	\$ 56,825,355	
Interest	39,804,589	
Changes of assumptions	(229,517,536)	
Benefit payments	<u>(45,691,925)</u>	
Net changes in total OPEB liability	<u>(178,579,517)</u>	
Total OPEB liability—beginning, as restated	<u>1,362,223,213</u>	
Total OPEB liability—ending	<u>\$ 1,183,643,696</u>	n/a
Plan fiduciary net position		
Contributions—employer	\$ 45,691,925	
Benefit payments	<u>(45,691,925)</u>	
Net change in plan fiduciary net position	-	
Plan fiduciary net position—beginning	<u>-</u>	
Plan fiduciary net position—ending	<u>\$ -</u>	n/a
City's net OPEB liability—ending	<u>\$ 1,183,643,696</u>	n/a
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	n/a
Covered-employee payroll	\$ 202,723,860	n/a
City's net OPEB liability as a percentage of covered-employee payroll	584%	n/a
City of Buffalo - Business-type Activities:		
Total OPEB liability		
Service cost	\$ 2,725,605	
Interest	2,385,850	
Changes of assumptions	(13,881,054)	
Benefit payments	<u>(2,233,175)</u>	
Net changes in total OPEB liability	<u>(11,002,774)</u>	
Total OPEB liability—beginning, as restated	<u>82,386,275</u>	
Total OPEB liability—ending	<u>\$ 71,383,501</u>	n/a
Plan fiduciary net position		
Contributions—employer	\$ 2,233,175	
Benefit payments	<u>(2,233,175)</u>	
Net change in plan fiduciary net position	-	
Plan fiduciary net position—beginning	<u>-</u>	
Plan fiduciary net position—ending	<u>\$ -</u>	n/a
City's net OPEB liability—ending	<u>\$ 71,383,501</u>	n/a
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	n/a
Covered-employee payroll	\$ 15,532,110	n/a
City's net OPEB liability as a percentage of covered-employee payroll	460%	n/a

(continued)

*Information prior to the year ended June 30, 2018 (June 30, 2017 as to the BBOE) is not available.

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018*
(Amounts expressed in thousands)

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Buffalo Fiscal Stability Authority ("BFSA"):		
Total OPEB liability		
Service cost	\$ 163	
Interest	-	
Differences between expected and actual experience	-	
Changes of assumptions	-	
Benefit payments	-	
Net changes in total OPEB liability	<u>163</u>	
Total OPEB liability—beginning, as restated	<u>1,121</u>	
Total OPEB liability—ending	<u>\$ 1,284</u>	n/a
Plan fiduciary net position		
Contributions—employer	\$ -	
Benefit payments	-	
Net change in plan fiduciary net position	-	
Plan fiduciary net position—beginning	-	
Plan fiduciary net position—ending	<u>\$ -</u>	n/a
BFSA's net OPEB liability—ending	<u>\$ 1,284</u>	n/a
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	n/a
Covered-employee payroll	\$ 376	n/a
BFSA's net OPEB liability as a percentage of covered-employee payroll	341.5%	n/a
Buffalo Board of Education ("BBOE"):		
Total OPEB liability		
Service cost	\$ 82,946	\$ 105,405
Interest	92,126	82,361
Differences between expected and actual experience	(234,596)	(202,349)
Changes of assumptions	(124,198)	(238,475)
Benefit payments	<u>(61,431)</u>	<u>(63,996)</u>
Net changes in total OPEB liability	<u>(245,153)</u>	<u>(317,054)</u>
Total OPEB liability—beginning, as restated	<u>2,535,305</u>	<u>2,852,359</u>
Total OPEB liability—ending	<u>\$ 2,290,152</u>	<u>\$ 2,535,305</u>
Plan fiduciary net position		
Contributions—employer	\$ 61,431	\$ 63,996
Benefit payments	<u>(61,431)</u>	<u>(63,996)</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>
BBOE's net OPEB liability—ending	<u>\$ 2,290,152</u>	<u>\$ 2,535,305</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered-employee payroll	\$ 345,602	\$ 344,791
BBOE's net OPEB liability as a percentage of covered-employee payroll	662.7%	735.3%

(continued)

*Information prior to the year ended June 30, 2018 (June 30, 2017 as to the BBOE) is not available.

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018*
(Amounts expressed in thousands)

(concluded)

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Buffalo Urban Renewal Agency ("BURA"):		
Total OPEB liability		
Service cost	\$ 633	
Interest	886	
Effect of economic/demographic gains or losses	(274)	
Changes of assumptions	-	
Benefit payments	<u>(463)</u>	
Net changes in total OPEB liability	<u>782</u>	
Total OPEB liability—beginning, as restated	<u>24,153</u>	
Total OPEB liability—ending	<u>\$ 24,935</u>	n/a
Plan fiduciary net position		
Contributions—employer	\$ 463	
Benefit payments	<u>(463)</u>	
Net change in plan fiduciary net position	-	
Plan fiduciary net position—beginning	<u>-</u>	
Plan fiduciary net position—ending	<u>\$ -</u>	n/a
BURA's net OPEB liability—ending	<u>\$ 24,935</u>	n/a
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	n/a
Covered-employee payroll	\$ 2,310	n/a
BURA's net OPEB liability as a percentage of covered-employee payroll	1079.4%	n/a

*Information prior to the year ended June 30, 2018 (June 30, 2017 as to the BBOE) is not available.

