

**CITY OF BUFFALO,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
June 30, 2020 and Independent Auditors' Reports*

CITY OF BUFFALO, NEW YORK

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Comptroller and City Council 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, 2020, 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.

Auditors' 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 1.7% 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 ("BOE"), 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 BOE, 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, 2020, 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.

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, 2020 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.

Drescher & Malecki LLP

October 29, 2020

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2020

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, 2020. This document is encouraged to be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. 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, 2020 by \$872,368. This consists of \$443,281 net investment in capital assets, \$39,147 restricted for specific purposes, and unrestricted net position of \$(1,354,796).
- The City's total primary government net position decreased \$24,222 during the year ended June 30, 2020. Net position decreased \$30,877 for governmental activities and increased \$6,655 for business-type activities, respectively.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$112,452, a decrease of \$18,235 from June 30, 2019.
- At the end of the current fiscal year, the combined committed and assigned fund balance for the General Fund was \$50,856, or 10.4 percent of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization fund is \$38,140, or 7.8 percent of total General Fund expenditures and transfers out, and assigned fund balance is \$12,716, or 2.6 percent of total General Fund expenditures and transfers out. The General Fund reported no unassigned fund balance as of June 30, 2020.
- 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 \$158,945 (\$140,632 net governmental activities general obligation bonds issued by the City, \$11,130 governmental activities general obligation bonds issued by BFSA, and \$7,183 business-type activities general obligation bonds). During the year, the City issued refunding bonds of \$7,530, which along with premiums and cash contributions, refunded \$10,785 of previously outstanding serial bonds and made total scheduled principal payments of \$34,095 (\$27,192 for net governmental activities general obligation bonds issued by the City, \$5,440 for governmental activities general obligation bonds issued by BFSA, and \$1,463 for business-type activities general obligation bonds) during the year ended June 30, 2020. Additionally, during the year ended June 30, 2020, the City issued a long-term deficiency note for \$25,000.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$121,060, as compared to \$125,270 at the beginning of the year as a result of scheduled principal payments on water system revenue bonds of \$4,210.

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 solid waste and recycling 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 28-86 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 87-98 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 99-107.

Finally, the Federal Awards Information can be found on pages 108-116 of this report.

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 \$872,368 at the close of the most recent fiscal year, as compared to \$848,146 at the close of the fiscal year ended June 30, 2019.

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,	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 503,388	\$ 460,564	\$ 61,729	\$ 60,601	\$ 565,117	\$ 521,165
Capital assets	538,269	530,464	193,250	192,770	731,519	723,234
Total assets	<u>1,041,657</u>	<u>991,028</u>	<u>254,979</u>	<u>253,371</u>	<u>1,296,636</u>	<u>1,244,399</u>
Total deferred outflows of resources	<u>218,996</u>	<u>60,375</u>	<u>12,715</u>	<u>6,078</u>	<u>231,711</u>	<u>66,453</u>
Current and other liabilities	360,032	290,622	9,114	6,511	369,146	297,133
Noncurrent liabilities	1,646,166	1,396,491	211,910	205,828	1,858,076	1,602,319
Total liabilities	<u>2,006,198</u>	<u>1,687,113</u>	<u>221,024</u>	<u>212,339</u>	<u>2,227,222</u>	<u>1,899,452</u>
Total deferred inflows of resources	<u>154,863</u>	<u>233,821</u>	<u>18,630</u>	<u>25,726</u>	<u>173,493</u>	<u>259,547</u>
Net position:						
Net investment in capital assets	346,607	361,486	96,674	93,475	443,281	454,962
Restricted	39,147	36,561	-	-	39,147	36,561
Unrestricted	<u>(1,286,162)</u>	<u>(1,267,578)</u>	<u>(68,635)</u>	<u>(72,091)</u>	<u>(1,354,796)</u>	<u>(1,339,669)</u>
Total net position	<u>\$ (900,408)</u>	<u>\$ (869,531)</u>	<u>\$ 28,039</u>	<u>\$ 21,384</u>	<u>\$ (872,368)</u>	<u>\$ (848,146)</u>

The largest portion of the City's net position, \$443,281, 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, \$39,147, 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, \$(1,354,796), 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 \$1,228,417. 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 \$24,222. Significant changes from 2019 to 2020 in the Statement of Net Position and reasons for such changes are:

- Current and other assets increased by \$43,952. The primary reasons for the increase are an increase in cash and cash equivalents of \$95,707, offset with a decrease in investments of \$20,563 related to current year operations, the timing of payments made by the City, along with the collection and related reduction of the due from the Board of Education in the amount of \$10,509.
- Deferred outflows of resources increased \$165,258, due primarily to an increase in deferred outflows of resources relating to pensions.
- Current and other liabilities increased \$72,013, due primarily to a \$58,409 increase in amounts owed to component units related to BBOE cash maintained by the City and the related timing of payments.
- Noncurrent liabilities increased by \$255,757, primarily due to a \$171,649 increase in net pension liabilities and a \$99,312 increase in total other postemployment benefits ("OPEB") liabilities.
- Deferred inflows of resources decreased by \$86,054, due primarily to a \$68,444 decrease in deferred inflows of resources relating to OPEB.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2020 and June 30, 2019.

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,	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 35,065	\$ 34,227	\$ 76,188	\$ 80,256	\$ 111,253	\$ 114,483
Operating grants and contributions	27,973	23,474	-	-	27,973	23,474
Capital grants and contributions	20,283	18,107	-	-	20,283	18,107
General revenues:						
Property taxes	139,185	136,701	-	-	139,185	136,701
Other taxes	21,180	22,267	-	-	21,180	22,267
Intergovernmental	107,868	108,176	630	324	108,498	108,500
Investment earnings	1,883	2,268	245	349	2,128	2,617
State aid	132,613	168,785	-	-	132,613	168,785
Miscellaneous	8,614	2,594	-	-	8,614	2,594
Total revenues	<u>494,664</u>	<u>516,599</u>	<u>77,063</u>	<u>80,929</u>	<u>571,727</u>	<u>597,528</u>
Expenses:						
General government support	85,385	80,519	-	-	85,385	80,519
Public safety	289,382	211,347	-	-	289,382	211,347
Streets and sanitation	41,633	28,010	-	-	41,633	28,010
Economic assist. and opportunity	25,661	22,845	-	-	25,661	22,845
Culture and recreation	13,735	15,270	-	-	13,735	15,270
Health and community services	3,901	3,066	-	-	3,901	3,066
Education	70,823	70,823	-	-	70,823	70,823
Interest and fiscal charges	5,342	6,779	-	-	5,342	6,779
Solid Waste and Recycling	-	-	22,005	19,331	22,005	19,331
Parking	-	-	2,090	2,387	2,090	2,387
Water System	-	-	35,992	34,628	35,992	34,628
Total expenses	<u>535,862</u>	<u>438,659</u>	<u>60,087</u>	<u>56,346</u>	<u>595,949</u>	<u>495,005</u>
Excess (deficiency) of revenues over expenses	(41,198)	77,940	16,976	24,583	(24,222)	102,524
Transfers	<u>10,321</u>	<u>13,888</u>	<u>(10,321)</u>	<u>(13,888)</u>	<u>-</u>	<u>-</u>
Change in net position	(30,877)	91,828	6,655	10,695	(24,222)	102,524
Net position—beginning, as restated	<u>(869,531)</u>	<u>(961,359)</u>	<u>21,384</u>	<u>10,689</u>	<u>(848,147)</u>	<u>(950,670)</u>
Net position—ending	<u>\$ (900,408)</u>	<u>\$ (869,531)</u>	<u>\$ 28,039</u>	<u>\$ 21,384</u>	<u>\$ (872,368)</u>	<u>\$ (848,146)</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are property taxes (28.1%), state aid (26.8%) and intergovernmental (21.8%).

The largest expense categories for the City’s governmental activities are public safety (54.0%), general government support (15.9%) and education (13.2%). The education category represents the City allocation to the Board.

Significant changes from 2019 to 2020 in revenues and expenses for the City include the following:

- Total revenues decreased \$21,935 in the current year as compared to last year. State aid decreased \$36,172, mainly due to the impacts of COVID-19 on the State’s budget.
- Total expenses increased by \$97,203 primarily as a result of the change in actuarial assumptions used in measuring the net pension liabilities and the related deferred inflows and outflows of resources. The impact of the net pension liabilities and deferred outflows and inflows of resources was an increase in expenses of \$50,708 at June 30, 2020, as compared to a decrease of \$12,249 in the prior year.

Business-type activities—Business-type activities increased the City’s net position by \$6,655. Overall, revenues decreased \$3,866, expenses increased \$3,741, and transfers out decreased \$3,567 from 2019 to 2020. The overall increase in net position is due to the following:

- The Solid Waste and Recycling Fund recorded an increase in net position of \$2,601 as a result of increased rates and operating revenues exceeding operating expenses and transfers out.
- The net position of the Parking Fund decreased \$3,688, which was primarily a result of operating expenses, interest expense and transfers out exceeding operating revenues.
- The Water System’s net position increased by \$7,742 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, 2020, the City’s governmental funds reported combined ending fund balances of \$112,452, a decrease of \$18,235 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, \$24,476, (2) restricted for particular purposes, \$36,532, (3) committed to particular purposes, \$38,140, or (4) assigned for particular purposes, \$13,304.

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 \$24,476 consists of \$9,835 of real estate acquired for resale, \$13,315 to cover the deficit in the Solid Waste and Recycling Fund, \$1,297 for prepaid items and \$30 for Permanent Fund principal.

Restricted fund balance in the amount of \$36,532 are amounts constrained to specific purposes and consist of \$5,496 to finance specific capital projects, \$12,420 for future capital outlay, \$9,805 to pay debt service, \$6,879 for federal and state programs, \$1,822 for emergency medical services and \$111 for compliance of 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. \$38,140 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$13,304 consists of \$8,580 to liquidate contracts and purchase orders, \$802 for motor vehicle self-insurance, \$3,334 for judgments and claims, and \$589 in funds held by the BFSA. These assignments indicate management's intention to utilize these funds for the stated purposes.

The General Fund is the chief operating fund of the City. During the current fiscal year, total fund balance decreased to \$89,528. 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, 2020 the City reported no unassigned fund balance, while total fund balance represents approximately 18.4 percent of total General Fund expenditures and transfers out. The total fund balance of the City's General Fund decreased \$3,411 during the current fiscal year.

The Debt Service Fund has a total fund balance of \$4,750, which is restricted solely for the purpose of payment of future debt service. The decrease in fund balance during the current year in the Debt Service Fund of \$2,163 is due primarily to its planned use in the 2019-2020 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 \$5,496, all of which is restricted for encumbrances and future projects. The decrease in fund balance of \$13,780 is related to capital outlay in excess of revenues and other financing sources.

The BFSA Special Revenue Fund is used to account for the General Fund of the BFSA and, therefore, is their chief operating fund. Total fund balance at the end of the current fiscal year was \$604. Of this amount, \$16 is nonspendable for prepaid items and \$589 represents BFSA's assigned fund balance for operations. The \$299 decrease in fund balance is attributable to a decrease in intergovernmental revenues.

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 \$28,039. The balance includes a net position of \$(59,117) for the Solid Waste and Recycling Fund, and net position balances of \$36,015 for the Parking Fund and \$51,142 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 \$112. This represents a decrease of \$7, which is due to services and supplies exceeding charges for services.

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, 2020 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	\$ 508,683	\$ 508,683	\$ 483,628	\$ (25,055)
Expenditures and other financing uses	508,683	515,287	495,618	19,669
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ (6,604)	\$ (11,990)	\$ (5,386)

Adopted budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$3,624 within other general government support expenditures to cover electrical costs and additional equipment, and \$4,638 within other expenditures for unexpected workers' compensation claims. These increases were supported by the use of fund balance.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations indicate that actual revenues and transfers in were \$25,055 below the final budget, while actual expenditures and other financing uses were less than the final budget by \$19,669. Regarding revenues, a significant unfavorable variance of \$32,132 occurred within State aid due to the impacts of COVID-19 on the State's budget and the tribal compact funds not being distributed to the City. New York State withheld \$19,672 of aid that was to be provided to the City. This amount has been allowed for in State receivables as its potential receipt is unknown. This variance was partially offset by a favorable variance of \$25,000 upon the issuance on long-term deficiency notes at June 30, 2020. Regarding expenditures, the most significant favorable variance was noted with fringe benefits as the City had a reduction in personnel costs and incurred a decrease in retirement contributions.

Capital Assets and Debt Administration

Capital assets—The City's capital assets for its governmental activities and business-type activities as of June 30, 2020 amounted to \$731,518 (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, 2020 and June 30, 2019 are presented in Table 4 below.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	June 30,		June 30,		June 30,	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,792	\$ 9,792	\$ 3,362	\$ 3,362	\$ 13,154	\$ 13,154
Buildings and improvements	190,923	192,436	116,878	120,262	307,801	312,698
Improvements other than buildings	27,090	24,698	33	48	27,123	24,746
Machinery and equipment	9,325	11,109	2,596	2,297	11,921	13,406
Infrastructure	281,602	282,800	67,604	65,169	349,206	347,969
Construction in progress	19,537	9,629	2,776	1,632	22,313	11,261
Total	<u>\$ 538,269</u>	<u>\$ 530,464</u>	<u>\$ 193,249</u>	<u>\$ 192,770</u>	<u>\$ 731,518</u>	<u>\$ 723,234</u>

Significant changes from 2019 to 2020 in capital assets include:

- Buildings and improvements decreased \$4,897 largely due to new depreciation on major capital projects completed during the prior year such as improvements to the Police and Fire Headquarters at the Michael J. Dillon U.S. Court House Building.
- Construction in progress increased \$11,052 largely due to major street infrastructure capital projects underway during the year during the year such as cars on lower main street and Niagara street.

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 4 to the financial statements.

Long-term debt—At June 30, 2020, the City had total bonded debt outstanding for governmental activities of \$151,762, including bonds issued by BFSA, as compared to \$187,650 in the prior year as a result of schedule principal payments, a bond refunding of \$7,530, which along with premiums and cash contributions, refunded \$10,785 of previously outstanding serial bonds. The amount attributed to BFSA’s total bonded debt outstanding at the end of the current fiscal year is \$11,130.

The bonds outstanding for business-type activities at June 30, 2020 consisted of \$7,183 in general obligation bonds issued by the City for parking and \$121,060 of revenue bonds issued by the Water Authority reported within the Water System. During the year, the Authority made principal payments on water system revenue refunding bonds of \$4,210.

A summary of the City’s long-term liabilities at June 30, 2020 and June 30, 2019 is presented in Table 5 on the following page.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2020	2019	2020	2019	2020	2019
Bonds payable, net of premiums and discounts	\$ 165,719	\$ 203,733	\$ 138,400	\$ 144,789	\$ 304,119	\$ 348,522
Long-term deficiency notes	25,000	-	-	-	25,000	-
Compensated absences	24,444	30,462	1,296	1,541	25,740	32,003
Workers' compensation	9,213	9,073	2,065	2,239	11,278	11,312
Landfill post-closure monitoring	560	630	-	-	560	630
OPEB obligation	1,170,252	1,075,094	58,165	54,012	1,228,417	1,129,106
Judgments and claims	8,800	7,300	-	-	8,800	7,300
Net pension liability	242,178	70,198	11,984	3,247	254,162	73,445
Total	\$ 1,646,166	\$ 1,396,490	\$ 211,910	\$ 205,828	\$ 1,858,076	\$ 1,602,318

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 \$956,522. The City had a debt-contracting margin of \$783,705 on June 30, 2020. During the year ended June 30, 2020 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 2021 budget. The total budgeted appropriations for the City’s General Fund operations are \$418,965. This budget is a \$10,460 increase from the fiscal year 2020 total budgeted appropriations of \$408,505. The 2020-2021 budget does not include an appropriation of fund balance. This budget was approved by the BFSAs.

On January 31, 2020, the United States Secretary of Health and Human Services declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on residents, employees and vendors all of which cannot be predicted.

Impacted by the pandemic is the unemployment rate, which is not seasonally adjusted, for the Buffalo-Niagara region at June 30, 2020 was 13.7 percent. This compares to New York State’s unemployment rate of 15.7 percent. These factors, as well as others, are considered in preparing the City’s budget.

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, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 318,128,957	\$ 18,875,120	\$ 337,004,077	\$ 10,543,453	\$ 2,457,407
Restricted cash and cash equivalents	89,201,397	40,821,758	130,023,155	28,788,394	853,574
Restricted investments	5,219,213	5,263,404	10,482,617	-	-
Receivables (net of allowances)	18,129,879	8,709,810	26,839,689	10,926,011	1,157,263
Intergovernmental receivables	24,156,857	-	24,156,857	85,627,080	712,944
Due from component units/ primary government	25,480,000	-	25,480,000	289,504,970	106,271
Internal balances	11,940,816	(11,940,816)	-	-	-
Prepaid items and other assets	1,296,534	-	1,296,534	2,235,648	-
Real estate acquired for resale	9,834,583	-	9,834,583	-	3,174,389
Noncurrent net pension asset	-	-	-	46,418,092	-
Capital assets not being depreciated	29,329,363	6,138,462	35,467,825	32,366,245	-
Capital assets, net of accumulated depreciation	<u>508,939,515</u>	<u>187,111,049</u>	<u>696,050,564</u>	<u>767,630,060</u>	<u>424,425</u>
Total assets	<u>1,041,657,114</u>	<u>254,978,787</u>	<u>1,296,635,901</u>	<u>1,274,039,953</u>	<u>8,886,273</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,381,364	2,502,387	3,883,751	22,095,496	-
Deferred outflows—relating to pensions	161,121,025	7,979,278	169,100,303	175,950,271	1,272,572
Deferred outflows—relating to OPEB	<u>56,493,565</u>	<u>2,233,217</u>	<u>58,726,782</u>	<u>422,838,000</u>	<u>-</u>
Total deferred outflows of resources	<u>218,995,954</u>	<u>12,714,882</u>	<u>231,710,836</u>	<u>620,883,767</u>	<u>1,272,572</u>
LIABILITIES					
Accounts payable and accrued liabilities	25,511,369	6,798,728	32,310,097	76,421,758	1,555,268
Retainages payable	981,850	-	981,850	364,788	-
Intergovernmental payables	10,470,609	505,208	10,975,817	32,890,300	-
Due to component units/primary government	289,611,241	-	289,611,241	25,480,000	-
Bond anticipation notes payable	33,299,600	1,500,000	34,799,600	-	-
Unearned revenue	156,854	310,170	467,024	-	9,630
Noncurrent liabilities:					
Due within one year	45,977,227	8,984,832	54,962,059	96,328,260	31,782
Due in more than one year	<u>1,600,189,268</u>	<u>202,925,081</u>	<u>1,803,114,349</u>	<u>3,358,615,477</u>	<u>25,420,669</u>
Total liabilities	<u>2,006,198,018</u>	<u>221,024,019</u>	<u>2,227,222,037</u>	<u>3,590,100,583</u>	<u>27,017,349</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	7,453,978	333,553	7,787,531	70,532,970	73,307
Deferred inflows—relating to OPEB	<u>147,408,812</u>	<u>18,296,662</u>	<u>165,705,474</u>	<u>725,414,000</u>	<u>-</u>
Total deferred inflows of resources	<u>154,862,790</u>	<u>18,630,215</u>	<u>173,493,005</u>	<u>795,946,970</u>	<u>73,307</u>
NET POSITION					
Net investment in capital assets	346,606,865	96,674,004	443,280,869	98,848,003	424,425
Restricted for:					
Capital outlay	12,419,887	-	12,419,887	-	-
Debt service	8,050,518	-	8,050,518	27,795,408	-
Grants	6,879,187	-	6,879,187	-	793,927
Real estate held for sale	9,834,584	-	9,834,584	-	-
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	9,156,044	-
Perpetual care—Expendable	111,074	-	111,074	501,887	-
Perpetual care—Unexpendable	30,000	-	30,000	-	-
Other purposes	1,821,697	-	1,821,697	3,899,200	-
Unrestricted	<u>(1,286,161,552)</u>	<u>(68,634,569)</u>	<u>(1,354,796,121)</u>	<u>(2,649,074,375)</u>	<u>(18,150,163)</u>
Total net position	<u>\$ (900,407,740)</u>	<u>\$ 28,039,435</u>	<u>\$ (872,368,305)</u>	<u>\$(2,491,123,833)</u>	<u>\$(16,931,811)</u>

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, 2020

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	\$ 85,385,401	\$ 13,873,119	\$ 2,958,336	\$ 132,971	\$ (68,420,975)	\$ -	\$ (68,420,975)	\$ -	\$ -
Public safety	289,382,010	12,586,849	4,427,381	236,137	(272,131,643)	-	(272,131,643)	-	-
Streets and sanitation	41,633,110	1,571,283	71,520	17,196,778	(22,793,529)	-	(22,793,529)	-	-
Economic assistance and opportunity	25,661,370	6,737,151	3,708,889	1,527,959	(13,687,371)	-	(13,687,371)	-	-
Culture and recreation	13,735,122	147,590	-	1,189,041	(12,398,491)	-	(12,398,491)	-	-
Health and community services	3,901,025	149,488	16,806,995	-	13,055,458	-	13,055,458	-	-
Education	70,822,758	-	-	-	(70,822,758)	-	(70,822,758)	-	-
Interest and fiscal charges	5,342,084	-	-	-	(5,342,084)	-	(5,342,084)	-	-
Total governmental activities	<u>535,862,880</u>	<u>35,065,480</u>	<u>27,973,121</u>	<u>20,282,886</u>	<u>(452,541,393)</u>	<u>-</u>	<u>(452,541,393)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Solid Waste and Recycling	22,005,297	25,279,707	-	-	-	3,274,410	3,274,410	-	-
Parking	2,089,867	591,257	-	-	-	(1,498,610)	(1,498,610)	-	-
Water System	35,991,656	50,316,561	-	-	-	14,324,905	14,324,905	-	-
Total business-type activities	<u>60,086,820</u>	<u>76,187,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,100,705</u>	<u>16,100,705</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 595,949,700</u>	<u>\$111,253,005</u>	<u>\$ 27,973,121</u>	<u>\$ 20,282,886</u>	<u>(452,541,393)</u>	<u>16,100,705</u>	<u>(436,440,688)</u>	<u>-</u>	<u>-</u>
Component units:									
BOE	\$1,027,906,329	\$ 4,543,492	\$ 135,074,655	\$ 9,368,199				(878,919,983)	-
BURA	47,353,755	2,209,086	46,774,251	-				-	1,629,582
Total component units	<u>\$1,075,260,084</u>	<u>\$ 6,752,578</u>	<u>\$ 181,848,906</u>	<u>\$ 9,368,199</u>				<u>(878,919,983)</u>	<u>1,629,582</u>
General revenues:									
Taxes:									
Property taxes					139,185,272	-	139,185,272	-	-
Interest and penalties					1,828,874	-	1,828,874	-	-
Mortgage taxes					4,194,666	-	4,194,666	-	-
Payments in lieu of taxes					3,483,520	-	3,483,520	-	-
Gross utility tax					11,672,784	-	11,672,784	-	-
Intergovernmental—unrestricted					107,867,674	630,238	108,497,912	48,519,017	-
Investment earnings					1,883,106	245,256	2,128,362	1,014,089	231,382
Contribution from City of Buffalo					-	-	-	70,822,758	-
State aid—unrestricted					132,612,859	-	132,612,859	779,270,635	-
Miscellaneous					8,614,396	-	8,614,396	6,085,722	539,545
Transfers					10,321,156	(10,321,156)	-	-	-
Total general revenues and transfers					<u>421,664,307</u>	<u>(9,445,662)</u>	<u>412,218,645</u>	<u>905,712,221</u>	<u>770,927</u>
Change in net position					(30,877,086)	6,655,043	(24,222,043)	26,792,238	2,400,509
Net position—beginning					(869,530,654)	21,384,392	(848,146,262)	(2,517,916,071)	(19,332,320)
Net position—ending					<u>\$ (900,407,740)</u>	<u>\$ 28,039,435</u>	<u>\$ (872,368,305)</u>	<u>\$(2,491,123,833)</u>	<u>\$ (16,931,811)</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, 2020

	<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	\$ 317,620,385	\$ -	\$ -	\$ 413,587	\$ -	\$ 318,033,972
Restricted cash and cash equivalents	18,302,082	3,973,648	62,048,755	-	4,876,912	89,201,397
Restricted investments	-	-	-	-	5,219,213	5,219,213
Receivables:						
Delinquent taxes and assessments	13,539,904	-	-	-	-	13,539,904
Accounts receivable	16,396,349	-	-	-	-	16,396,349
Other receivables	-	-	-	-	4,381	4,381
Due from other agencies	853,658	-	-	-	-	853,658
Intergovernmental receivables	20,475,893	-	9,350,805	12,279,582	869,293	42,975,573
Due from other funds	36,740,746	775,961	-	-	1,913,131	39,429,838
Allowances	(31,496,570)	-	-	-	-	(31,496,570)
Net receivables	56,509,980	775,961	9,350,805	12,279,582	2,786,805	81,703,133
Prepaid items	1,280,967	-	-	15,567	-	1,296,534
Real estate acquired for resale	9,834,583	-	-	-	-	9,834,583
Total assets	<u>\$ 403,547,997</u>	<u>\$ 4,749,609</u>	<u>\$ 71,399,560</u>	<u>\$ 12,708,736</u>	<u>\$ 12,882,930</u>	<u>\$ 505,288,832</u>
LIABILITIES						
Accounts payable	\$ 8,691,877	\$ -	\$ 2,295,097	\$ 17,760	\$ 274,097	\$ 11,278,831
Accrued liabilities	13,426,714	-	-	42,684	151,102	13,620,500
Intergovernmental payables	481,234	-	39,272	-	129,574	650,080
Due to other funds	2,272,053	-	17,612,813	7,461,186	146,483	27,492,535
Due to component units	272,264,745	-	12,657,256	4,582,974	106,266	289,611,241
Due to retirement systems	9,820,529	-	-	-	-	9,820,529
Bond anticipation notes payable	-	-	33,299,600	-	-	33,299,600
Unearned revenue	156,854	-	-	-	-	156,854
Total liabilities	<u>307,114,006</u>	<u>-</u>	<u>65,904,038</u>	<u>12,104,604</u>	<u>807,522</u>	<u>385,930,170</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue—property taxes	6,906,417	-	-	-	-	6,906,417
Total deferred inflows of resources	<u>6,906,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,906,417</u>
FUND BALANCES						
Nonspendable	24,430,067	-	-	15,567	30,000	24,475,634
Restricted	14,241,584	4,749,609	5,495,522	-	12,045,408	36,532,123
Committed	38,140,279	-	-	-	-	38,140,279
Assigned	12,715,644	-	-	588,565	-	13,304,209
Unassigned	-	-	-	-	-	-
Total fund balances	<u>89,527,574</u>	<u>4,749,609</u>	<u>5,495,522</u>	<u>604,132</u>	<u>12,075,408</u>	<u>112,452,245</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 403,547,997</u>	<u>\$ 4,749,609</u>	<u>\$ 71,399,560</u>	<u>\$ 12,708,736</u>	<u>\$ 12,882,930</u>	<u>\$ 505,288,832</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, 2020

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

Total fund balances—governmental funds (page 17)		\$ 112,452,245
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 \$1,122,642,450 and the accumulated depreciation is \$584,373,572.		538,268,878
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.		1,381,364
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		6,906,417
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		25,480,000
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	\$ 9,859,263	
Deferred outflows related to pensions experience, changes of assumptions, investment earnings, and changes in proportion	151,261,762	
Deferred outflows related to OPEB liability	56,493,565	
Deferred inflows related to pension plans	(7,453,978)	
Deferred inflows related to OPEB liability	<u>(147,408,812)</u>	62,751,800
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.		111,939
Net accrued interest expense for serial bonds and BANs is not reported in the funds.		(1,754,238)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.		(981,850)
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	\$ (140,632,293)	
General obligations bonds—BFSA	(11,130,000)	
Unamortized premiums on bonds—City	(12,940,678)	
Unamortized premiums on bonds—BFSA	(1,016,328)	
Long-term deficiency notes payable	(25,000,000)	
Compensated absences	(24,443,885)	
Workers' compensation	(9,213,252)	
Landfill post-closure monitoring costs	(560,000)	
OPEB obligation—City	(1,169,177,733)	
OPEB obligation—BFSA	(1,074,255)	
Noncurrent judgments and claims	(7,657,800)	
Net pension liability—City	(241,711,975)	
Net pension liability—BFSA	<u>(466,096)</u>	<u>(1,645,024,295)</u>
Net position of governmental activities		<u>\$ (900,407,740)</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, 2020

	<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>
REVENUES						
Property taxes, assessments, and other tax items	\$ 148,676,847	\$ -	\$ -	\$ -	\$ -	\$ 148,676,847
Utility and other nonproperty tax items	12,592,226	-	-	-	-	12,592,226
Intergovernmental	243,069,922	11,675,122	20,118,678	156,765	23,110,345	298,130,832
Investment interest	1,478,126	394,136	-	-	10,845	1,883,107
License, permit, rentals, fines, and other service charges	28,301,644	216,091	-	-	-	28,517,735
Miscellaneous	14,187,777	763,416	39,380	-	61,665	15,052,238
Total revenues	<u>448,306,542</u>	<u>13,048,765</u>	<u>20,158,058</u>	<u>156,765</u>	<u>23,182,855</u>	<u>504,852,985</u>
EXPENDITURES						
Current:						
General government support	57,356,529	-	-	536,005	246,051	58,138,585
Public safety	159,606,964	-	-	-	1,143,067	160,750,031
Streets and sanitation	12,019,919	-	-	-	66,395	12,086,314
Economic assistance and opportunity	2,253,317	-	-	-	19,496,885	21,750,202
Culture and recreation	9,312,891	-	-	-	10,284	9,323,175
Health and community services	2,361,100	-	-	-	8,550	2,369,650
Education	70,822,758	-	-	-	-	70,822,758
Fringe benefits	135,728,796	-	-	177,328	-	135,906,124
Other	8,129,724	-	-	-	-	8,129,724
Debt service:						
Principal	-	37,977,386	-	-	5,440,000	43,417,386
Interest and fiscal charges	91,350	7,712,000	49,122	-	525,455	8,377,927
Capital outlay:						
General government support	-	-	1,972,923	-	-	1,972,923
Public safety	-	-	1,817,357	-	-	1,817,357
Streets and sanitation	-	-	26,386,617	-	-	26,386,617
Economic assistance and opportunity	-	-	2,738,891	-	-	2,738,891
Culture and recreation	-	-	2,924,509	-	-	2,924,509
Total expenditures	<u>457,683,348</u>	<u>45,689,386</u>	<u>35,889,419</u>	<u>713,333</u>	<u>26,936,687</u>	<u>566,912,173</u>
Excess (deficiency) of revenues over expenditures	<u>(9,376,806)</u>	<u>(32,640,621)</u>	<u>(15,731,361)</u>	<u>(556,568)</u>	<u>(3,753,832)</u>	<u>(62,059,188)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	10,321,156	28,955,211	1,951,053	257,711	5,172,050	46,657,181
Transfers out	(29,355,211)	(6,980,814)	-	-	-	(36,336,025)
Long-term deficiency notes issued	25,000,000	-	-	-	-	25,000,000
Refunding bonds issued	-	7,530,000	-	-	-	7,530,000
Premium on refunding bonds issued	-	972,917	-	-	-	972,917
Total other financing sources (uses)	<u>5,965,945</u>	<u>30,477,314</u>	<u>1,951,053</u>	<u>257,711</u>	<u>5,172,050</u>	<u>43,824,073</u>
Net change in fund balances	(3,410,861)	(2,163,307)	(13,780,308)	(298,857)	1,418,218	(18,235,115)
Fund balances—beginning	92,938,435	6,912,916	19,275,830	902,989	10,657,190	130,687,360
Fund balances—ending	<u>\$ 89,527,574</u>	<u>\$ 4,749,609</u>	<u>\$ 5,495,522</u>	<u>\$ 604,132</u>	<u>\$ 12,075,408</u>	<u>\$ 112,452,245</u>

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, 2020

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)		\$ 11,120,096
<p>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 and loss on disposals in the current period.</p>		
Capital asset additions, net	\$ 45,026,230	
Depreciation expense	(37,221,482)	
Loss on disposal of capital assets	(269)	7,804,479
<p>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.</p>		
		(179,643)
<p>Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.</p>		
		(10,493,515)
<p>Net differences between pension contributions and OPEB changes recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
Direct pension contributions	\$ 38,988,507	
Cost of benefits earned net of employee contributions	(89,780,593)	
Changes in OPEB assumptions	116,571,037	65,778,951
<p>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.</p>		
		(7,466)
<p>In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid.</p>		
		1,009,029
<p>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:</p>		
Issuance of refunding bonds—City	\$ (7,530,000)	
Repayment of general obligations bonds—City	37,977,386	
Repayment of general obligations bonds—BFSA	5,440,000	
Premium on refunding bonds issued—City	(972,917)	
Amortization of bond premiums—City	2,830,730	
Amortization of bond premiums—BFSA	268,771	
Issuance of long-term deficiency notes	(25,000,000)	
Change in compensated absences	6,018,516	
Change in workers' compensation	(140,345)	
Change in landfill post-closure monitoring costs	70,000	
Change in other postemployment benefits obligation—City	(95,597,378)	
Change in other postemployment benefits obligation—BFSA	439,231	
Change in noncurrent judgments and claims	(357,800)	(76,553,806)
Change in net position of governmental activities		\$ (1,521,875)