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

CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund
Balances—Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Property taxes, assessments, and other tax items	\$ 139,140,994	\$ 138,675,994	\$ 140,956,447	\$ 2,280,453
Utility and other nonproperty tax items	12,250,000	12,250,000	11,405,037	(844,963)
Federal aid	2,368,690	2,368,690	2,578,472	209,782
State aid	183,144,389	178,644,389	174,668,783	(3,975,606)
Local sources and other	84,908,250	85,373,250	86,040,653	667,403
Investment interest	675,000	675,000	881,113	206,113
Charges for services	14,827,160	14,827,160	14,015,591	(811,569)
Licenses and permits	5,269,261	5,269,261	5,240,178	(29,083)
Fines	14,233,000	14,233,000	10,967,603	(3,265,397)
Miscellaneous	14,420,949	14,420,949	6,631,025	(7,789,924)
Total revenues	<u>471,237,693</u>	<u>466,737,693</u>	<u>453,384,902</u>	<u>(13,352,791)</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	5,037,015	5,195,236	5,078,379	116,857
Executive	3,146,119	3,147,697	2,714,019	433,678
Audit and control	3,476,880	3,519,105	2,822,281	696,824
Law	3,771,578	3,846,781	3,325,870	520,911
Assessment	2,597,794	3,207,494	2,661,370	546,124
Public works, parks and streets	8,282,596	9,964,004	10,136,743	(172,739)
Management information systems	5,432,459	5,657,412	4,865,098	792,314
Administration and finance	10,378,947	10,655,856	9,718,913	936,943
Human resources	5,533,095	6,779,635	5,788,114	991,521
Other	18,791,500	20,472,837	19,575,202	897,635
Public safety:				
Administration and finance	2,024,499	2,073,024	2,140,970	(67,946)
Police	89,462,484	89,600,728	90,494,943	(894,215)
Fire	57,191,877	57,319,786	60,886,466	(3,566,680)
Public works, parks and streets	1,819,637	1,868,336	1,703,824	164,512
Permit and inspection services	5,785,330	5,858,339	5,604,045	254,294
Streets and sanitation:				
Public works, parks and streets	12,639,475	13,531,879	13,468,916	62,963
Economic assistance and opportunity:				
Executive	2,642,051	2,948,189	2,565,704	382,485
Community services	190,705	190,705	162,169	28,536
Culture and recreation:				
Public works, parks and streets	5,667,337	5,997,188	6,039,608	(42,420)
Community services	2,921,381	3,148,057	3,149,951	(1,894)
Other	895,000	926,617	464,903	461,714
Health and community services:				
Public works, parks and streets	1,205,817	1,216,209	1,262,043	(45,834)
Community services	1,258,524	1,261,187	1,121,805	139,382
Other	-	6,000	3,000	3,000
Education	70,822,758	70,822,758	70,822,758	-
Fringe benefits	147,671,258	147,053,874	140,855,448	6,198,426
Other	2,470,000	5,746,200	7,323,173	(1,576,973)
Debt service	92,000	92,000	60,600	31,400
Total expenditures	<u>471,208,116</u>	<u>482,107,133</u>	<u>474,816,315</u>	<u>7,290,818</u>
Excess (deficiency) of revenues over expenditures	<u>29,577</u>	<u>(15,369,440)</u>	<u>(21,431,413)</u>	<u>(6,061,973)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	16,218,708	20,718,708	17,893,344	(2,825,364)
Transfers out	<u>(28,435,360)</u>	<u>(28,974,046)</u>	<u>(29,327,938)</u>	<u>(353,892)</u>
Total other financing sources (uses)	<u>(12,216,652)</u>	<u>(8,255,338)</u>	<u>(11,434,594)</u>	<u>(3,179,256)</u>
Net change in fund balances *	<u>(12,187,075)</u>	<u>(23,624,778)</u>	<u>(32,866,007)</u>	<u>(9,241,229)</u>
Fund balances—beginning	<u>114,930,243</u>	<u>114,930,243</u>	<u>114,930,243</u>	<u>-</u>
Fund balances—ending	<u>\$ 102,743,168</u>	<u>\$ 91,305,465</u>	<u>\$ 82,064,236</u>	<u>\$ (9,241,229)</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

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CITY OF BUFFALO, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2018

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal budget is adopted for the Special Revenue Fund. Appropriation limits, where applicable, for the Special Revenue Fund are maintained based on individual grant and programs accepted by the City. The periods of such grants and program vary from the City’s fiscal year.

The appropriated budget is prepared by fund, function, department, division, agency or other purpose. The Comptroller may make transfers of appropriations within a department, transfers of appropriations between departments are made by the Common Council. The total expenditures for each function may not exceed the original appropriation during the fiscal year without Council approval. Increases over budget appropriations as originally adopted require a two-thirds vote of approval by the Council after certification by both the Mayor and Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the City’s accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

The City reports its budgetary status with the actual data, including outstanding encumbrances as charges against budget appropriations. The following table includes a reconciliation of the budgetary-basis (i.e., non-GAAP) and the GAAP-basis operating results.

Excess of expenditures and other financing uses over revenues and other financing sources—GAAP basis	\$ (22,940,523)
Less: encumbrances	<u>(9,925,484)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ (32,866,007)</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2018, the City had budgetary expenditures in excess of the final budget amount within general government support of \$172,739 pertaining to public works, parks and streets, which was caused primarily by the effects of overtime wages. Further, the City had budgetary expenditures in excess of the final budget amount within public safety of \$67,946, \$894,215 and \$3,566,680 pertaining to administration and finance, police, and fire, respectively, which was caused by the effects of regular and overtime wages in addition to duty disability costs within police and fire which were not included in the adopted budget. The City had budgetary expenditures in excess of the final budget amount within culture and recreation of \$42,420 and \$1,894 pertaining to public works, parks and streets, and community services, respectively, which was caused by the effects of overtime and regular wages. The City had budgetary expenditures in excess of the final budget amount within health and community services of \$45,834 pertaining to public works, parks and streets, which was caused primarily by the effects of overtime wages. The City had budgetary expenditures in excess of the final budget amount within other of \$1,576,973, which was caused by the effects of overtime wages. Additionally, transfers out exceeded the final budget by \$353,892 as a result of unbudgeted transfers to the Solid Waste and Recycling Fund for operating purposes.

2. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the discount rate and the medical healthcare cost trend rate. The discount rate is based on the Bond Buyer General Obligation 20-Year Bond Municipal Bond Index as of the measurement date, which increased from 2.85% to 3.58% at June 30, 2018. The medical healthcare cost trend rates were updated to reflect current medical provisions and premiums and expected future experience.

Buffalo Fiscal Stability Authority

Changes of Assumptions—There were no changes of assumptions for the year ended June 30, 2018.

Buffalo Board of Education

Changes of Assumptions—The most significant factors impacting the Board's OPEB liability include increases in the inflation rate from 1.30% to 2.50%, the discount rate from 3.56% to 3.87% and ultimate healthcare trend rate from 5.00% to 5.50%.

Buffalo Urban Renewal Agency

Changes of Assumptions—There were no changes of assumptions for the year ended June 30, 2018. There were no changes of assumptions for the year ended June 30, 2018. The discount rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date with a rate of 3.61% at June 30, 2018. Mortality rates were based on the RP2000 Mortality Table.

SUPPLEMENTARY INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual (Non-GAAP Budgetary Basis)—Debt Service Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 10,466,048	\$ 10,466,048	\$ 10,466,048	\$ -
Investment interest	40,552	40,552	169,141	128,589
License, permit, rentals, fines, and other service charges	92,884	92,884	141,176	48,292
Miscellaneous	3,931	3,931	370,367	366,436
Total revenues	<u>10,603,415</u>	<u>10,603,415</u>	<u>11,146,732</u>	<u>543,317</u>
EXPENDITURES				
Debt service:				
Principal	31,024,625	31,024,625	25,289,733	5,734,892
Interest and fiscal charges	<u>9,830,796</u>	<u>9,830,796</u>	<u>8,444,440</u>	<u>1,386,356</u>
Total expenditures	<u>40,855,421</u>	<u>40,855,421</u>	<u>33,734,173</u>	<u>7,121,248</u>
Excess (deficiency) of revenues over expenditures	<u>(30,252,006)</u>	<u>(30,252,006)</u>	<u>(22,587,441)</u>	<u>7,664,565</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	24,835,360	24,835,360	24,835,360	-
Transfers out	-	-	(6,895,172)	(6,895,172)
Issuance of refunding bonds	-	-	-	-
Premium on bonds	<u>3,143,240</u>	<u>3,143,240</u>	<u>1,247,956</u>	<u>(1,895,284)</u>
Total other financing sources (uses)	<u>27,978,600</u>	<u>27,978,600</u>	<u>19,188,144</u>	<u>(8,790,456)</u>
Net change in fund balances *	(2,273,406)	(2,273,406)	(3,399,297)	(1,125,891)
Fund balances—beginning	<u>11,875,384</u>	<u>11,875,384</u>	<u>11,875,384</u>	<u>-</u>
Fund balances—ending	<u>\$ 9,601,978</u>	<u>\$ 9,601,978</u>	<u>\$ 8,476,087</u>	<u>\$ (1,125,891)</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Special Revenue Fund — This fund is used to account for all of the special federal and state grants that are restricted for noncapital purposes by the grant award.