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, 2020

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 126,862	\$ 3,900,670	\$ 14,847,588	\$ 18,875,120	\$ 94,985
Restricted cash and cash equivalents	-	-	40,821,758	40,821,758	-
Restricted investments	-	-	5,263,404	5,263,404	-
Receivables:					
Accounts receivable	8,325,245	780,097	23,522,975	32,628,317	13,441
Other receivables	135,709	-	1,663,066	1,798,775	-
Due from other agencies	-	-	128,163	128,163	-
Due from other funds	184,510	941,481	247,709	1,373,700	3,513
Allowances	(7,405,522)	-	(18,439,923)	(25,845,445)	-
Net receivables	<u>1,239,942</u>	<u>1,721,578</u>	<u>7,121,990</u>	<u>10,083,510</u>	<u>16,954</u>
Total current assets	<u>1,366,804</u>	<u>5,622,248</u>	<u>68,054,740</u>	<u>75,043,792</u>	<u>111,939</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,217,093	145,116	3,362,210	-
Construction in progress	-	375,395	2,400,857	2,776,252	-
Total capital assets not being depreciated	<u>1</u>	<u>3,592,488</u>	<u>2,545,973</u>	<u>6,138,462</u>	<u>-</u>
Capital assets being depreciated:					
Buildings, building improvements, and infrastructure	4,231,310	64,919,755	249,419,496	318,570,561	-
Improvements other than buildings	201,071	30,484	252,393	483,948	-
Machinery and equipment	9,795,824	262,337	1,873,246	11,931,407	-
Accumulated depreciation	(11,234,419)	(28,593,436)	(104,047,012)	(143,874,867)	-
Total capital assets being depreciated	<u>2,993,786</u>	<u>36,619,140</u>	<u>147,498,123</u>	<u>187,111,049</u>	<u>-</u>
Total noncurrent assets	<u>2,993,787</u>	<u>40,211,628</u>	<u>150,044,096</u>	<u>193,249,511</u>	<u>-</u>
Total assets	<u>4,360,591</u>	<u>45,833,876</u>	<u>218,098,836</u>	<u>268,293,303</u>	<u>111,939</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	44,591	2,457,796	2,502,387	-
Deferred outflows—relating to pensions	4,104,733	-	3,874,545	7,979,278	-
Deferred outflows—relating to OPEB	926,868	-	1,306,349	2,233,217	-
Total deferred outflows of resources	<u>5,031,601</u>	<u>44,591</u>	<u>7,638,690</u>	<u>12,714,882</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	526,486	81,694	2,349,559	2,957,739	-
Other accrued liabilities	505,561	74,854	3,260,574	3,840,989	-
Due to retirement systems	259,221	1,303	244,684	505,208	-
Unearned revenue	310,170	-	-	310,170	-
Bond anticipation notes payable	-	1,500,000	-	1,500,000	-
Accrued compensated absences	30,722	-	59,688	90,410	-
Accrued workers' compensation	356,455	-	215,690	572,145	-
General obligation and revenue bonds payable within one year, net	-	1,619,334	6,702,943	8,322,277	-
Total current liabilities	<u>1,988,615</u>	<u>3,277,185</u>	<u>12,833,138</u>	<u>18,098,938</u>	<u>-</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2020

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Noncurrent liabilities:					
Due to other funds	13,314,516	-	-	13,314,516	-
Accrued compensated absences	491,223	-	714,255	1,205,478	-
Accrued workers' compensation	617,411	-	875,222	1,492,633	-
Accrued other postemployment benefits obligation	35,575,892	85,853	22,503,741	58,165,486	-
General obligation and revenue bonds payable, net	-	6,463,708	123,613,667	130,077,375	-
Net pension liability	6,164,913	-	5,819,196	11,984,109	-
Total noncurrent liabilities	<u>56,163,955</u>	<u>6,549,561</u>	<u>153,526,081</u>	<u>216,239,597</u>	-
Total liabilities	<u>58,152,570</u>	<u>9,826,746</u>	<u>166,359,219</u>	<u>234,338,535</u>	-
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	171,588	-	161,965	333,553	-
Deferred inflows—relating to OPEB	10,185,389	36,867	8,074,406	18,296,662	-
Total deferred inflows of resources	<u>10,356,977</u>	<u>36,867</u>	<u>8,236,371</u>	<u>18,630,215</u>	-
NET POSITION					
Net investment in capital assets	2,993,787	30,673,177	63,007,040	96,674,004	-
Unrestricted	(62,111,142)	5,341,677	(11,865,104)	(68,634,569)	111,939
Total net position	<u>\$ (59,117,355)</u>	<u>\$ 36,014,854</u>	<u>\$ 51,141,936</u>	<u>\$ 28,039,435</u>	<u>\$ 111,939</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, 2020

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Operating revenues:					
Charges for services	\$ 24,402,420	\$ -	\$ 48,668,413	\$ 73,070,833	\$ 36,397
Rent	-	4,037,851	-	4,037,851	-
Other	877,287	-	1,648,148	2,525,435	-
Total operating revenues	<u>25,279,707</u>	<u>4,037,851</u>	<u>50,316,561</u>	<u>79,634,119</u>	<u>36,397</u>
Operating expenses:					
Services and supplies	16,128,431	124,318	18,313,715	34,566,464	43,863
Fringe benefits	5,384,971	17,485	3,016,455	8,418,911	-
Depreciation	491,895	1,595,472	6,674,829	8,762,196	-
Other	-	-	2,522,348	2,522,348	-
Total operating expenses	<u>22,005,297</u>	<u>1,737,275</u>	<u>30,527,347</u>	<u>54,269,919</u>	<u>43,863</u>
Operating income (loss)	<u>3,274,410</u>	<u>2,300,576</u>	<u>19,789,214</u>	<u>25,364,200</u>	<u>(7,466)</u>
Nonoperating revenues (expenses):					
Interest earnings	-	6,623	238,633	245,256	-
Interest expense	-	(352,592)	(5,456,934)	(5,809,526)	-
Loss on disposal of capital assets	-	(3,446,594)	(7,375)	(3,453,969)	-
Other	-	203,676	426,562	630,238	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>(3,588,887)</u>	<u>(4,799,114)</u>	<u>(8,388,001)</u>	<u>-</u>
Income before transfers	3,274,410	(1,288,311)	14,990,100	16,976,199	(7,466)
Transfers out	<u>(673,078)</u>	<u>(2,400,000)</u>	<u>(7,248,078)</u>	<u>(10,321,156)</u>	<u>-</u>
Change in net position	2,601,332	(3,688,311)	7,742,022	6,655,043	(7,466)
Total net position—beginning	<u>(61,718,687)</u>	<u>39,703,165</u>	<u>43,399,914</u>	<u>21,384,392</u>	<u>119,405</u>
Total net position—ending	<u>\$ (59,117,355)</u>	<u>\$ 36,014,854</u>	<u>\$ 51,141,936</u>	<u>\$ 28,039,435</u>	<u>\$ 111,939</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, 2020

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 25,890,570	\$ 5,318,524	\$ 49,635,011	\$ 80,844,105	\$ 35,691
Payments to suppliers for goods and services	(16,273,049)	(537,364)	(21,554,988)	(38,365,401)	(45,234)
Payments to employees for services	(6,097,508)	(25,436)	(6,798,343)	(12,921,287)	-
Net cash provided by (used for) operating activities	<u>3,520,013</u>	<u>4,755,724</u>	<u>21,281,680</u>	<u>29,557,417</u>	<u>(9,543)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(673,078)	(2,400,000)	(5,141,462)	(8,214,540)	-
Advances from other funds	-	820,332	2,886,743	3,707,075	-
Repayment of advances from other funds	(5,074,588)	-	(983,504)	(6,058,092)	(3,070)
Net cash (used for) noncapital financing activities	<u>(5,747,666)</u>	<u>(1,579,668)</u>	<u>(3,238,223)</u>	<u>(10,565,557)</u>	<u>(3,070)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(484,731)	(1,591,199)	(10,620,052)	(12,695,982)	-
Issuance of bond anticipation notes	-	1,500,000	-	1,500,000	-
Principal payments on bonds	-	(1,462,615)	(4,210,000)	(5,672,615)	-
Interest and other fiscal charges	-	(213,095)	(5,279,807)	(5,492,902)	-
Net cash (used for) capital and related financing activities	<u>(484,731)</u>	<u>(1,766,909)</u>	<u>(20,109,859)</u>	<u>(22,361,499)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	-	-	77,102	77,102	-
Interest received on short-term investments	-	6,623	161,531	168,154	-
Net cash provided by investing activities	<u>-</u>	<u>6,623</u>	<u>238,633</u>	<u>245,256</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,712,384)	1,415,770	(1,827,769)	(3,124,383)	(12,613)
Cash, cash equivalents and investments—beginning	2,839,246	2,484,900	62,760,519	68,084,665	107,598
Cash, cash equivalents and investments—ending	<u>\$ 126,862</u>	<u>\$ 3,900,670</u>	<u>\$ 60,932,750</u>	<u>\$ 64,960,282</u>	<u>\$ 94,985</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2020

(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)	\$ 3,274,410	\$ 2,300,576	\$ 19,789,214	\$ 25,364,200	\$ (7,466)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	491,895	1,595,472	6,674,829	8,762,196	-
Pension expense	-	-	(969,815)	(969,815)	-
(Increase) decrease in receivables	610,863	1,280,673	(681,550)	1,209,986	(706)
(Increase) in deferred outflow—relating to pensions	(898,490)	-	(2,682,122)	(3,580,612)	-
(Increase) in deferred outflow—relating to OPEB	(2,832,692)	-	(626,140)	(3,458,832)	-
Increase (decrease) in payables	(63,067)	(413,046)	856,965	380,852	(1,371)
Increase (decrease) in other accrued liabilities	197,473	(9,296)	636,780	824,957	-
Increase (decrease) in due to retirement systems	(11,755)	228	(9,331)	(20,858)	-
(Decrease) in unearned revenue	(81,551)	-	-	(81,551)	-
(Decrease) in compensated absences	(124,585)	-	(120,592)	(245,177)	-
(Decrease) in workers' compensation	(46,786)	-	(127,882)	(174,668)	-
Increase in accrued other postemployment benefits obligation	2,308,697	11,102	1,834,011	4,153,810	-
Increase in net pension liability	4,488,925	-	-	4,488,925	-
(Decrease) in deferred inflows—relating to pensions	(459,030)	-	(429,182)	(888,212)	-
(Decrease) in deferred inflows—relating to OPEB	(3,334,294)	(9,985)	(2,863,505)	(6,207,784)	-
Total adjustments	<u>245,603</u>	<u>2,455,148</u>	<u>1,492,466</u>	<u>4,193,217</u>	<u>(2,077)</u>
Net cash provided by (used for) operating activities	<u>\$ 3,520,013</u>	<u>\$ 4,755,724</u>	<u>\$ 21,281,680</u>	<u>\$ 29,557,417</u>	<u>\$ (9,543)</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, 2020

	Private Purpose Trust	Agency
ASSETS		
Restricted cash and cash equivalents	\$ 23,912	\$ 1,701,245
Restricted investments	32,912	-
Receivables	5,980	-
Total assets	62,804	\$ 1,701,245
LIABILITIES		
Accounts payable	-	\$ -
Intergovernmental payables	-	25,716
Amounts held in custody for others	-	1,675,529
Total liabilities	-	\$ 1,701,245
NET POSITION		
Restricted	\$ 62,804	

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, 2020

	Private Purpose Trust
ADDITIONS	
Interest earnings	\$ 218
DEDUCTIONS	
Awards	-
Total deductions	-
Change in net position	218
Net position—beginning	62,586
Net position—ending	<u>\$ 62,804</u>

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, 2020

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 Authority (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 Board of Education Office of the Chief Financial Officer 708 City Hall Buffalo, NY 14202	Buffalo Municipal Water Finance Authority 502 City Hall Buffalo, NY 14202
City of Buffalo Urban Renewal Agency Financial Control of Agencies 214 City Hall Buffalo, NY 14202	Buffalo Water Board 502 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, Cash Equivalents and Investments—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 and investments 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. Additionally, the City reports restricted cash and investments within its fiduciary funds for amounts held on behalf of others.

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 audio 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 40 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, 2020, the City reported unearned revenues within the General Fund and Solid Waste and Recycling Fund in the amounts of \$156,854 and \$310,170, 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, 2020, the City has three items that qualify for reporting in this category. The first item is deferred charge 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. 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2020, 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 (committed, assigned and unassigned) fund balance of not less than fifteen percent of annual operating expenditures for the fiscal year. The City’s unrestricted fund balance currently falls below the fifteen percent threshold. It is the City’s intention to replenish its unrestricted fund balance to exceed the aforementioned threshold through cost controls and additional revenue sources.

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, 2020, the City had a legal tax margin of approximately \$91.1 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.

Pension Plans—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 6.

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 7.

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 revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Reclassifications—Certain amounts were reclassified from the Board’s and BFSA’s financial statement presentation to conform to the City’s reporting presentation. In the Board’s statement of net position, \$4,582,974 previously classified as due from other governments was reclassified as due from component units. This amount represented sales tax from Erie County passed-through BFSA on behalf of the Board. And, in the BFSA’s statement of revenue, expenditures, and change in net position, \$277,702,516 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, 2020, the City early implemented GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. Additionally, the District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements No. 84, 87, 89, 91, 92, 93, 94, 96 and 97. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the 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. 84, *Fiduciary Activities*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending June 30, 2021, No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022, and No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Fund Position—At June 30, 2020, the Solid Waste and Recycling Fund had a total net position of \$(59,117,355). This net position deficit includes accrued other postemployment benefits obligation (“OPEB”) of \$35,575,892 and deferred inflows related to OPEB of \$10,185,389. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$13,314,516. 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, 2020 the City’s governmental activities had a total net position of \$(900,407,740) due primarily to the City’s recognition of OPEB obligation of \$1,170,251,988.

The Board has a total net position of \$(2,491,123,833) at June 30, 2020, which is caused primarily by the Board’s recognition of their OPEB obligation of \$2.6 billion.

BURA has a total net position of \$(16,931,811) at June 30, 2020, which is caused primarily by BURA’s recognition of their OPEB obligation of \$23,265,470.

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. 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, 2020, of which the bank carrying balance at June 30, 2020, was \$465,913,471.

Cash, cash equivalents and investments at June 30, 2020 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,650	\$ -	\$ -	\$ 8,650
Deposits	407,321,704	59,696,878	1,725,157	468,743,739
Investments	5,219,213	5,263,404	32,912	10,515,529
Total	<u>\$ 412,549,567</u>	<u>\$ 64,960,282</u>	<u>\$ 1,758,069</u>	<u>\$ 479,267,918</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 318,128,957	\$ 18,875,120	\$ -	\$ 337,004,077
Restricted cash and cash equivalents	89,201,397	40,821,758	-	130,023,155
Cash held in fiduciary funds	-	-	1,725,157	1,725,157
Total	<u>\$ 407,330,354</u>	<u>\$ 59,696,878</u>	<u>\$ 1,725,157</u>	<u>\$ 468,752,389</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, 2020, 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 \$3,899,200 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, \$4,444 in restricted cash in the General Fund represents additional cash held in a bank custodial account. Further, the City also reports \$156,854 of restricted cash related to unearned revenues within the General Fund. The Debt Service Fund restricted assets of \$3,973,648 are held by a trustee for future debt service payments. Restricted cash of \$62,048,755 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 \$14,241,584, \$4,753,152, \$48,508, and \$75,252 in the General Fund, Special Revenue Fund, BFSAs 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 restricted cash of the Water System

consists primarily of Treasury notes, Treasury bills, and certificates of deposit with a commercial bank with original maturities of three months or less. At June 30, 2020, \$23,741,914 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 \$17,079,844 at June 30, 2020.

Restricted Investments—At June 30, 2020, total investments of \$10,515,529 consisted of investments held by held by governmental activities of \$5,219,213, held by the business-type activities of \$5,263,404, and maintained in fiduciary funds of \$32,912. Investments at June 30, 2020 are presented in the following table:

	<u>Moody's Ratings</u>	<u>S&P Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of deposit	n/a	n/a	\$ 5,296,316	\$ 5,296,316	7/23/2020
U.S. Treasury SLGs	n/a	n/a	2,352,058	2,417,868	8/31/2020
Federal Home Loan Banks	Aaa/P-1	AA+/A-1+	2,751,995	2,801,345	8/31/2020
Total			<u>\$ 10,400,369</u>	<u>\$ 10,515,529</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, 2020. 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 BFSAs’ 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, 2020, cash in banks was \$39,331,847, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$28,788,394 at June 30, 2020, for various purposes as follows:

- \$16,019,666 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.
- \$11,775,742 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.
- \$680,709 represents amounts to support obligations related to workers’ compensation claims, along with an account held in trust with the Buffalo Teacher’s Federation in relation to a previous teachers’ settlement agreement.
- \$312,277 represents endowment funds and can be used in accordance with the respective endowment document.

Buffalo Urban Renewal Agency

At June 30, 2020, BURA reported total deposits of \$3,310,981. 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, 2020, 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, 2020, BURA reported \$853,574 of restricted cash.