BFSA DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Buffalo Fiscal Stability Authority Debt Service Fund — This fund is used to account for debt issued by the BFSA.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Permanent Fund — This fund is used to purchase objects to enhance the beauty of the Park System in the City of Buffalo.

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CITY OF BUFFALO, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2018

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Restricted cash and cash equivalents	\$ 4,101,145	\$ 637,357	\$ 75,224	\$ 4,813,726
Investments	-	5,820,543	61,472	5,882,015
Receivables:				
Other receivables	-	-	4,136	4,136
Intergovernmental receivables	274,923	-	-	274,923
Due from other funds	924,959	-	-	924,959
Total assets	<u>\$ 5,301,027</u>	<u>\$ 6,457,900</u>	<u>\$ 140,832</u>	<u>\$ 11,899,759</u>
LIABILITIES				
Accounts payable	\$ 1,064,379	\$ -	\$ -	\$ 1,064,379
Accrued liabilities	-	328,968	-	328,968
Due to other governments	129,574	-	-	129,574
Due to other funds	133,082	-	-	133,082
Due to component units	77,509	-	-	77,509
Total liabilities	<u>1,404,544</u>	<u>328,968</u>	<u>-</u>	<u>1,733,512</u>
FUND BALANCES				
Nonspendable	-	-	30,000	30,000
Restricted	3,896,483	6,128,932	110,832	10,136,247
Total fund balances	<u>3,896,483</u>	<u>6,128,932</u>	<u>140,832</u>	<u>10,166,247</u>
Total liabilities and fund balances	<u>\$ 5,301,027</u>	<u>\$ 6,457,900</u>	<u>\$ 140,832</u>	<u>\$ 11,899,759</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2018

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Intergovernmental	\$ 28,780,826	\$ -	\$ -	\$ 28,780,826
Investment interest	573	202,375	18	202,966
Miscellaneous	160,347	-	-	160,347
Total revenues	<u>28,941,746</u>	<u>202,375</u>	<u>18</u>	<u>29,144,139</u>
EXPENDITURES				
Current:				
General government support	226,072	-	-	226,072
Public safety	1,761,651	-	-	1,761,651
Streets and sanitation	438,604	-	-	438,604
Economic assistance and opportunity	26,093,116	-	-	26,093,116
Culture and recreation	8,788	-	-	8,788
Health and community services	243,700	-	-	243,700
Debt service:				
Principal	-	5,520,000	-	5,520,000
Interest and fiscal charges	-	1,057,400	-	1,057,400
Total expenditures	<u>28,771,931</u>	<u>6,577,400</u>	<u>-</u>	<u>35,349,331</u>
Excess (deficiency) of revenues over expenditures	<u>169,815</u>	<u>(6,375,025)</u>	<u>18</u>	<u>(6,205,192)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,524,809	-	6,524,809
Transfers out	(6,046)	-	-	(6,046)
Total other financing sources (uses)	<u>(6,046)</u>	<u>6,524,809</u>	<u>-</u>	<u>6,518,763</u>
Net change in fund balances	163,769	149,784	18	313,571
Fund balances—beginning	<u>3,732,714</u>	<u>5,979,148</u>	<u>140,814</u>	<u>9,852,676</u>
Fund balances—ending	<u>\$ 3,896,483</u>	<u>\$ 6,128,932</u>	<u>\$ 140,832</u>	<u>\$ 10,166,247</u>

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WATER SYSTEM

The Water System is used to account for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City. The Water System is comprised of the Water Board, Water Authority and Water Enterprise.

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CITY OF BUFFALO, NEW YORK
Combining Statement of Net Position—Water System
June 30, 2018

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 18,704,243	\$ 349,403	\$ 181,498	\$ -	\$ 19,235,144
Restricted cash and cash equivalents	-	20,360,876	-	-	20,360,876
Investments	5,111,813	-	-	-	5,111,813
Receivables:					
Accounts receivable	21,067,011	-	-	-	21,067,011
Other receivables	1,483,454	-	-	-	1,483,454
Due from other agencies	127,425	-	-	-	127,425
Due from other funds	679,128	98,763,462	35,591,863	(135,034,453)	-
Allowances	<u>(16,948,852)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,948,852)</u>
Net receivables	<u>6,408,166</u>	<u>98,763,462</u>	<u>35,591,863</u>	<u>(135,034,453)</u>	<u>5,729,038</u>
Total current assets	<u>30,224,222</u>	<u>119,473,741</u>	<u>35,773,361</u>	<u>(135,034,453)</u>	<u>50,436,871</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	<u>2,396,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,396,773</u>
Total capital assets not being depreciated	<u>2,541,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,541,889</u>
Capital assets being depreciated:					
Buildings and infrastructure	231,370,338	-	-	-	231,370,338
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	1,197,902	-	-	-	1,197,902
Accumulated depreciation	<u>(91,363,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,363,532)</u>
Total capital assets being depreciated	<u>141,457,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,457,101</u>
Total noncurrent assets	<u>143,998,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,998,990</u>
Total assets	<u>174,223,212</u>	<u>119,473,741</u>	<u>35,773,361</u>	<u>(135,034,453)</u>	<u>194,435,861</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	3,065,256	-	-	3,065,256
Deferred outflows—relating to pensions	<u>2,197,052</u>	<u>-</u>	<u>2,197,052</u>	<u>(2,197,052)</u>	<u>2,197,052</u>
Total deferred outflows of resources	<u>2,197,052</u>	<u>3,065,256</u>	<u>2,197,052</u>	<u>(2,197,052)</u>	<u>5,262,308</u>
LIABILITIES					
Current liabilities:					
Accounts payable	861,641	-	28,077	-	889,718
Other accrued liabilities	-	2,647,269	301,563	-	2,948,832
Due to other funds	135,588,653	-	-	(135,046,437)	542,216
Due to retirement systems	-	-	224,224	-	224,224
Accrued compensated absences	-	-	37,353	-	37,353
Accrued workers' compensation	-	-	315,881	-	315,881
General obligation and revenue bonds payable within one year	<u>-</u>	<u>8,761,024</u>	<u>-</u>	<u>-</u>	<u>8,761,024</u>
Total current liabilities	<u>136,450,294</u>	<u>11,408,293</u>	<u>907,098</u>	<u>(135,046,437)</u>	<u>13,719,248</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Statement of Net Position—Water System
June 30, 2018

(concluded)

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Noncurrent liabilities:					
Accrued compensated absences	-	-	829,782	-	829,782
Accrued workers' compensation	-	-	361,367	-	361,367
Accrued OPEB	-	-	28,613,819	-	28,613,819
General obligation and revenue bonds payable	-	111,130,704	-	-	111,130,704
Net pension liability	-	-	691,114	-	691,114
Total noncurrent liabilities	<u>-</u>	<u>111,130,704</u>	<u>30,496,082</u>	<u>-</u>	<u>141,626,786</u>
Total liabilities	<u>136,450,294</u>	<u>122,538,997</u>	<u>31,403,180</u>	<u>(135,046,437)</u>	<u>155,346,034</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	2,185,068	-	2,185,068	(2,185,068)	2,185,068
Deferred inflows—relating to OPEB	-	-	4,382,165	-	4,382,165
Total deferred inflows of resources	<u>2,185,068</u>	<u>-</u>	<u>6,567,233</u>	<u>(2,185,068)</u>	<u>6,567,233</u>
NET POSITION					
Net investment in capital assets	27,172,518	-	-	20,360,876	47,533,394
Unrestricted	10,612,384	-	-	(20,360,876)	(9,748,492)
Total net position	<u>\$ 37,784,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,784,902</u>

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CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2018

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Operating revenues:					
Charges for services	\$ 41,542,600	\$ -	\$ -	\$ -	\$ 41,542,600
Other	267,429	-	-	-	267,429
Total operating revenues	<u>41,810,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,810,029</u>
Operating expenses:					
Services and supplies	10,624,849	54,710	6,669,755	-	17,349,314
Fringe benefits	-	-	4,321,186	-	4,321,186
Depreciation	6,162,113	-	-	-	6,162,113
Other	1,279,422	-	-	(679,128)	600,294
Total operating expenses	<u>18,066,384</u>	<u>54,710</u>	<u>10,990,941</u>	<u>(679,128)</u>	<u>28,432,907</u>
Operating income (loss)	<u>23,743,645</u>	<u>(54,710)</u>	<u>(10,990,941)</u>	<u>679,128</u>	<u>13,377,122</u>
Nonoperating revenues (expenses):					
Interest earnings	282,712	-	3,914	-	286,626
Interest expense	(5,417,530)	-	-	-	(5,417,530)
Loss on disposal of capital assets	(17,749)	-	-	-	(17,749)
Other	440,187	-	-	-	440,187
Total nonoperating revenues (expenses)	<u>(4,712,380)</u>	<u>-</u>	<u>3,914</u>	<u>-</u>	<u>(4,708,466)</u>
Income (loss) before transfers	19,031,265	(54,710)	(10,987,027)	679,128	8,668,656
Transfers in	-	54,710	10,987,027	(11,041,737)	-
Transfers out	<u>(16,936,829)</u>	<u>-</u>	<u>-</u>	<u>10,362,609</u>	<u>(6,574,220)</u>
Change in net position	2,094,436	-	-	-	2,094,436
Total net position—beginning, as restated	<u>35,690,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,690,466</u>
Total net position—ending	<u>\$ 37,784,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,784,902</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Cash Flows—
Water System
Year Ended June 30, 2018