3. RECEIVABLES

Receivables at June 30, 2020, 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	\$ 13,539,904	\$ (5,275,448)	\$ 8,264,456
Accounts receivable	16,396,349	(6,548,748)	9,847,601
Due from other agencies	853,658	-	853,658
Intergovernmental receivables	20,475,893	(19,672,374)	803,519
Due from other funds	36,734,209	-	36,734,209
Total	<u>\$ 88,000,013</u>	<u>\$ (31,496,570)</u>	<u>\$ 56,503,443</u>
Debt Service Fund:			
Due from other funds	<u>\$ 775,961</u>	<u>\$ -</u>	<u>\$ 775,961</u>
Capital Projects Fund:			
Intergovernmental receivables	<u>\$ 9,350,805</u>	<u>\$ -</u>	<u>\$ 9,350,805</u>
BFSA Special Revenue Fund:			
Intergovernmental receivables	<u>\$ 12,279,582</u>	<u>\$ -</u>	<u>\$ 12,279,582</u>
Nonmajor governmental funds:			
Other receivables	\$ 4,381	\$ -	\$ 4,381
Intergovernmental receivables	869,293	-	869,293
Due from other funds	1,913,131	-	1,913,131
Total	<u>\$ 2,786,805</u>	<u>\$ -</u>	<u>\$ 2,786,805</u>
Total governmental funds	<u>\$ 113,193,166</u>	<u>\$ (31,496,570)</u>	<u>\$ 81,696,596</u>

	<u>Gross</u> <u>Receivable</u>	<u>Allowance</u>	<u>Net</u> <u>Receivable</u>
Receivables:			
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 8,325,245	\$ (7,331,533)	\$ 993,712
Other receivables	135,709	(73,989)	61,720
Due from other funds	<u>184,510</u>	<u>-</u>	<u>184,510</u>
Total	<u>\$ 8,645,464</u>	<u>\$ (7,405,522)</u>	<u>\$ 1,239,942</u>
Parking Fund:			
Accounts receivable	\$ 780,097	\$ -	\$ 780,097
Due from other funds	<u>941,481</u>	<u>-</u>	<u>941,481</u>
Total	<u>\$ 1,721,578</u>	<u>\$ -</u>	<u>\$ 1,721,578</u>
Water System:			
Accounts receivable	\$ 23,522,975	\$ (18,439,923)	\$ 5,083,052
Other receivables	1,663,066	-	1,663,066
Due from other agencies	128,163	-	128,163
Due from other funds	<u>247,709</u>	<u>-</u>	<u>247,709</u>
Total	<u>\$ 25,561,913</u>	<u>\$ (18,439,923)</u>	<u>\$ 7,121,990</u>
Internal Service Fund:			
Accounts receivable	\$ 13,441	\$ -	\$ 13,441
Due from other funds	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total	<u>\$ 16,954</u>	<u>\$ -</u>	<u>\$ 16,954</u>
Total proprietary funds	<u>\$ 35,945,909</u>	<u>\$ (25,845,445)</u>	<u>\$ 10,100,464</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. As of June 30, 2020, the City has not received \$19,672,374 of New York State Aid and Incentives for Municipalities. The City has been alerted by the State that this amount has been withheld. Accordingly, the City has recorded an allowance for the aid withheld. Intergovernmental receivables at June 30, 2020 are shown below:

Intergovernmental receivables:

Governmental funds:

General Fund:

Due from Erie County	\$ 125,623
Due from New York State, net	505,749
Due from federal government	<u>172,147</u>
Total	<u>\$ 803,519</u>

Capital Projects Fund:

Due from New York State	<u>\$ 9,350,805</u>
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BFSA Special Revenue Fund:

Due from New York State	<u>\$ 12,279,582</u>
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Nonmajor governmental funds:

Special Revenue Fund:

Due from New York State	\$ 14,400
Due from federal government	<u>854,893</u>

Total	<u>\$ 869,293</u>
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Total governmental funds	<u>\$ 23,303,199</u>
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Board of Education

At June 30, 2020, the Board accrued \$10,926,011 in accounts receivables and \$85,627,080 in intergovernmental receivables. In addition, the Board reports amounts owed from the City of \$289,504,970 as due from primary government at June 30, 2020.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2020 consisted of the following:

	General	Community Development Block Grant	Home Program	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 23,464,972	\$ 67,143,022	\$ 183,469	\$ 90,791,463
Notes receivable	1,966,267	-	-	-	1,966,267
Allowance for uncollectibles	(809,004)	(23,464,972)	(67,143,022)	(183,469)	(91,600,467)
Total receivables	<u>\$ 1,157,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,263</u>

Program Loans Receivable—Represents amounts due to BURA of \$90,791,463, which are entirely allowed for.

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 \$1,966,267 which are allowed for in the amount of \$809,004.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2020 consisted of the following:

	Community Development Block Grant	HOME Program	Nonmajor Governmental Funds	Total
Due from federal government	<u>\$ 715,904</u>	<u>\$ 90,505</u>	<u>\$ 12,806</u>	<u>\$ 819,215</u>

4. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government’s governmental activities, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 9,791,873	\$ -	\$ -	\$ 9,791,873
Construction in progress	9,629,350	19,537,490	9,629,350	19,537,490
Total capital assets, not being depreciated	<u>19,421,223</u>	<u>19,537,490</u>	<u>9,629,350</u>	<u>29,329,363</u>
Capital assets, being depreciated:				
Buildings and building improvements	337,635,280	7,136,711	-	344,771,991
Improvements other than buildings	67,625,459	5,102,288	-	72,727,747
Machinery and equipment	70,932,112	1,845,934	344,649	72,433,397
Infrastructure	582,346,795	21,033,157	-	603,379,952
Total capital assets, being depreciated	<u>1,058,539,646</u>	<u>35,118,090</u>	<u>344,649</u>	<u>1,093,313,087</u>
Less accumulated depreciation for:				
Buildings and building improvements	145,198,911	8,649,937	-	153,848,848
Improvements other than buildings	42,927,323	2,711,060	-	45,638,383
Machinery and equipment	59,822,854	3,629,408	344,380	63,107,882
Infrastructure	299,547,382	22,231,077	-	321,778,459
Total accumulated depreciation	<u>547,496,470</u>	<u>37,221,482</u>	<u>344,380</u>	<u>584,373,572</u>
Total capital assets, being depreciated, net	<u>511,043,176</u>	<u>(2,103,392)</u>	<u>269</u>	<u>508,939,515</u>
Governmental activities capital assets, net	<u>\$ 530,464,399</u>	<u>\$ 17,434,098</u>	<u>\$ 9,629,619</u>	<u>\$ 538,268,878</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 3,362,210	\$ -	\$ -	\$ 3,362,210
Construction in progress	1,632,484	7,491,488	6,347,720	2,776,252
Total capital assets, not being depreciated	<u>4,994,694</u>	<u>7,491,488</u>	<u>6,347,720</u>	<u>6,138,462</u>
Capital assets, being depreciated:				
Buildings and building improvements	193,909,582	5,128,568	10,485,087	188,553,063
Improvements other than buildings	486,281	-	2,333	483,948
Machinery and equipment	11,805,178	992,346	866,117	11,931,407
Infrastructure	<u>124,586,198</u>	<u>5,431,300</u>	<u>-</u>	<u>130,017,498</u>
Total capital assets, being depreciated	<u>330,787,239</u>	<u>11,552,214</u>	<u>11,353,537</u>	<u>330,985,916</u>
Less accumulated depreciation for:				
Buildings and building improvements	73,648,730	5,086,299	7,059,925	71,675,104
Improvements other than buildings	438,570	14,967	2,333	451,204
Machinery and equipment	9,507,971	664,902	837,309	9,335,564
Infrastructure	<u>59,416,967</u>	<u>2,996,028</u>	<u>-</u>	<u>62,412,995</u>
Total accumulated depreciation	<u>143,012,238</u>	<u>8,762,196</u>	<u>7,899,567</u>	<u>143,874,867</u>
Total capital assets, being depreciated, net	<u>187,775,001</u>	<u>2,790,018</u>	<u>3,453,970</u>	<u>187,111,049</u>
Business-type activities capital assets, net	<u>\$ 192,769,695</u>	<u>\$ 10,281,506</u>	<u>\$ 9,801,690</u>	<u>\$ 193,249,511</u>

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

Governmental activities:	
General government support	\$ 4,588,628
Public safety	6,253,570
Streets and sanitation	19,723,813
Economic assistance and opportunity	576,562
Culture and recreation	6,049,346
Health and community services	29,563
Total governmental activities depreciation expense	<u>\$ 37,221,482</u>
Business-type activities:	
Solid waste and recycling	\$ 491,895
Parking	1,595,472
Water system	6,674,829
Total business-type activities depreciation expense	<u>\$ 8,762,196</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	34,394,474	17,306,714	22,346,843	29,354,345
Total capital assets, not being depreciated	<u>37,406,374</u>	<u>17,306,714</u>	<u>22,346,843</u>	<u>32,366,245</u>
Capital assets, being depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvement	1,769,206,673	13,174,940	-	1,782,381,613
Equipment	31,406,286	10,572,652	157,705	41,821,233
Total capital assets, being depreciated	<u>1,806,155,645</u>	<u>23,747,592</u>	<u>157,705</u>	<u>1,829,745,532</u>
Less accumulated depreciation for:				
Land improvements	4,660,356	88,087	-	4,748,443
Buildings and building improvement	955,326,172	76,863,295	-	1,032,189,467
Equipment	23,695,309	1,639,958	157,705	25,177,562
Total accumulated depreciation	<u>983,681,837</u>	<u>78,591,340</u>	<u>157,705</u>	<u>1,062,115,472</u>
Total capital assets being depreciated, net	<u>822,473,808</u>	<u>(54,843,748)</u>	<u>-</u>	<u>767,630,060</u>
Board capital assets, net	<u>\$ 859,880,182</u>	<u>\$ (37,537,034)</u>	<u>\$ 22,346,843</u>	<u>\$ 799,996,305</u>

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2019
Capital assets, being depreciated:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	22,535	-	-	22,535
Total capital assets, being depreciated	<u>794,589</u>	<u>-</u>	<u>-</u>	<u>794,589</u>
Less accumulated depreciation for:				
Buildings	328,316	19,313	-	347,629
Equipment	22,535	-	-	22,535
Total accumulated depreciation	<u>350,851</u>	<u>19,313</u>	<u>-</u>	<u>370,164</u>
BURA capital assets, net	<u>\$ 443,738</u>	<u>\$ (19,313)</u>	<u>\$ -</u>	<u>\$ 424,425</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2020, were as follows:

	General Fund	BFSA Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 12,284,514	\$ 42,684	\$ -	\$ 12,327,198
Judgements and claims	1,142,200	-	-	1,142,200
Other accruals	-	-	151,102	151,102
Total accrued liabilities	<u>\$ 13,426,714</u>	<u>\$ 42,684</u>	<u>\$ 151,102</u>	<u>\$ 13,620,500</u>

6. PENSION OBLIGATIONS

The City participates in the New York State and Local Police and Fire Retirement System (“PFRS”) and the New York State and Local Employees’ Retirement System (“ERS”) (the “Systems”). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law (“NYSRSSL”).

Plan Descriptions and Benefits Provided

Police and Fire Retirement System and Employees’ Retirement System (the “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, 2020, 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, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2019, 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, 2020	March 31, 2020
Net pension liability	\$ 189,959,633	\$ 51,752,342	\$ 11,984,109
City's portion of the Plan's total net pension liability	3.5540105%	0.1954351%	0.0452562%

As of the March 31, 2020 measurement date, the City's governmental activities portion of the Plan's total net pension liability for PFRS and ERS, respectively, had increased 0.1909191% and 0.002525% from their portion of the Plan's total net pension liability of 3.3630914% and 0.1929101% on the March 31, 2019 measurement date. The City's business-type activities portion of the Plan's total net pension liability had decreased 0.0005721% from their portion of the Plan's total net pension liability of 0.0458283% from the March 31, 2019 measurement date.

For the year ended June 30, 2020, the City's governmental activities recognized pension expenses of \$69,408,156 and \$10,256,614 for PFRS and ERS, respectively. Business-type activities recognized pension expense of \$2,375,088 for ERS. At June 30, 2020, 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	\$ 12,649,310	\$ 3,045,835	\$ 705,313	\$3,181,802	\$ -
Changes of assumptions	16,236,953	1,042,047	241,303	-	899,790	208,361
Net difference between projected and actual earnings on pension plan investments	85,544,799	26,530,766	6,143,637	-	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	4,272,377	1,663,108	385,120	2,785,257	540,633	125,192
City contributions subsequent to the measurement date	<u>7,669,724</u>	<u>2,176,069</u>	<u>503,905</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 126,373,163</u>	<u>\$ 34,457,825</u>	<u>\$ 7,979,278</u>	<u>\$ 5,967,059</u>	<u>\$ 1,440,423</u>	<u>\$ 333,553</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, 2021. 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
2021	\$ 24,147,208	\$ 5,600,353	\$ 1,296,633
2022	26,978,901	7,832,218	1,813,371
2023	33,014,928	9,583,917	2,218,936
2024	27,250,534	7,824,845	1,812,880
2025	1,344,809	-	-

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:

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Interest rate	6.80%	6.80%
Salary scale	4.50%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

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

The actuarial assumptions used in the April 1, 2019 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.

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

Discount Rate—The discount rate used to calculate the total pension liabilities was 6.8%. 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 6.8%, as well as what the City’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (5.8%) or one percentage-point higher (7.8%) than the current assumption.

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability—PFRS	\$ 339,651,693	\$ 189,959,633	\$ 55,907,004
Employer's proportionate share of the net pension liability—ERS	116,974,383	63,736,451	14,704,090

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, 2019	April 1, 2019	
Employers' total pension liability	\$ 35,309,017	\$ 194,596,261	\$ 229,905,278
Plan fiduciary net position	29,964,080	168,115,682	198,079,762
Employers' net pension liability	\$ 5,344,937	\$ 26,480,579	\$ 31,825,516
System fiduciary net position as a percentage of total pension liability	84.9%	86.4%	86.2%

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, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid System wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$7,669,724 and \$2,679,974 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSA also participates in the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2020, the BFSA reported a liability of \$466,096 for its proportionate share of the net pension liability. At the March 31, 2020 measurement date, the BFSA’s proportion was 0.0017601%, a decrease of 0.0000606% from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, BFSA recognized pension expense of \$140,245. At June 30, 2020, the BFSA 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
	<u>ERS</u>	
Differences between expected and actual experiences	\$ 27,432	\$ -
Changes of assumptions	9,385	8,104
Net difference between projected and actual earnings on pension plan investments	238,944	-
Changes in proportion and differences between BFSA's contributions and proportionate share of contributions	806	38,392
BFSA contributions subsequent to the measurement date	<u>13,470</u>	<u>-</u>
Total	<u>\$ 290,037</u>	<u>\$ 46,496</u>

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

<u>Year Ending June 30,</u>	<u>ERS</u>
2021	\$ 29,591
2022	55,092
2023	79,185
2024	66,203

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the BFSA's proportionate share of the net pension liability/(asset) calculated using the discount rate of 6.8%, as well as what the BFSA'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 (5.8%) or one percentage-point higher (7.8%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 855,418	\$ 466,096	\$ (107,529)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2020 amounted to \$13,470.

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 three percent (3.0%) to three and one half percent (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, 2020, 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, 2019 for TRS and March 31, 2020 for ERS. The total pension (asset)/liability used to calculate the net pension (asset)/liability were determined by actuarial valuations as of June 30, 2018 and April 1, 2019 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, 2019	March 31, 2020
Net pension liability/(asset)	\$ (46,418,092)	\$ 38,334,713
Board's portion of the Plan's total net pension liability	1.786681%	0.144765%

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 decreased 0.035361% and increased 0.0048624% from their portion of the Plan's total net pension (asset)/liability of 1.822042% and 0.139903% on the June 30, 2018 and March 31, 2019 measurement dates.

For the year ended June 30, 2020, the Board recognized pension expense of \$56,190,033 for TRS and \$13,645,288 for ERS, respectively. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources presented on the following page.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ 31,456,356	\$ 2,256,153	\$ 3,451,740	\$ -
Changes of assumptions	87,689,986	771,880	21,381,299	666,505
Net difference between projected and actual earnings on pension plan investments	-	19,652,237	37,224,916	-
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	3,891,761	1,346,619	7,735,230	73,280
Board's contributions subsequent to the measurement date	27,347,081	1,538,198	-	-
Total	<u>\$ 150,385,184</u>	<u>\$ 25,565,087</u>	<u>\$ 69,793,185</u>	<u>\$ 739,785</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, 2021. 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
2021	\$ 19,821,926	\$ 4,173,461
2022	154,239	5,918,905
2023	19,745,809	7,354,341
2024	12,632,296	5,840,397
2025	2,006,506	-
Thereafter	(1,115,858)	-

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, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Interest rate	7.10%	6.80%
Salary scale	1.90-4.72%	4.20%
Decrement tables	July 1, 2009- June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.2%	2.5%
Cost of living adjustments	1.3%	1.3%

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, 2018 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, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 Asset class:	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
			June 30, 2019	March 31, 2020
Domestic equities	33.0 %	36.0 %	6.3 %	4.1 %
International equities	16.0	14.0	7.2	6.2
Global equities	4.0	0.0	7.8	0.0
Private equity	8.0	10.0	9.9	6.8
Real estate	11.0	10.0	4.6	5.0
Absolute return strategies	0.0	2.0	0.0	3.3
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global fixed income securities	2.0	0.0	0.9	0.0
High-yield fixed income securities	1.0	0.0	3.6	0.0
Opportunistic portfolio	0.0	3.0	0.0	4.7
Private debt	1.0	0.0	6.5	0.0
Real assets	0.0	3.0	0.0	6.0
Bonds and mortgages	7.0	17.0	2.9	0.8
Short-term	1.0	1.0	0.3	0.0
Inflation-indexed bonds	0.0	4.0	0.0	0.5
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.1% for TRS and 6.8% 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 following chart presents the Board’s proportionate share of the net pension liabilities/(asset) calculated using the discount rate of 7.10% for TRS and 6.8% 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 (6.10% for TRS and 5.80% for ERS) or one percentage-point higher (8.10% for TRS and 7.80% for ERS) than the current assumption.

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 209,526,423	\$ (46,418,092)	\$ (261,126,659)
ERS			
Employer's proportionate share of the net pension liability	\$ 70,355,022	\$ 38,334,713	\$ 8,843,873

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)	
	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Employers' total pension liability	\$ 119,879,474	\$ 194,596,261
Plan fiduciary net position	122,477,481	168,115,682
Employers' net pension (asset)/liability	<u>\$ (2,598,007)</u>	<u>\$ 26,480,579</u>
System fiduciary net position as a percentage of the total pension (asset)/liability	102.2%	86.4%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions for TRS as of June 30, 2020 amounted to \$27,347,081. For ERS, accrued retirement contributions as of June 30, 2020 amounted to \$1,538,198.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2020 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, 2020, BURA reported a liability of \$1,864,514 for its proportionate share of the net pension liability. At the March 31, 2020 measurement date, BURA's proportion was 0.0070411%, an increase of 0.0004662% from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, BURA recognized pension expense of \$653,470. At June 30, 2020, BURA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 109,734	\$ -
Changes of assumptions	37,542	32,417
Net difference between projected and actual earnings on pension plan investments	955,841	-
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	96,916	40,890
BURA contributions subsequent to the measurement date	<u>72,539</u>	<u>-</u>
Total	<u>\$ 1,272,572</u>	<u>\$ 73,307</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, 2021. 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
2021	\$ 198,790
2022	280,170
2023	356,610
2024	291,156

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 calculated using the discount rate of 6.8%, as well as what BURA's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (5.8%) or one percentage-point higher (7.8%) than the current assumption.

ERS	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability/(asset)	\$ 3,421,910	\$ 1,864,514	\$ 430,146

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2020 amounted to \$72,539.

7. 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, 2018, the effective valuation date of the OPEB valuation, is as follows:

Active employees	2,635
Retired employees	2,829
Spouses of retirees	1,716
Dependents	<u>901</u>
Total	<u>8,081</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 \$1,169,177,733 and \$58,165,486, respectively, were measured as of June 30, 2020, and were determined by an actuarial valuation on October 5, 2020.

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

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

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

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

	Total OPEB Liability	
	Governmental Activities	Business-type Activities
Balances at June 30, 2019	\$ 1,073,580,355	\$ 54,011,676
Changes for the year:		
Service cost	36,450,969	1,590,966
Interest	42,051,935	2,060,463
Changes of assumptions	66,787,588	2,860,776
Contributions—employer	(49,693,114)	(2,358,395)
Net changes	95,597,378	4,153,810
Balances at June 30, 2020	\$ 1,169,177,733	\$ 58,165,486

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 (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Governmental activities:			
Net OPEB liability	\$ 1,338,448,393	\$ 1,169,177,733	\$ 1,031,989,670
Business-type activities:			
Net OPEB liability	\$ 66,586,541	\$ 58,165,486	\$ 51,340,510

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

	1% Decrease (4.4% / 3.0%)	Healthcare Cost Trend Rates (5.4% / 4.0%)	1% Increase (6.4% / 5.0%)
Governmental activities:			
Net OPEB liability	\$ 1,012,699,330	\$ 1,169,177,733	\$ 1,367,493,681
Business-type activities:			
Net OPEB liability	\$ 50,380,834	\$ 58,165,486	\$ 68,031,517

Funding Policy—Contributions by the primary government may vary according to length of service. The cost of providing postemployment health care benefits is shared between the City and the retired employee. Substantially all employees may become eligible for those benefits if they reach normal retirement age and length of service requirement while working for these entities. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds. For the year ended June 30, 2020, the City’s governmental and business-type activities recognized OPEB expense of \$28,719,455 and \$1,220,209, 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, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the sources shown below.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 1,746,550	\$ 565,299	\$ -	\$ -
Changes of assumptions	54,747,015	1,667,918	147,408,812	18,296,662
Total	<u>\$ 56,493,565</u>	<u>\$ 2,233,217</u>	<u>\$ 147,408,812</u>	<u>\$ 18,296,662</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
2021	\$ (46,448,322)	\$ (8,206,765)
2022	(37,379,700)	(6,604,467)
2023	(3,264,410)	(576,775)
2024	(3,261,410)	(576,775)
2025	(558,405)	(98,663)
Thereafter	-	-

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 have a minimum of five years of service, and have satisfied requirements for retiring as a member of a retirement system.

Employees Covered by Benefit Terms—For the year ended June 30, 2020 there were no retirees of the BFSFA receiving benefits. At June 30, 2020, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The BFSA's total OPEB liability of \$1,074,255 was measured as of June 30, 2020, 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 BFSA 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 BFSA 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%, reduced to an ultimate rate of 4.7% after ten years.

Salary increases – 2.0%.

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

Discount rate – 2.21% (previously 3.50%) 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.

Turnover – 50% based on historical experience.

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, 2019	\$ 1,513,486
Changes for the year:	
Service cost	112,210
Interest	56,899
Changes of assumptions	291,995
Differences between expected and actual experience	(900,335)
Net changes	(439,231)
Balances at June 30, 2020	\$ 1,074,255

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 (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$ 1,383,712	\$ 1,074,255	\$ 839,347

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 (4.7%) healthcare cost trend rates.

	1% Decrease (3.6% / 3.7%)	Healthcare Cost Trend Rates (4.6% / 4.7%)	1% Increase (5.6% / 5.7%)
Net OPEB liability	\$ 804,488	\$ 1,074,255	\$ 1,437,110

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, 2020, the Authority recognized OPEB expense of \$439,231.

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 June 30, 2020, the following employees were covered by the benefit terms:

Active employees	5,061
Retired employees and dependents	<u>3,978</u>
Total	<u>9,039</u>

Total OPEB Liability

The Board’s total OPEB liability of \$2,613,913,000 was measured as of June 30, 2020, using updated procedures to roll forward the actuarial valuation from June 30, 2020.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	1.30%
Salary Increases	1.76% to 10.3%
Discount Rate	2.66%
Healthcare Cost Trend Rates	7.5% in 2020, with an ultimate rate of 4.50% for 2027
Retirees’ Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy

The discount rate was based on a range of indices of 20-year bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the MP-2018 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

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, 2019	\$ 2,395,142
Changes for the year:	
Service cost	72,956
Interest	85,561
Changes of assumptions	351,329
Differences between expected and actual experience	(229,606)
Contributions—employer	<u>(61,469)</u>
Net changes	<u>218,771</u>
Balance at June 30, 2020	<u>\$ 2,613,913</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51 percent in 2019 to 2.66 percent in 2020.

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 (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Net OPEB liability	\$ 3,117,105	\$ 2,613,913	\$ 2,218,889

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 (7.5%)/ultimate (4.5%) healthcare cost trend rates (amounts in thousands).

	1% Decrease (6.5% to 3.5%)	Healthcare Cost Trend Rates (7.5% to 4.5%)	1% Increase (8.5% to 5.5%)
Net OPEB liability	\$ 2,156,484	\$ 2,613,913	\$ 3,219,440

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended June 30, 2020, the Board recognized OPEB expense of \$56,969,000. 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 outflows and inflows of resources at June 30, 2020 (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 560,204
Changes of assumptions	<u>422,838</u>	<u>165,210</u>
Total	<u>\$ 422,838</u>	<u>\$ 725,414</u>

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

Fiscal Year Ending June 30,	Amount (in thousands)
2020	\$ (118,937)
2021	(118,937)
2022	(118,937)
2023	(118,936)
2024	(50,714)
Thereafter	615

Buffalo Urban Renewal Agency

Plan Description—In addition to pension benefits, BURA 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 BURA. 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, 2020, the following employees were covered by the benefit terms:

Active employees	63
Retired employees and dependents	<u>24</u>
Total	<u>87</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 \$23,265,470 was measured as of June 30, 2020, 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, 2020 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2020. The discount rate was 2.66%, compared to 3.61% in the prior year. 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 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

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, 2019	<u>\$ 25,024,994</u>
Changes for the year:	
Service cost	618,096
Interest	919,787
Changes of assumptions	2,437,600
Effect of economic/demographic gains or losses	(5,403,620)
Benefit payments	<u>(331,387)</u>
Net changes	<u>(1,759,524)</u>
Balances at June 30, 2020	<u>\$ 23,265,470</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 <u>(1.66%)</u>	Current Discount Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Net OPEB liability	\$ 26,315,930	\$ 23,265,470	\$ 20,710,300

Additionally, healthcare costs can be subject to considerable volatility over time. The table on the following page presents the effect on the net OPEB liability of a 1% change in the initial (4.6%) and ultimate (4.7%) healthcare cost trend rates.

	1% Decrease (3.6% / 3.7%)	Healthcare Cost Trend Rates (4.6% / 4.7%)	1% Increase (5.6% / 5.7%)
Net OPEB liability	\$ 20,691,220	\$ 23,265,470	\$ 26,292,130

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 12. 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 \$331,387 for the fiscal year ended June 30, 2020.

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, 2020, the Agency reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

8. 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, 2018, 2019, and 2020, the City expensed \$6,122,343, \$5,765,614 and \$3,666,037, 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, 2018, 2019, and 2020, the City incurred expenditures of \$7,858,300, \$3,155,911 and \$6,786,877, respectively, for property damage and personal injury claims.

At June 30, 2020, the City estimated the following workers’ compensation liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 2,843,952	\$ -
Workers' compensation — other employees	6,369,300	2,064,778
Total	<u>\$ 9,213,252</u>	<u>\$ 2,064,778</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, 2018, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2018	\$ 8,006,362	\$ 1,901,190
Claims incurred	6,132,630	1,037,785
Payments 2018-2019	<u>(5,066,085)</u>	<u>(699,529)</u>
Estimated claims — June 30, 2019	9,072,907	2,239,446
Claims incurred	3,234,238	397,476
Payments 2019-2020	<u>(3,093,893)</u>	<u>(572,144)</u>
Estimated claims — June 30, 2020	<u>\$ 9,213,252</u>	<u>\$ 2,064,778</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$8,800,000 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 \$5,400,000 to \$12,100,000.

9. LEASE OBLIGATIONS

Operating Leases—Operating lease obligations are primarily for rental of space and equipment. Lease expenditures/expenses for the year were approximately \$257,312. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Year Ending June 30,	
2021	\$ 147,854
2022	121,486
2023	123,277
2024	125,134
2025	126,992
Thereafter	<u>226,588</u>
Total	<u>\$ 871,331</u>

Buffalo Fiscal Stability Authority

The BFSFA has an operating lease agreement for office space. Rental expense totaled \$43,940 for the year ended June 30, 2020. Future minimum annual rental payments required under the lease are \$10,985 in 2021.

Board of Education

Operating lease obligations are primarily for rental of property and equipment. Lease expenses for the year were approximately \$5,457,734. The future minimum rental payments required for noncancelable leases are shown below:

Fiscal Year Ending June 30,	
2021	\$ 7,146,000
2022	6,656,000
2023	6,274,000
2024	6,301,000
2025	6,603,000
2026-2030	25,517,000
2031-2035	15,279,000
Total	<u>\$ 73,776,000</u>

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are accounted for in the Capital Projects Fund for governmental activities and the Parking Fund for business-type activities. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The table below is a summary of the City’s short-term debt for the year ended June 30, 2020:

Description	Interest Rate	Issuance Date	Maturity Date	Balance 7/1/2019	Issued	Paid	Balance 6/30/2020
Governmental activities:							
Capital Projects Fund:							
Various capital projects	3.00%	4/30/2019	4/30/2020	\$ 22,070,653	\$ -	\$ 22,070,653	\$ -
Various capital projects	1.50%	4/28/2020	4/28/2021	-	33,299,600	-	33,299,600
Total governmental activities				<u>22,070,653</u>	<u>33,299,600</u>	<u>22,070,653</u>	<u>33,299,600</u>
Business-type activities:							
Parking Fund:							
Parking ramps	1.50%	4/28/2020	4/28/2021	-	1,500,000	-	1,500,000
Total business-type activities				<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</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, deficiency notes 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, 2020 is presented in the following table:

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 171,079,679	\$ 7,530,000	\$ 37,977,386	\$ 140,632,293	\$ 27,357,829
General obligations bonds, net - BFSA	16,570,000	-	5,440,000	11,130,000	4,690,000
Premiums on bonds - City	14,798,491	972,917	2,830,730	12,940,678	2,099,042
Premiums on bonds - BFSA	1,285,099	-	268,771	1,016,328	208,874
Total bonds payable	203,733,269	8,502,917	46,516,887	165,719,299	34,355,745
Long-term deficiency notes payable	-	25,000,000	-	25,000,000	-
Compensated absences*	30,462,401	-	6,018,516	24,443,885	2,872,821
Workers' compensation	9,072,907	3,234,238	3,093,893	9,213,252	4,228,661
Landfill post-closure monitoring costs	630,000	-	70,000	560,000	70,000
OPEB obligation - City	1,073,580,355	145,290,492	49,693,114	1,169,177,733	-
OPEB obligation - BFSA	1,513,486	461,104	900,335	1,074,255	-
Judgments and claims	7,300,000	7,126,200	5,626,200	8,800,000	4,450,000
Net pension liability - City*	70,069,435	171,642,540	-	241,711,975	-
Net pension liability - BFSA*	129,004	337,092	-	466,096	-
Total governmental activities	\$ 1,396,490,857	\$ 361,594,583	\$ 111,918,945	\$ 1,646,166,495	\$ 45,977,227
	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 8,645,322	\$ -	\$ 1,462,615	\$ 7,182,707	\$ 1,512,171
Water System revenue bonds	125,270,000	-	4,210,000	121,060,000	6,230,000
Premiums on bonds	11,068,997	-	726,966	10,342,031	590,274
Discounts on bonds	(195,420)	-	(10,334)	(185,086)	(10,168)
Total bonds payable	144,788,899	-	6,389,247	138,399,652	8,322,277
Compensated absences	1,541,065	135,143	380,320	1,295,888	90,410
Workers' compensation	2,239,446	397,476	572,144	2,064,778	572,145
OPEB obligation	54,011,676	6,512,205	2,358,395	58,165,486	-
Net pension liability*	3,247,079	8,737,030	-	11,984,109	-
Total business-type activities	\$ 205,828,165	\$ 15,781,854	\$ 9,700,106	\$ 211,909,913	\$ 8,984,832

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 BFSA are secured by sales tax and state aid. The debt issued by the City to the BFSA 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.

Current Year Refunding—On February 1, 2020, the City issued \$7,530,000 in General Improvement Refunding Bonds, together with bond premiums received of \$972,917 and cash contributions, to refund \$10,785,000 of outstanding principal of the previously issued 2010A Serial Bonds of the City and the 2010B School District Serial Bonds, which were called on April 1, 2020. Accordingly, 2020 Refunding Bonds are considered to be current refunding bonds. The 2020 Refunding Bonds carry an interest rate of 5.0% and mature on April 1, 2025. The refund resulted in a net present value benefit savings of \$862,354 to the City.