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 41,716,537	\$ -	\$ -	\$ -	\$ 41,716,537
Payments to suppliers for goods and services	(11,112,312)	(70,549)	(6,637,245)	-	(17,820,106)
Payments to employees for services	(687,876)	-	(4,481,980)	-	(5,169,856)
Net cash provided by (used for) operating activities	<u>29,916,349</u>	<u>(70,549)</u>	<u>(11,119,225)</u>	<u>-</u>	<u>18,726,575</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	54,710	10,987,027	-	11,041,737
Transfers to other funds	(16,936,829)	-	-	-	(16,936,829)
Advances from other funds	8,747	7,585,526	308,469	-	7,902,742
Advances to other funds	(7,731,235)	-	-	-	(7,731,235)
Net cash provided by (used for) noncapital financing activities	<u>(24,659,317)</u>	<u>7,640,236</u>	<u>11,295,496</u>	<u>-</u>	<u>(5,723,585)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(8,934,675)	-	-	-	(8,934,675)
Disposal of capital assets	(17,749)	-	-	-	(17,749)
Principal payments on bonds	-	(8,255,000)	(167,469)	-	(8,422,469)
Interest payments	(4,977,343)	(88,951)	(8,372)	-	(5,074,666)
Net cash used for capital and related financing activities	<u>(13,929,767)</u>	<u>(8,343,951)</u>	<u>(175,841)</u>	<u>-</u>	<u>(22,449,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on short-term investments	282,712	-	-	-	282,712
Net cash provided by investing activities	<u>282,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,712</u>
Net increase (decrease) in cash and cash equivalents	(8,390,023)	(774,264)	430	-	(9,163,857)
Cash, cash equivalents and investments—beginning	32,206,079	21,484,543	181,068	-	53,871,690
Cash, cash equivalents and investments—ending	<u>\$ 23,816,056</u>	<u>\$ 20,710,279</u>	<u>\$ 181,498</u>	<u>\$ -</u>	<u>\$ 44,707,833</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Statement of Cash Flows—
Water System
Year Ended June 30, 2018

(concluded)

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:					
Operating income (loss)	\$ 23,743,645	\$ (54,710)	\$ (10,990,941)	\$ 679,128	\$ 13,377,122
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	6,162,113	-	-	-	6,162,113
Pension expense	-	-	-	(687,876)	(687,876)
Decrease in receivables	506,806	-	32,513	-	539,319
(Increase) decrease in deferred outflows—relating to pensions	(724,420)	-	(724,420)	724,420	(724,420)
Increase (decrease) decrease in payables	(487,467)	(15,839)	3,974	-	(499,332)
Increase in accrued liabilities	-	-	5,774	-	5,774
(Decrease) in retirement systems	-	-	(15,764)	-	(15,764)
Increase in compensated absences	-	-	60,048	-	60,048
Increase in workers' compensation	-	-	55,124	-	55,124
(Decrease) in accrued other postemployment benefits obligation	-	-	(4,643,370)	-	(4,643,370)
Increase (decrease) in net pension liability	(1,184,564)	-	(1,184,564)	1,184,564	(1,184,564)
Increase (decrease) in deferred inflows—relating to pensions	1,900,236	-	1,900,236	(1,900,236)	1,900,236
Increase in deferred inflows—relating to OPEB	-	-	4,382,165	-	4,382,165
Total adjustments	<u>6,172,704</u>	<u>(15,839)</u>	<u>(128,284)</u>	<u>(679,128)</u>	<u>5,349,453</u>
Net cash provided by (used for) operating activities	<u>\$ 29,916,349</u>	<u>\$ (70,549)</u>	<u>\$ (11,119,225)</u>	<u>\$ -</u>	<u>\$ 18,726,575</u>

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AGENCY FUND

The Agency Fund is used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

CITY OF BUFFALO, NEW YORK
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents	\$ 1,847,268	\$ 16,983,345	\$ 17,080,781	\$ 1,749,832
Due from other funds	-	16,431,546	16,431,546	-
Receivables	539	-	539	-
Total assets	<u>\$ 1,847,807</u>	<u>\$ 33,414,891</u>	<u>\$ 33,512,866</u>	<u>\$ 1,749,832</u>
LIABILITIES				
Accounts payable	\$ 200,529	\$ 29,148,162	\$ 29,275,899	\$ 72,792
Intergovernmental payables	25,716	-	-	25,716
Amounts held in custody for others:				
Prisoner property	1,365,688	265,883	210,248	1,421,323
Fire insurance proceeds	228,569	-	35,200	193,369
Medical reimbursements	6,800	70,100	55,947	20,953
Miscellaneous - other	20,505	16,989,239	16,994,065	15,679
Total amounts held in custody for others	<u>1,621,562</u>	<u>17,325,222</u>	<u>17,295,460</u>	<u>1,651,324</u>
Total liabilities	<u>\$ 1,847,807</u>	<u>\$ 46,473,384</u>	<u>\$ 46,571,359</u>	<u>\$ 1,749,832</u>