A summary of additions and payments for the year ended June 30, 2020 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2019	Additions	Payments	Balance 6/30/2020	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2005	\$ 26,167,250	5.0	2025	\$ 2,536,652	\$ -	\$ 1,167,326	\$ 1,369,326	\$ 248,477
2006	25,275,917	5.0	2022	1,744,621	-	1,744,621	-	-
2007	22,226,126	5.0	2023	7,272,891	-	1,689,156	5,583,735	1,773,413
2010	21,985,000	2.0-5.0	2025	10,475,000	-	10,475,000	-	-
2011	12,825,000	3.0-5.0	2021	350,000	-	175,000	175,000	175,000
2012	22,265,000	2.0-4.0	2026	11,695,000	-	1,495,000	10,200,000	1,555,000
2012	3,480,000	3.0-4.0	2022	570,000	-	190,000	380,000	190,000
2012	21,640,000	2.0-5.0	2023	8,875,000	-	2,095,000	6,780,000	2,180,000
2012	4,255,000	2.0-4.0	2024	305,000	-	205,000	100,000	20,000
2013	7,540,000	0.8-3.5	2025	4,000,000	-	620,000	3,380,000	635,000
2014	25,639,769	4.0-5.0	2023	11,840,000	-	2,860,000	8,980,000	2,920,000
2015	29,088,985	2.0-5.0	2026	18,490,000	-	2,490,000	16,000,000	2,525,000
2016	21,703,468	2.0-5.0	2028	17,290,346	-	1,566,489	15,723,857	1,646,499
2016	15,375,000	3.0-4.0	2024	13,990,000	-	2,850,000	11,140,000	3,000,000
2017	21,618,019	4.0-5.0	2029	18,769,332	-	1,490,896	17,278,436	1,566,330
2018	20,300,000	3.0-5.0	2030	18,680,000	-	1,195,000	17,485,000	1,240,000
2019	7,530,000	5.0	2025	-	7,530,000	-	7,530,000	1,360,000
Total				146,883,842	7,530,000	32,308,488	122,105,354	21,034,719
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	\$ 239,000	\$ -	\$ 239,000	\$ -	\$ -
2010	4,900,000	2.5-4.0	2025	2,225,000	-	2,225,000	-	-
2011	21,825,000	3.0-4.0	2021	1,105,000	-	545,000	560,000	560,000
2012	4,900,000	3.0-4.0	2026	2,570,000	-	330,000	2,240,000	340,000
2012	15,355,000	2.0-5.0	2021	5,330,000	-	2,625,000	2,705,000	2,705,000
2012	5,000,000	2.0-3.3	2027	2,895,000	-	325,000	2,570,000	335,000
2012	6,720,000	2.0-4.0	2025	2,720,000	-	420,000	2,300,000	440,000
2012	11,230,000	1.0-4.0	2023	5,025,000	-	955,000	4,070,000	980,000
2012	20,515,000	1.0-5.0	2024	9,170,000	-	1,770,000	7,400,000	1,855,000
2016	5,845,000	2.0-4.0	2023	4,710,000	-	1,075,000	3,635,000	1,130,000
Total				35,989,000	-	10,509,000	25,480,000	8,345,000
Less bonds issued by City to BFSAs:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (2,536,652)	\$ -	\$ (1,167,326)	\$ (1,369,326)	\$ (248,477)
2006A	27,758,917	4.0-5.0	2020	(1,983,621)	-	(1,983,621)	-	-
2007A	28,115,126	4.0-5.0	2023	(7,272,890)	-	(1,689,156)	(5,583,734)	(1,773,413)
Total mirror bonds				(11,793,163)	-	(4,840,103)	(6,953,060)	(2,021,890)
Net governmental activities general obligation bonds issued by the City of Buffalo				171,079,679	7,530,000	37,977,385	140,632,294	27,357,829

(continued)

(concluded)

Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:

2005BC	\$ 47,065,000	5.0	2019	\$ 320,000	\$ -	\$ 320,000	\$ -	\$ -
2007A	28,470,000	4.0-5.0	2023	9,760,000	-	2,315,000	7,445,000	1,755,000
2015A	14,170,000	3.0-5.0	2025	6,490,000	-	2,805,000	3,685,000	2,935,000
Total				<u>16,570,000</u>	<u>-</u>	<u>5,440,000</u>	<u>11,130,000</u>	<u>4,690,000</u>
Total governmental activities bonds				<u>187,649,679</u>	<u>7,530,000</u>	<u>43,417,385</u>	<u>151,762,294</u>	<u>32,047,829</u>
Unamortized premium - City				14,798,491	972,917	2,830,730	12,940,678	2,099,042
Unamortized premium - BFSFA				<u>1,285,099</u>	<u>-</u>	<u>268,771</u>	<u>1,016,328</u>	<u>208,874</u>
Total governmental activities bonds, net				<u>\$ 203,733,269</u>	<u>\$ 8,502,917</u>	<u>\$ 46,516,886</u>	<u>\$ 165,719,300</u>	<u>\$ 34,355,745</u>

Business-type activities — general obligation bonds:

Parking:

2012	\$ 8,415,000	2.0-5.0	2022	\$ 3,025,000	\$ -	\$ 980,000	\$ 2,045,000	\$ 1,005,000
2016	4,066,532	2.0-5.0	2028	3,239,654	-	293,511	2,946,143	308,501
2017	2,741,981	4.0-5.0	2029	<u>2,380,668</u>	<u>-</u>	<u>189,104</u>	<u>2,191,564</u>	<u>198,670</u>
Total				<u>8,645,322</u>	<u>-</u>	<u>1,462,615</u>	<u>7,182,707</u>	<u>1,512,171</u>

Business-type activities — Water System Revenue Bonds:

2006	\$ 19,917,236	3.6-4.8	2028	9,645,000	-	940,000	8,705,000	970,000
2010	23,975,000	2.0-6.9	2041	19,965,000	-	570,000	19,395,000	590,000
2011	2,720,000	1.5-5.1	2022	840,000	-	270,000	570,000	280,000
2012	17,150,000	1.8-4.0	2043	14,905,000	-	410,000	14,495,000	425,000
2012	2,575,000	5.6-6.3	2031	2,180,000	-	140,000	2,040,000	145,000
2015	46,655,000	2.0-5.0	2036	41,465,000	-	1,585,000	39,880,000	3,100,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	-	24,285,000	385,000
2019	46,655,000	3.0-5.0	2038	<u>11,985,000</u>	<u>-</u>	<u>295,000</u>	<u>11,690,000</u>	<u>335,000</u>
Total				<u>125,270,000</u>	<u>-</u>	<u>4,210,000</u>	<u>121,060,000</u>	<u>6,230,000</u>
Total business-type activities bonds				<u>133,915,322</u>	<u>-</u>	<u>5,672,615</u>	<u>128,242,707</u>	<u>7,742,171</u>
Unamortized premium				11,068,997	-	726,966	10,342,031	590,274
Unamortized discount				<u>(195,420)</u>	<u>-</u>	<u>(10,334)</u>	<u>(185,086)</u>	<u>(10,168)</u>
Total business-type activities bonds, net				<u>\$ 144,788,899</u>	<u>\$ -</u>	<u>\$ 6,389,247</u>	<u>\$ 138,399,652</u>	<u>\$ 8,322,277</u>

Amortization of Bond Premiums and Discounts—As previously discussed, on February 1, 2020, the City issued General Improvement Refunding Bonds totaling \$7,530,000 and received bond premiums received of \$972,917. The premiums are being amortized on a straight-line annual basis over the life of the bonds, which mature on April 1, 2025. The total remaining unamortized premiums on bonds at June 30, 2020 are \$13,957,006 and \$10,342,031 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$185,086 are reported in business-type activities at June 30, 2020.

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
2021	\$ 21,034,719	\$ 5,489,686	\$ 26,524,405
2022	21,666,503	4,511,229	26,177,732
2023	22,319,972	3,514,036	25,834,008
2024	13,862,555	2,533,331	16,395,886
2025	12,666,240	1,922,557	14,588,797
2026-2030	28,625,366	2,972,902	31,598,268
2031	1,930,000	28,950	1,958,950
Total	<u>\$ 122,105,355</u>	<u>\$ 20,972,691</u>	<u>\$ 143,078,046</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 8,345,000	\$ 809,800	\$ 9,154,800
2022	5,235,000	571,306	5,806,306
2023	5,200,000	386,550	5,586,550
2024	4,240,000	219,400	4,459,400
2025	1,255,000	92,275	1,347,275
2026-2027	1,205,000	54,913	1,259,913
Total	<u>\$ 25,480,000</u>	<u>\$ 2,134,244</u>	<u>\$ 27,614,244</u>

Governmental Activities—Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 4,690,000	\$ 373,575	\$ 5,063,575
2022	1,960,000	225,225	2,185,225
2023	2,040,000	143,825	2,183,825
2024	2,120,000	59,150	2,179,150
2025	155,000	12,125	167,125
2026	165,000	4,125	169,125
Total	<u>\$ 11,130,000</u>	<u>\$ 818,025</u>	<u>\$ 11,948,025</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 7,742,171	\$ 6,183,435	\$ 13,925,606
2022	8,113,082	5,821,329	13,934,411
2023	6,953,992	5,469,093	12,423,085
2024	7,232,608	5,133,288	12,365,896
2025	7,636,220	4,765,820	12,402,040
2026-2030	40,694,634	17,713,717	58,408,351
2031-2035	17,620,000	10,376,284	27,996,284
2036-2040	16,700,000	6,035,066	22,735,066
2041 and thereafter	15,550,000	2,986,192	18,536,192
Total	<u>\$ 128,242,707</u>	<u>\$ 64,484,224</u>	<u>\$ 192,726,931</u>

Long-Term Deficiency Notes—In accordance with Section 29.20 of the local finance laws of the State of New York, any municipality, school district or district corporation may issue deficiency notes during any fiscal year to finance a deficiency in any fund or funds arising from revenues being less than the amount estimated in the budget for such current fiscal year. Such notes may be issued in such amount as the finance board shall determine to be necessary, but not to exceed five per centum of the amount of the annual budget of such municipality, school district or district corporation. On June 30, 2020, the City issued \$18,000,000 in 2020 deficiency notes with an interest rate of 1.2 and \$7,000,000 in 2020A deficiency notes with an interest rate of 1.3 percent. These notes are redeemable at maturity on December 31, 2021, which extend beyond one year, and therefore, are reported as long-term obligations.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$24,443,885 for governmental activities and \$1,295,888 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 \$2,872,821 and \$90,410 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers' Compensation—Accrued workers' compensation, which totals \$9,213,252 and \$2,064,777 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 \$4,228,661 and \$572,145 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 8 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 9 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, 2020 was \$560,000.

OPEB Obligation—As explained in Note 7, 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 \$1,169,177,733 and \$58,165,486 in the governmental activities and business-type activities, respectively.

Judgments and Claims—As explained in Note 8, the City records a liability for general liability claims in the government-wide financial statements. The City’s judgments and claims liability, which totals \$8,800,000 at June 30, 2020, represents estimated amounts due for various outstanding claims. Of this amount, \$1,142,200 met the criteria of a governmental fund liability and have been accrued within the General Fund at June 30, 2020. The remaining \$7,657,800 are included within the governmental activities. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation). The City has estimated that \$4,450,000 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 \$242,178,071 and \$11,984,109 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 6 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 June 30, 2020, was approximately \$783.7 million. The effective borrowing capacity is \$753.6 million.

The list of the City’s authorized and unissued bonds at June 30, 2020, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 30,102,598</u>

Board of Education

A summary of changes in the Board’s long-term liabilities for the year ended June 30, 2020, is as follows:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Governmental activities:					
Due to other governments	\$ 8,126,666	\$ -	\$ 713,334	\$ 7,413,332	\$ 713,332
Revenue bonds payable	10,255,000	-	665,000	9,590,000	695,000
JSCB bonds payable	689,515,000	-	55,780,000	633,735,000	65,280,000
Premium on bonds	90,113,393	-	10,064,929	80,048,464	10,064,928
Compensated absences	22,809,164	1,094,064	-	23,903,228	9,952,000
Workers' compensation	44,682,000	11,477,000	8,153,000	48,006,000	9,623,000
OPEB obligation	2,395,142,000	280,240,000	61,469,000	2,613,913,000	-
Net pension liability - ERS*	9,912,527	28,422,186	-	38,334,713	-
Total	<u>\$ 3,270,555,750</u>	<u>\$ 321,233,250</u>	<u>\$ 136,845,263</u>	<u>\$ 3,454,943,737</u>	<u>\$ 96,328,260</u>

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

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
2021	\$ 713,332
2022	713,334
2023	713,334
2024	713,332
2025	713,334
2026-2030	3,566,666
2031-2035	233,334
2036	<u>46,666</u>
Total	<u>\$ 7,413,332</u>

Revenue Bonds Payable—These bonds represent 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 finance a portion of the cost of settling litigation between the Board and the Buffalo Teachers Federation, fund the debt service reserve fund to at least the debt service reserve fund requirement, and to pay legal, accounting, financing, and other fees and expenses related to the issuance of the bonds.

The bonds are special revenue obligations of the Agency and are secured by annual payments by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), 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.

Joint Schools Construction Board Bonds Payable—Represents bond payments due for the design, construction, and financing of public educational facilities in the City. The balance at June 30, 2020 is \$633,735,000.

Debt service requirements of the Board at June 30, 2020 are presented on the following page.

Fiscal Year Ending				
June 30,	Principal	Interest	Total	
2021	\$ 74,320,000	\$ 33,008,941	\$ 107,328,941	
2022	80,640,000	29,485,823	110,125,823	
2023	84,460,000	25,545,566	110,005,566	
2024	80,780,000	21,430,541	102,210,541	
2025	74,450,000	17,491,016	91,941,016	
2026-2030	247,410,000	40,543,922	287,953,922	
2031-2035	26,745,000	1,688,376	28,433,376	
Total	<u>\$ 668,805,000</u>	<u>\$ 169,194,185</u>	<u>\$ 837,999,185</u>	

Compensated Absences—Compensated absences, which totaled \$23,903,228 at June 30, 2020, 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 \$9,952,000 will be paid in the next fiscal year.

Workers' Compensation—Workers' compensation obligations total \$48,006,000 at June 30, 2020, representing estimated amounts due for various outstanding claims.

OPEB Obligation—Refer to Note 7.

Net Pension Liability—The Board reported a liability, \$38,334,713, for its proportionate share of the net pension liability of the Employees' Retirement System. Refer to Note 6 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, 2020 follows:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Governmental activities:					
Compensated absences	\$ 643,960	\$ 189,436	\$ 566,195	\$ 267,201	\$ 13,360
OPEB obligation	25,024,994	3,975,483	5,735,007	23,265,470	-
Long-term retirement liability	73,688	-	18,422	55,266	18,422
Net pension liability*	465,855	1,398,659	-	1,864,514	-
Total	<u>\$ 26,208,497</u>	<u>\$ 5,563,578</u>	<u>\$ 6,319,624</u>	<u>\$ 25,452,451</u>	<u>\$ 31,782</u>

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

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, 2020, for governmental activities is \$267,201. Management estimates that \$13,360 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 7, 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 \$23,265,470 as of June 30, 2020.

Long-Term Retirement Liability—As explained in Note 6, 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, 2020, BURA has recorded a liability in the amount of \$55,266, of which \$18,422 is considered due within one year.

Net Pension Liability—BURA reported a liability, \$1,864,514, for its proportionate share of the net pension liability of the Employees’ Retirement System. Refer to Note 6 for additional information related to BURA’s net pension liability.

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		\$ 538,268,878
Related debt:		
Serial bonds issued for capital assets	\$ (151,282,293)	
Unspent debt proceeds	<u>5,495,522</u>	
Bonds payable issued for capital assets		(145,786,771)
Bond anticipation notes payable		(33,299,600)
Deferred charge on refunding		1,381,364
Unamortized premiums		<u>(13,957,006)</u>
Net investment in capital assets—governmental activities		<u>\$ 346,606,865</u>

Business-type activities:

Capital assets, net of accumulated depreciation		\$ 193,249,511
Related debt:		
Serial bonds issued for capital assets	(128,242,707)	
Unspent debt proceeds	<u>40,821,758</u>	
Bonds payable issued for capital assets		(87,420,949)
Bond anticipation notes payable		(1,500,000)
Deferred charge on refunding		2,502,387
Unamortized premium		(10,342,031)
Unamortized discount		<u>185,086</u>
Net investment in capital assets—business-type activities		<u>\$ 96,674,004</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, 2020 include:

Real estate acquired for sale	\$ 9,834,584
Long-term due from other funds	13,314,516
Prepaid items	1,296,534
Permanent Fund - corpus	<u>30,000</u>
Total	<u>\$ 24,475,634</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, 2020 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 5,495,522	\$ -	\$ 5,495,522
Capital outlay	12,419,887	-	-	-	12,419,887
Debt service	-	4,749,609	-	5,055,147	9,804,756
Grants	-	-	-	6,879,187	6,879,187
Emergency medical services	1,821,697	-	-	-	1,821,697
Permanent fund - interest	-	-	-	111,074	111,074
Total	<u>\$ 14,241,584</u>	<u>\$ 4,749,609</u>	<u>\$ 5,495,522</u>	<u>\$ 12,045,408</u>	<u>\$ 36,532,123</u>

- **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.

- **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 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, which is an adoption by the Common Council of an ordinance, modification to the City charter by the Common Council or a resolution of the Common Council. The City’s policy requires commitments to be adopted through formal action (adoption of an ordinance) of the Common Council. As of June 30, 2020, 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, 2020, the City reported \$38,140,279 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, 2020 assigned fund balance includes:

	General Fund	BFSA Special Revenue Fund	Total
Encumbrances	\$ 8,579,598	\$ -	\$ 8,579,598
Motor vehicle self-insurance	801,595	-	801,595
Judgments and claims	3,334,451	-	3,334,451
Specific use	-	588,565	588,565
Total	<u>\$ 12,715,644</u>	<u>\$ 588,565</u>	<u>\$ 13,304,209</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 \$8,800,000 of potential settlements, and has assigned \$3,334,451 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, 2020, the City contributed \$70,822,758 in economic support for operating purposes (\$62,148,344) and school tax relief reimbursement (\$8,674,414).