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FEDERAL AWARDS INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Subrecipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
<i>Direct programs:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 8,065,476	\$ 19,695,395
Emergency Solutions Grant Program	14.231	N/A	1,368,355	1,407,154
HOME Investment Partnerships Program	14.239	N/A	3,574,038	3,574,038
Housing Opportunities for Persons with AIDS	14.241	N/A	512,134	531,206
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>13,520,003</u>	<u>25,207,793</u>
U.S. DEPARTMENT OF JUSTICE:				
<i>Direct programs:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	31,500	277,875
Equitable Sharing Program	16.922	N/A	-	194,500
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>31,500</u>	<u>472,375</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
<i>Passed through New York State Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	See note 4	-	9,099,667
Total Highway Planning and Construction Cluster			-	9,099,667
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>9,099,667</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<i>Passed through Erie County:</i>				
Homeland Security Preparedness Technical Assistance Program	97.067	C183629	-	10,237
<i>Passed through New York State Division of Homeland Security/Emergency Services:</i>				
Homeland Security Preparedness Technical Assistance Program	97.067	C191939	-	33,980
Homeland Security Preparedness Technical Assistance Program	97.067	C152350	-	153,834
Homeland Security Preparedness Technical Assistance Program	97.067	C152360	-	173,383
Homeland Security Preparedness Technical Assistance Program	97.067	C152370	-	25,008
Homeland Security Preparedness Technical Assistance Program	97.067	T180034	-	1,686
Total Homeland Security Preparedness Technical Assistance Program			-	398,128
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4204DRNY	-	23,368
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>-</u>	<u>421,496</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 13,551,503</u>	<u>\$ 35,201,331</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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CITY OF BUFFALO, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Buffalo, New York (the “City”) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City. The following notes were identified on the Schedule:

- (a) Includes all federal award programs of the City of Buffalo, New York. The federal expenditures of the Buffalo Board of Education (the “Board”) and the City of Buffalo Urban Renewal Agency (“BURA”) have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the basic financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The City has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

3. AMOUNTS PROVIDED TO SUBRECIPIENTS

Certain program funds are passed through the City to subrecipient organizations. The City identifies, to the extent practical, the total amount provided to subrecipients from each federal program; however, the Schedule does not contain separate schedules disclosing how the subrecipients outside of the City’s control utilize the funds. The City requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

4. DETAIL OF FEDERAL HIGHWAY ADMINISTRATION (CFDA 20.205) EXPENDITURES

Detail of highway administration expenditures for the year ended June 30, 2018 with their corresponding pass-through grantor numbers are as follows:

	Expenditures Year Ended June 30, 2018	CFDA No.	Pass-through Grantor Number
West Ferry Street Bridge over Black Rock Canal	\$ 185,200	20.205	D017626
Bailey Avenue Bridge over Cazenovia Creek	4,829,806	20.205	D017846
North Buffalo - Rails to Trails	61,098	20.205	D022061
Kenmore Avenue Reconstruction - Starin to Main Street	539,078	20.205	D030039
Niagara Street Gateway	86,106	20.205	D030444
Buffalo-Niagara Medical Campus - Phase 3	293,504	20.205	D034267
South Park Ave Bridge Painting & Concrete Repair	200,000	20.205	D034810
Bridge Bearing Replacement & Concrete Repair	546,207	20.205	D034848
Niagara Street - Porter Avenue to Ontario Street	182,768	20.205	D034866
South Ogden Street Bridge Over Buffalo River	244,395	20.205	D034896
Buffalo Riverwalk Shoreline Trail Project	1,273,566	20.205	D034936
Cars on Main - Lower Main	252,080	20.205	D035251
Deck Joint Replacement - 3 Bridges	151,011	20.205	D035477
Bridge Wash & Deck Seal	183,380	20.205	D035479
Bridge Joint/Bearing/Concrete Repair	71,468	20.205	D035480
Total	<u>\$ 9,099,667</u>		

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Comptroller of the
City of Buffalo, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buffalo, New York (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2018 (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75). Our report includes a reference to other auditors who audited the financial statements of the Buffalo Fiscal Stability Authority and the Buffalo Board of Education, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We have also audited the financial statements of the Buffalo Urban Renewal Agency (the "Agency"). This report does not include the results of our testing of internal control over financial reporting and compliance and other matters of the Agency which are reported on separately in our report dated September 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

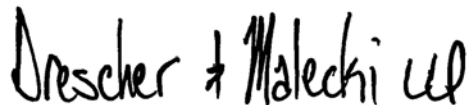
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 29, 2018

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable Comptroller of the
City of Buffalo, New York:

Report on Compliance for Each Major Federal Program

We have audited the City of Buffalo, New York's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Buffalo Board of Education (the "Board") and the Buffalo Urban Renewal Agency (the "Agency"), which expended \$92,971,294 and \$49,451,728 in federal awards, respectively, which are not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2018. Our compliance audit, described below, did not include the operations of the Board or the Agency. Our audit did not include the operations of the Board since other auditors were engagement to perform such audit in accordance with the Uniform Guidance. Our audit did not include the operations of the Agency since its compliance audit is reported on separately in our report dated September 17, 2018 based on our audit of the operations of the Agency in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