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 Board of Education. The resulting financial transactions between the BFSA, the City, and the Board of Education 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 2020 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$135,717,725 were recorded, of which \$87,198,708 was or will be paid to the City and \$48,519,017 was designated for the District.
- State aid of \$141,612,849 was received during 2020.
- Distributions paid or accrued to the City in 2020 totaled \$228,820,653, which includes \$81,612,237 of sales tax receipts, \$147,042,610 of State aid and other revenue, and interest receipts of \$165,806.

Board of Education

During the year ended June 30, 2020, the Board transferred \$11,675,122 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 BURA and is a nominal recipient of most of BURA’s federal and state funding. BURA 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, 2019, all of BERC's assets and liabilities were transferred to BURA.

At June 30, 2020, 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, 2020 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 36,740,746	\$ 2,272,053
Debt Service Fund	775,961	-
Capital Projects Fund	-	17,612,813
BFSA Special Revenue Fund	-	7,461,186
Nonmajor governmental funds	<u>1,913,131</u>	<u>146,483</u>
Total governmental funds	<u>39,429,838</u>	<u>27,492,535</u>
Proprietary funds:		
Solid Waste and Recycling Fund	184,510	13,314,516
Parking Fund	941,481	-
Water System	247,709	-
Internal Service Fund	<u>3,513</u>	<u>-</u>
Total proprietary funds	<u>1,377,213</u>	<u>13,314,516</u>
Total	<u>\$ 40,807,051</u>	<u>\$ 40,807,051</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 \$36,740,746 is a portion due from the Solid Waste and Recycling Fund in the amount of \$13,314,516, 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, 2020:

Transfers out:	Transfers in:					Total
	General Fund	Debt Service Fund	Capital Projects Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	
Governmental funds:						
General Fund	\$ -	\$ 28,955,211	\$ 400,000	\$ -	\$ -	\$ 29,355,211
Debt Service Fund	-	-	1,551,053	257,711	5,172,050	6,980,814
Proprietary funds:						
Solid Waste & Recycling Fund	673,078	-	-	-	-	673,078
Parking Fund	2,400,000	-	-	-	-	2,400,000
Water System	7,248,078	-	-	-	-	7,248,078
Total	<u>\$ 10,321,156</u>	<u>\$ 28,955,211</u>	<u>\$ 1,951,053</u>	<u>\$ 257,711</u>	<u>\$ 5,172,050</u>	<u>\$ 46,657,181</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 2,870 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	6/30/25
Blue Collar	6/30/19
White Collar	6/30/24
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 \$73,265,301 encumbrances outstanding at June 30, 2020. In the General Fund, encumbrances of \$8,579,598 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$38,201,013 and \$18,563,741 of outstanding encumbrances, respectively. As of June 30, 2020, the City had the following significant encumbrances:

Description	General Fund	Capital Projects Fund	Special Revenue Fund
Buildings	\$ -	\$ 1,094,700	\$ 3,300,000
Vehicles	558,761	1,939,340	-
Bridges	-	-	-
Streets	-	21,670,800	1,329,271

Board of Education

Encumbrances—At June 30, 2020, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$4,776,135 in the Board’s General Fund.

Commitments—The Board has approved and plans to spend up to \$88,187,000 for various capital projects that remain in progress at year end. Amounts outstanding under these projects totaled \$16,285,000 at June 30, 2020

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 \$14,389,056. However, during 2019, the City collected \$3,483,520 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 \$12,234,892. However, during 2020, the City collected \$4,959,266 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, 2020, the liability is \$560,000. 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—The The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. 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. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

State Aid—The State periodically reviews its distribution of aid to school boards throughout the State. Thus, revenues recorded as of June 30, 2020 are subject to potential revision.

Grants—The The Board receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the Board. Based on prior experience, management expects such amounts to be immaterial.

As of June 30, 2020, the Board recorded a \$5,200,000 reserve against State aid receivables outstanding in the special aid fund to recognize the potential withholding of 20% by the State. The State has announced that due to its COVID-19-related fiscal crisis, it may withhold 20% of payments made to localities and school districts, and the withholding could become permanent.

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, 2020, 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 Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):							
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
BOE's proportion of the net pension liability (asset)	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%	1.695591%
BOE's proportionate share of the net pension liability (asset)	<u>\$ (46,418,092)</u>	<u>\$ (32,947,326)</u>	<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	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 258,505,177
BOE's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(15.6%)	(9.5%)	(4.8%)	6.9%	(69.2%)	(75.4%)	(4.2%)
Plan fiduciary net position as a percentage of the total pension liability	102.2%	101.5%	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 Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):							
Contractually required contribution	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597
Contributions in relation to the contractually required contribution	<u>(27,347,081)</u>	<u>(31,671,613)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
BOE's covered payroll	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
Contributions as a percentage of covered payroll	8.9%	10.6%	9.8%	11.7%	13.3%	17.5%	16.3%

*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 Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):							
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	3.5540105%	3.3630914%	3.4426958%	3.2577408%	3.1811703%	3.5779889%	3.5779889%
City's proportionate share of the net pension liability	<u>\$ 189,959,633</u>	<u>\$ 56,401,167</u>	<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	\$ 128,323,193	\$ 129,836,155	\$ 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	148.0%	43.4%	27.2%	51.4%	71.7%	8.1%	11.4%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	95.1%	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 Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):							
Contractually required contribution	\$ 28,997,685	\$ 28,268,658	\$ 31,033,697	\$ 30,655,038	\$ 23,005,037	\$ 40,418,943	\$ 30,767,293
Contributions in relation to the contractually required contribution	<u>(28,997,685)</u>	<u>(28,268,658)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 127,230,633	\$ 128,980,918	\$ 130,584,701	\$ 134,207,252	\$ 130,265,189	\$ 123,270,081	\$ 137,177,059
Contributions as a percentage of covered payroll	22.8%	21.9%	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 Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
City of Buffalo ("City"):							
City's proportion of the net pension liability	24.0691300%	0.2387384%	0.2590897%	0.2342962%	0.2177420%	0.2151949%	0.2151949%
City's proportionate share of the net pension liability	<u>\$ 63,736,451</u>	<u>\$ 16,915,345</u>	<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	\$ 73,268,212	\$ 73,215,087	\$ 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	87.0%	23.1%	11.9%	29.2%	52.8%	12.2%	17.0%
Buffalo Fiscal Stability Authority ("BFSA"):							
BFSA's proportion of the net pension liability	0.0017601%	0.0018207%	0.0018707%	0.0019883%	0.0018893%	0.0018411%	0.0018411%
BFSA's proportionate share of the net pension liability	<u>\$ 466,096</u>	<u>\$ 129,004</u>	<u>\$ 60,374</u>	<u>\$ 186,826</u>	<u>\$ 303,242</u>	<u>\$ 62,198</u>	<u>\$ 67,581</u>
BFSA's covered payroll	\$ 375,073	\$ 366,813	\$ 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	124.3%	35.2%	16.4%	48.3%	85.5%	18.6%	19.4%
Board of Education ("BOE"):							
BOE's proportion of the net pension liability	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%	0.142493%
BOE's proportionate share of the net pension liability	<u>\$ 38,334,713</u>	<u>\$ 9,912,527</u>	<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	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,110,981	\$ 39,110,981
BOE's proportionate share of the net pension liability as a percentage of its covered payroll	86.3%	23.3%	10.9%	30.1%	58.0%	12.3%	16.5%
Buffalo Urban Renewal Agency ("BURA"):							
BURA's proportion of the net pension liability	0.0070411%	0.0065749%	0.0075896%	0.0079393%	0.0074517%	0.0080528%	0.0080528%
BURA's proportionate share of the net pension liability	<u>\$ 1,864,514</u>	<u>\$ 465,855</u>	<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	\$ 2,073,426	\$ 2,352,824	\$ 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	89.9%	19.8%	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 Seven Fiscal Years*

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):							
Contractually required contributions	\$ 9,934,514	\$ 9,816,623	\$ 11,048,864	\$ 10,020,599	\$ 10,243,551	\$ 11,374,650	\$ 11,646,194
Contributions in relation to the contractually required contribution	<u>(9,934,514)</u>	<u>(9,816,623)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 73,259,166	\$ 73,322,398	\$ 71,435,074	\$ 77,691,737	\$ 63,077,840	\$ 63,457,322	\$ 59,261,548
Contributions as a percentage of covered payroll	13.6%	13.4%	15.5%	12.9%	16.2%	17.9%	19.7%
Buffalo Fiscal Stability Authority ("BFSA"):							
Contractually required contributions	\$ 56,308	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625
Contributions in relation to the contractually required contribution	<u>(56,308)</u>	<u>(54,897)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
BFSA's covered payroll	\$ 375,073	\$ 366,813	\$ 375,724	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
Contributions as a percentage of covered payroll	15.0%	15.0%	14.8%	15.0%	19.0%	18.7%	21.7%
Board of Education ("BOE"):							
Contractually required contributions	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573
Contributions in relation to the contractually required contribution	<u>(5,998,034)</u>	<u>(5,947,217)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ (359,764)</u>	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
BOE's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043
Contributions as a percentage of covered payroll	13.5%	14.0%	15.6%	15.4%	18.6%	19.4%	12.5%
Buffalo Urban Renewal Agency ("BURA"):							
Contractually required contributions	\$ 321,081	\$ 324,724	\$ 333,843	\$ 367,814	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	<u>(321,081)</u>	<u>(324,724)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
BURA's covered payroll	\$ 2,022,097	\$ 2,243,874	\$ 2,309,933	\$ 2,247,303	\$ 2,335,268	\$ 2,097,796	\$ 2,252,172
Contributions as a percentage of covered payroll	15.9%	14.5%	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
Last Three Fiscal Years*

	Year Ended June 30,		
	2020	2019	2018
City of Buffalo - Governmental Activities:			
Total OPEB liability			
Service cost	\$ 36,450,969	\$ 50,795,971	\$ 56,825,355
Interest	42,051,935	43,364,955	39,804,589
Changes of assumptions	66,787,588	(157,721,615)	(229,517,536)
Differences between expected and actual experience	-	2,570,396	-
Benefit payments	(49,693,114)	(49,073,048)	(45,691,925)
Net changes in total OPEB liability	95,597,378	(110,063,341)	(178,579,517)
Total OPEB liability—beginning	1,073,580,355	1,183,643,696	1,362,223,213
Total OPEB liability—ending	<u>\$ 1,169,177,733</u>	<u>\$ 1,073,580,355</u>	<u>\$ 1,183,643,696</u>
Plan fiduciary net position			
Contributions—employer	\$ 49,693,114	\$ 49,073,048	\$ 45,691,925
Benefit payments	(49,693,114)	(49,073,048)	(45,691,925)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 1,169,177,733</u>	<u>\$ 1,073,580,355</u>	<u>\$ 1,183,643,696</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered payroll	\$ 215,069,743	\$ 208,805,576	\$ 202,723,860
City's net OPEB liability as a percentage of covered-employee payroll	544%	514%	584%
City of Buffalo - Business-type Activities:			
Total OPEB liability			
Service cost	\$ 1,590,966	\$ 2,465,958	\$ 2,725,605
Interest	2,060,463	2,548,259	2,385,850
Changes of assumptions	2,860,776	(20,239,077)	(13,881,054)
Differences between expected and actual experience	-	831,949	-
Benefit payments	(2,358,395)	(2,978,914)	(2,233,175)
Net changes in total OPEB liability	4,153,810	(17,371,825)	(11,002,774)
Total OPEB liability—beginning, as restated	54,011,676	71,383,501	82,386,275
Total OPEB liability—ending	<u>\$ 58,165,486</u>	<u>\$ 54,011,676</u>	<u>\$ 71,383,501</u>
Plan fiduciary net position			
Contributions—employer	\$ 2,358,395	\$ 2,978,914	\$ 2,233,175
Benefit payments	(2,358,395)	(2,978,914)	(2,233,175)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 58,165,486</u>	<u>\$ 54,011,676</u>	<u>\$ 71,383,501</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered payroll	\$ 16,478,015	\$ 15,998,073	\$ 15,532,110
City's net OPEB liability as a percentage of covered-employee payroll	353%	338%	460%

(continued)

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

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Three Fiscal Years *
(Amounts expressed in thousands)

	<u>Year Ended June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Buffalo Fiscal Stability Authority ("BFSA"):			
Total OPEB liability			
Service cost	\$ 112	\$ 118	\$ 163
Interest	57	54	-
Differences between expected and actual experience	(900)	(58)	-
Changes of assumptions	292	115	-
Benefit payments	-	-	-
Net changes in total OPEB liability	<u>(439)</u>	<u>229</u>	<u>163</u>
Total OPEB liability—beginning, as restated	<u>1,513</u>	<u>1,284</u>	<u>1,121</u>
Total OPEB liability—ending	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
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>	<u>\$ -</u>	<u>\$ -</u>
BFSA's net OPEB liability—ending	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered payroll	\$ 413	\$ 384	\$ 376
BFSA's net OPEB liability as a percentage of covered-employee payroll	260.0%	394.0%	341.5%
Buffalo Board of Education ("BBOE"):			
Total OPEB liability			
Service cost	\$ 72,956	\$ 71,543	\$ 82,946
Interest	85,561	90,227	92,126
Differences between expected and actual experience	(229,606)	(166,075)	(234,596)
Changes of assumptions	351,329	170,379	(124,198)
Benefit payments	<u>(61,469)</u>	<u>(61,084)</u>	<u>(61,431)</u>
Net changes in total OPEB liability	<u>218,771</u>	<u>104,990</u>	<u>(245,153)</u>
Total OPEB liability—beginning, as restated	<u>2,395,142</u>	<u>2,290,152</u>	<u>2,535,305</u>
Total OPEB liability—ending	<u>\$ 2,613,913</u>	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>
Plan fiduciary net position			
Contributions—employer	\$ 61,469	\$ 61,084	\$ 61,431
Benefit payments	<u>(61,469)</u>	<u>(61,084)</u>	<u>(61,431)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BBOE's net OPEB liability—ending	<u>\$ 2,613,913</u>	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered payroll	\$ 373,087	\$ 377,000	\$ 345,602
BBOE's net OPEB liability as a percentage of covered-employee payroll	700.6%	635.3%	662.7%

(continued)

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

CITY OF BUFFALO, NEW YORK
Schedules of Changes in the Total OPEB Liability and Related Ratios
Last Three Fiscal Years *
(Amounts expressed in thousands)

(concluded)

	Year Ended June 30,		
	2020	2019	2018
Buffalo Urban Renewal Agency ("BURA"):			
Total OPEB liability			
Service cost	\$ 618	\$ 633	\$ 633
Interest	920	915	886
Effect of economic/demographic gains or losses	(5,404)	(1,008)	(274)
Changes of assumptions	2,438	-	-
Benefit payments	(332)	(450)	(463)
Net changes in total OPEB liability	(1,760)	90	782
Total OPEB liability—beginning, as restated	25,025	24,935	24,153
Total OPEB liability—ending	<u>\$ 23,265</u>	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan fiduciary net position			
Contributions—employer	\$ 332	\$ 450	\$ 463
Benefit payments	(332)	(450)	(463)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's net OPEB liability—ending	<u>\$ 23,265</u>	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered payroll	\$ 2,022	\$ 2,244	\$ 2,310
BURA's net OPEB liability as a percentage of covered-employee payroll	1150.6%	1115.2%	1079.4%

*Information prior to the year ended June 30, 2018 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 Balance—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2020

	<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	\$ 150,251,403	\$ 150,251,403	\$ 148,676,847	\$ (1,574,556)
Utility and other nonproperty tax items	11,610,000	11,610,000	12,592,226	982,226
Federal aid	2,881,000	2,881,000	3,052,103	171,103
State aid	183,702,733	183,702,733	151,570,929	(32,131,804)
Local sources and other	90,828,562	90,828,562	88,446,890	(2,381,672)
Investment interest	1,200,000	1,200,000	1,478,126	278,126
Charges for services	20,028,575	20,028,575	14,269,879	(5,758,696)
Licenses and permits	6,173,545	6,173,545	5,192,273	(981,272)
Fines	13,738,200	13,738,200	8,839,492	(4,898,708)
Miscellaneous	15,001,173	15,001,173	14,187,777	(813,396)
Total revenues	<u>495,415,191</u>	<u>495,415,191</u>	<u>448,306,542</u>	<u>(47,108,649)</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	5,431,678	5,882,374	5,720,180	162,194
Executive	2,598,967	2,645,802	2,701,905	(56,103)
Audit and control	3,628,905	3,647,463	2,877,053	770,410
Law	3,263,310	3,276,149	2,713,679	562,470
Assessment	2,719,166	2,741,381	2,344,877	396,504
Public works, parks and streets	9,005,116	9,983,351	9,239,805	743,546
Management information systems	5,617,457	6,074,895	5,159,301	915,594
Administration and finance	10,921,674	11,083,298	9,714,934	1,368,364
Human resources	5,561,043	6,183,314	4,545,275	1,638,039
Other	18,534,300	19,385,384	16,511,924	2,873,460
Public safety:				
Administration and finance	2,314,916	2,605,186	2,068,402	536,784
Police	89,621,930	90,224,182	87,162,174	3,062,008
Fire	58,475,039	59,117,441	64,370,662	(5,253,221)
Public works, parks and streets	2,559,671	2,509,456	2,262,093	247,363
Permit and inspection services	5,798,348	6,315,680	5,868,455	447,225
Streets and sanitation:				
Public works, parks and streets	11,750,208	12,575,108	12,037,229	537,879
Economic assistance and opportunity:				
Executive	2,746,879	3,062,924	3,046,888	16,036
Community services	177,758	178,171	156,877	21,294
Culture and recreation:				
Public works, parks and streets	6,628,954	7,023,372	6,695,866	327,506
Community services	3,319,467	3,354,724	3,149,144	205,580
Other	1,110,000	1,107,000	110,250	996,750
Health and community services:				
Public works, parks and streets	1,224,125	1,232,162	1,209,128	23,034
Community services	1,276,539	1,285,209	1,084,787	200,422
Other	-	103,000	102,870	130
Education	70,822,758	70,822,758	70,822,758	-
Fringe benefits	151,179,418	145,834,419	136,365,356	9,469,063
Other	2,650,000	7,288,052	8,129,724	(841,672)
Debt service	390,000	390,000	91,350	298,650
Total expenditures	<u>479,327,626</u>	<u>485,932,255</u>	<u>466,262,946</u>	<u>19,669,309</u>
Excess (deficiency) of revenues over expenditures	<u>16,087,565</u>	<u>9,482,936</u>	<u>(17,956,404)</u>	<u>(27,439,340)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	13,267,646	13,267,646	10,321,156	(2,946,490)
Transfers out	(29,355,211)	(29,355,211)	(29,355,211)	-
Long-term deficiency notes issued	-	-	25,000,000	25,000,000
Total other financing sources (uses)	<u>(16,087,565)</u>	<u>(16,087,565)</u>	<u>5,965,945</u>	<u>22,053,510</u>
Net change in fund balances *	-	(6,604,629)	(11,990,459)	(5,385,830)
Fund balances—beginning	92,938,435	92,938,435	92,938,435	-
Fund balances—ending	<u>\$ 92,938,435</u>	<u>\$ 86,333,806</u>	<u>\$ 80,947,976</u>	<u>\$ (5,385,830)</u>

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, 2020

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	\$ (3,410,861)
Less: encumbrances	<u>(8,579,598)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ (11,990,459)</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2020, the City had budgetary expenditures in excess of the final budget amount within public safety of \$5,253,221 pertaining to fire, which were caused by the effects of regular and overtime wages in addition to duty disability costs within the fire department which were not included in the adopted budget and \$841,672 within other expenditures for additional write-offs of accounts receivable.