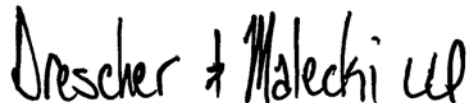
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



October 29, 2018

CITY OF BUFFALO, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*
 *(which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75 and includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> Yes	_____ None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No
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Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/ Entitlement Grants
14.241	Housing Opportunities for Persons with AIDS

Dollar threshold used to distinguish between Type A and Type B programs?		\$ <u>1,056,040</u>
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ No
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Section II. FINANCIAL STATEMENT FINDINGS

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2018-001—Solid Waste and Recycling Fund Deficit

Criteria—Program revenues within a business-type activity should be adequate to meet the expenses of providing the services for which the fund is responsible.

Condition and Context—Annual operating deficits of the Solid Waste and Recycling Fund over the last several years have caused a fiscal strain to the City's General Fund. The City's General Fund has provided significant interfund advances to provide sufficient cash for current Solid Waste and Recycling Fund operations. As of June 30, 2018, the General Fund has advanced \$19,522,089 to the Solid Waste and Recycling Fund. Due to its consistently weakening financial position, the Solid Waste and Recycling Fund's ability to repay this advance is questionable. Further, on an annual basis the General Fund makes a budgeted transfer to the Solid Waste and Recycling Fund. For the year ended June 30, 2018 this transfer amounted to \$3,553,892.

For more than eight years, the Solid Waste and Recycling Fund has reported operating losses. In an effort to reduce the deficits, as operating expenses were decreased an average of 4.6 percent over the last four years. However, with revenues decreasing an average of 1.9 percent over the same period, a deficit still exists at June 30, 2018. While revenues remained relatively consistent with the prior year, expenses increased 1.3 percent, resulting in an operating loss of \$3,445,345 for the year ended June 30, 2018, an increase of \$295,215 from the prior year's operating loss of \$3,150,130.

Cause—The Solid Waste and Recycling Fund's charges for services are not adequate to support the current level of spending within the fund. As a result, the General Fund is providing the Solid Waste and Recycling Fund with interfund loans and operating transfers that are bridging the gap between revenues and expenses. #

Effect or Potential Effect—The Solid Waste and Recycling Fund is not adequately supporting its program expenses with charges for services.

Recommendation—Consistent with Section 216.58 of the City's Charter, we recommend that the City establish appropriate Solid Waste and Recycling Fund basic residential and commercial rates that will generate sufficient revenue to support program expenses within the fund. We further recommend that the City seek legal opinion to determine the appropriateness of the budgeted operating transfer made from the General Fund to the Solid Waste and Recycling Fund.

The City should develop a formal plan to have the General Fund recover the amounts advanced to the Solid Waste and Recycling Fund. The plan would require that not only should the basic residential and commercial rates generate sufficient revenue to support program expenses within the fund, the rates should also enable repayment to the General Fund for the prior advances with interest. If the City ascertains that such a funding plan is not feasible the City should determine the appropriateness of having the General Fund subsidize the Solid Waste and Recycling Fund.

View of Responsible Officials and Planned Corrective Action Plan—As of July 1, 2018, the residential and commercial user fees were increased by varying amounts depending on tote size. The amount budgeted for the 2019 fiscal year is \$5.9 million higher than the actual user fee for the 2018 fiscal year, an increase of 35%. The increase in the user fee eliminated the need for budgeted transfers from the General Fund and will also allow the Solid Waste and Recycling Fund to begin repayment of the prior advances from the General Fund.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

CITY OF BUFFALO, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended June 30, 2018
(Follow up on June 30, 2017 Findings)

Finding 2017-001—Solid Waste and Recycling Fund Deficit

During the year ended June 30, 2018, the City adopted a 2018-2019 budget that included an increase per tote size ranging from 65.1% to 131.1% and 104.7% to 186.6% to the Solid Waste and Recycling Fund 2018-2019 user fee rates effective July 1, 2018 for residential and commercial users, respectively. These increases exclude the fixed rate per customer, which remained unchanged for residential users and increased 26.2% for commercial users. Such an increase aligns with management's corrective action plan identified in the material weakness identified as finding 2017-001 to repay the General Fund's advances to the Solid Waste and Recycling Fund. According, the material weakness identified as Finding 2017-001 has been reported as a significant deficiency (2018-001) for the year ended June 30, 2018.

Finding 2017-002—Equipment and Real Property Management

City management assigned the responsibility to track all equipment and real property purchases in accordance with OMB Uniform Guidance §200.313 to a new employee subsequent to the retirement of the individual previously maintaining such records. These records are maintained within the City's Accounting Office.