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 was 3.50% as of June 30, 2020, as compared to 3.87% as of June 30, 2019. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2018. The 2015 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.4%, while the ultimate healthcare cost trend rate is 4.00%.

Buffalo Fiscal Stability Authority

Changes of Assumptions—The discount rate was 2.21% as of June 30, 2020, as compared to 3.5% as of June 30, 2019 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. Mortality rates are based on the RP2000, mortality table for males and females projected 18 years. Salary increases were based on a 2.0% payroll growth. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

Buffalo Board of Education

Changes of Assumptions—Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.66% in 2020, while the inflation rate remained unchanged at 1.30%.

Buffalo Urban Renewal Agency

Changes of Assumptions—In the June 30, 2020 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2020. The discount rate was 2.66%, compared to 3.61% in the prior year. 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 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

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, 2020

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 9,756,733	\$ 9,756,733	\$ 11,675,122	\$ 1,918,389
Investment interest	169,142	169,142	394,136	224,994
License, permit, rentals, fines, and other service charges	141,176	141,176	216,091	74,915
Miscellaneous	-	-	763,416	763,416
Total revenues	<u>10,067,051</u>	<u>10,067,051</u>	<u>13,048,765</u>	<u>2,981,714</u>
EXPENDITURES				
Debt service:				
Principal	32,032,488	32,032,488	37,977,386	(5,944,898)
Interest and fiscal charges	8,306,446	8,306,446	7,712,000	594,446
Total expenditures	<u>40,338,934</u>	<u>40,338,934</u>	<u>45,689,386</u>	<u>(5,350,452)</u>
Excess (deficiency) of revenues over expenditures	<u>(30,271,883)</u>	<u>(30,271,883)</u>	<u>(32,640,621)</u>	<u>(2,368,738)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	28,955,211	28,955,211	28,955,211	-
Transfers out	(1,551,053)	(1,551,053)	(6,980,814)	(5,429,761)
Issuance of refunding bonds	-	-	7,530,000	7,530,000
Premium on bonds	1,303,440	1,303,440	972,917	(330,523)
Total other financing sources (uses)	<u>28,707,598</u>	<u>28,707,598</u>	<u>30,477,314</u>	<u>1,769,716</u>
Net change in fund balances *	(1,564,285)	(1,564,285)	(2,163,307)	(599,022)
Fund balances—beginning	<u>6,912,916</u>	<u>6,912,916</u>	<u>6,912,916</u>	<u>-</u>
Fund balances—ending	<u>\$ 5,348,631</u>	<u>\$ 5,348,631</u>	<u>\$ 4,749,609</u>	<u>\$ (599,022)</u>

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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, 2020

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Restricted cash and cash equivalents	\$ 4,753,152	\$ 48,508	\$ 75,252	\$ 4,876,912
Restricted investments	-	5,157,741	61,472	5,219,213
Receivables:				
Other receivables	31	-	4,350	4,381
Intergovernmental receivables	869,293	-	-	869,293
Due from other funds	1,913,131	-	-	1,913,131
Total assets	<u>\$ 7,535,607</u>	<u>\$ 5,206,249</u>	<u>\$ 141,074</u>	<u>\$ 12,882,930</u>
LIABILITIES				
Accounts payable	\$ 274,097	\$ -	\$ -	\$ 274,097
Accrued liabilities	-	151,102	-	151,102
Due to other governments	129,574	-	-	129,574
Due to other funds	146,483	-	-	146,483
Due to component units	106,266	-	-	106,266
Total liabilities	<u>656,420</u>	<u>151,102</u>	<u>-</u>	<u>807,522</u>
FUND BALANCES				
Nonspendable	-	-	30,000	30,000
Restricted	6,879,187	5,055,147	111,074	12,045,408
Total fund balances	<u>6,879,187</u>	<u>5,055,147</u>	<u>141,074</u>	<u>12,075,408</u>
Total liabilities and fund balances	<u>\$ 7,535,607</u>	<u>\$ 5,206,249</u>	<u>\$ 141,074</u>	<u>\$ 12,882,930</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2020

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Intergovernmental	\$ 23,110,345	\$ -	\$ -	\$ 23,110,345
Investment interest	580	10,251	14	10,845
Miscellaneous	61,665	-	-	61,665
Total revenues	<u>23,172,590</u>	<u>10,251</u>	<u>14</u>	<u>23,182,855</u>
EXPENDITURES				
Current:				
General government support	246,051	-	-	246,051
Public safety	1,143,067	-	-	1,143,067
Streets and sanitation	66,395	-	-	66,395
Economic assistance and opportunity	19,496,885	-	-	19,496,885
Culture and recreation	10,284	-	-	10,284
Health and community services	8,550	-	-	8,550
Debt service:				
Principal	-	5,440,000	-	5,440,000
Interest and fiscal charges	-	525,455	-	525,455
Total expenditures	<u>20,971,232</u>	<u>5,965,455</u>	<u>-</u>	<u>26,936,687</u>
Excess (deficiency) of revenues over expenditures	<u>2,201,358</u>	<u>(5,955,204)</u>	<u>14</u>	<u>(3,753,832)</u>
OTHER FINANCING SOURCES				
Transfers in	-	5,172,050	-	5,172,050
Total other financing sources	<u>-</u>	<u>5,172,050</u>	<u>-</u>	<u>5,172,050</u>
Net change in fund balances	2,201,358	(783,154)	14	1,418,218
Fund balances—beginning	4,677,829	5,838,301	141,060	10,657,190
Fund balances—ending	<u>\$ 6,879,187</u>	<u>\$ 5,055,147</u>	<u>\$ 141,074</u>	<u>\$ 12,075,408</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 Schedule of Net Position—Water System
June 30, 2020

	<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	\$ 14,159,336	\$ 416,833	\$ 271,419	\$ -	\$ 14,847,588
Restricted cash and cash equivalents	-	40,821,758	-	-	40,821,758
Investments	5,263,404	-	-	-	5,263,404
Receivables:					
Accounts receivable	23,522,975	-	-	-	23,522,975
Other receivables	1,663,066	-	-	-	1,663,066
Due from other agencies	128,163	-	-	-	128,163
Due from other funds	2,106,614	89,485,500	33,690,543	(125,034,948)	247,709
Allowances	(18,439,923)	-	-	-	(18,439,923)
Net receivables	<u>8,980,895</u>	<u>89,485,500</u>	<u>33,690,543</u>	<u>(125,034,948)</u>	<u>7,121,990</u>
Total current assets	<u>28,403,635</u>	<u>130,724,091</u>	<u>33,961,962</u>	<u>(125,034,948)</u>	<u>68,054,740</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	2,400,857	-	-	-	2,400,857
Total capital assets not being depreciated	<u>2,545,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,545,973</u>
Capital assets being depreciated:					
Buildings and infrastructure	249,419,496	-	-	-	249,419,496
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	1,873,246	-	-	-	1,873,246
Accumulated depreciation	(104,047,012)	-	-	-	(104,047,012)
Total capital assets being depreciated	<u>147,498,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,498,123</u>
Total noncurrent assets	<u>150,044,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,044,096</u>
Total assets	<u>178,447,731</u>	<u>130,724,091</u>	<u>33,961,962</u>	<u>(125,034,948)</u>	<u>218,098,836</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	2,457,796	-	-	2,457,796
Deferred outflows—relating to pensions	3,874,545	-	3,874,545	(3,874,545)	3,874,545
Deferred outflows—relating to OPEB	-	-	1,306,349	-	1,306,349
Total deferred outflows of resources	<u>3,874,545</u>	<u>2,457,796</u>	<u>5,180,894</u>	<u>(3,874,545)</u>	<u>7,638,690</u>
LIABILITIES					
Current liabilities:					
Accounts payable	2,270,847	14,325	64,387	-	2,349,559
Other accrued liabilities	-	2,850,952	409,622	-	3,260,574
Due to other funds	128,747,528	-	-	(128,747,528)	-
Due to retirement systems	-	-	244,684	-	244,684
Accrued compensated absences	-	-	59,688	-	59,688
Accrued workers' compensation	-	-	215,690	-	215,690
General obligation and revenue bonds payable within one year	-	6,702,943	-	-	6,702,943
Total current liabilities	<u>131,018,375</u>	<u>9,568,220</u>	<u>994,071</u>	<u>(128,747,528)</u>	<u>12,833,138</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2020

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
					(concluded)
Noncurrent liabilities:					
Accrued compensated absences	-	-	714,255	-	714,255
Accrued workers' compensation	-	-	875,222	-	875,222
Accrued OPEB	-	-	22,503,741	-	22,503,741
General obligation and revenue bonds payable	-	123,613,667	-	-	123,613,667
Net pension liability	-	-	5,819,196	-	5,819,196
Total noncurrent liabilities	<u>-</u>	<u>123,613,667</u>	<u>29,912,414</u>	<u>-</u>	<u>153,526,081</u>
Total liabilities	<u>131,018,375</u>	<u>133,181,887</u>	<u>30,906,485</u>	<u>(128,747,528)</u>	<u>166,359,219</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	161,965	-	161,965	(161,965)	161,965
Deferred inflows—relating to OPEB	-	-	8,074,406	-	8,074,406
Total deferred inflows of resources	<u>161,965</u>	<u>-</u>	<u>8,236,371</u>	<u>(161,965)</u>	<u>8,236,371</u>
NET POSITION					
Net investment in capital assets	22,185,282	-	-	40,821,758	63,007,040
Unrestricted	28,956,654	-	-	(40,821,758)	(11,865,104)
Total net position	<u>\$ 51,141,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,141,936</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2020

	<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	\$ 48,668,413	\$ -	\$ -	\$ -	\$ 48,668,413
Other	1,648,148	-	-	-	1,648,148
Total operating revenues	<u>50,316,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,316,561</u>
Operating expenses:					
Services and supplies	11,097,798	82,958	7,132,959	-	18,313,715
Fringe benefits	-	-	3,016,455	-	3,016,455
Depreciation	6,674,829	-	-	-	6,674,829
Other	4,628,964	-	-	(2,106,616)	2,522,348
Total operating expenses	<u>22,401,591</u>	<u>82,958</u>	<u>10,149,414</u>	<u>(2,106,616)</u>	<u>30,527,347</u>
Operating income (loss)	<u>27,914,970</u>	<u>(82,958)</u>	<u>(10,149,414)</u>	<u>2,106,616</u>	<u>19,789,214</u>
Nonoperating revenues (expenses):					
Interest earnings	238,633	-	-	-	238,633
Interest expense	(5,456,934)	-	-	-	(5,456,934)
Loss on disposal of capital assets	(7,375)	-	-	-	(7,375)
Other	426,562	-	-	-	426,562
Total nonoperating revenues (expenses)	<u>(4,799,114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,799,114)</u>
Income (loss) before transfers	23,115,856	(82,958)	(10,149,414)	2,106,616	14,990,100
Transfers in	-	82,958	10,149,414	(10,232,372)	-
Transfers out	<u>(15,373,834)</u>	<u>-</u>	<u>-</u>	<u>8,125,756</u>	<u>(7,248,078)</u>
Change in net position	7,742,022	-	-	-	7,742,022
Total net position—beginning	<u>43,399,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,399,914</u>
Total net position—ending	<u>\$ 51,141,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,141,936</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2020

	<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	\$ 49,635,011	\$ -	\$ -	\$ -	\$ 49,635,011
Payments to suppliers for goods and services	(14,895,032)	462,093	(7,122,049)	-	(21,554,988)
Payments to employees for services	(3,111,304)	-	(3,687,039)	-	(6,798,343)
Net cash provided by (used for) operating activities	<u>31,628,675</u>	<u>462,093</u>	<u>(10,809,088)</u>	<u>-</u>	<u>21,281,680</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	82,958	10,149,414	-	10,232,372
Transfers to other funds	(15,373,834)	-	-	-	(15,373,834)
Advances from other funds	-	2,179,433	707,310	-	2,886,743
Advances to other funds	(983,504)	-	-	-	(983,504)
Net cash provided by (used for) noncapital financing activities	<u>(16,357,338)</u>	<u>2,262,391</u>	<u>10,856,724</u>	<u>-</u>	<u>(3,238,223)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(10,620,052)	-	-	-	(10,620,052)
Principal payments on bonds	-	(4,210,000)	-	-	(4,210,000)
Interest payments	(5,030,372)	(249,435)	-	-	(5,279,807)
Net cash (used for) capital and related financing activities	<u>(15,650,424)</u>	<u>(4,459,435)</u>	<u>-</u>	<u>-</u>	<u>(20,109,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	77,102	-	-	-	77,102
Interest received on short-term investments	161,531	-	-	-	161,531
Net cash provided by investing activities	<u>238,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,633</u>
Net increase (decrease) in cash and cash equivalents	(140,454)	(1,734,951)	47,636	-	(1,827,769)
Cash, cash equivalents and investments—beginning	19,563,194	42,973,542	223,783	-	62,760,519
Cash, cash equivalents and investments—ending	<u>\$ 19,422,740</u>	<u>\$ 41,238,591</u>	<u>\$ 271,419</u>	<u>\$ -</u>	<u>\$ 60,932,750</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2020

(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) operating activities:					
Operating income (loss)	\$ 27,914,970	\$ (82,958)	\$ (10,149,414)	\$ 2,106,616	\$ 19,789,214
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	6,674,829	-	-	-	6,674,829
Change in pension	-	-	-	(969,815)	(969,815)
(Increase) in receivables	(681,550)	-	-	-	(681,550)
(Increase) decrease in deferred outflows—relating to pensions	(2,682,122)	-	(2,682,122)	2,682,122	(2,682,122)
(Increase) in deferred outflows—relating to OPEB	-	-	(626,140)	-	(626,140)
Increase in payables	831,730	14,325	10,910	-	856,965
Increase in accrued liabilities	-	530,726	106,054	-	636,780
(Decrease) in retirement systems	-	-	(9,331)	-	(9,331)
(Decrease) in compensated absences	-	-	(120,592)	-	(120,592)
(Decrease) in workers' compensation	-	-	(127,882)	-	(127,882)
Increase in accrued other postemployment benefits obligation	-	-	1,834,011	-	1,834,011
Increase (decrease) in net pension liability	-	-	4,248,105	(4,248,105)	-
Increase (decrease) in deferred inflows—relating to pensions	(429,182)	-	(429,182)	429,182	(429,182)
(Decrease) in deferred inflows—relating to OPEB	-	-	(2,863,505)	-	(2,863,505)
Total adjustments	<u>3,713,705</u>	<u>545,051</u>	<u>(659,674)</u>	<u>(2,106,616)</u>	<u>1,492,466</u>
Net cash provided by (used for) operating activities	<u>\$ 31,628,675</u>	<u>\$ 462,093</u>	<u>\$ (10,809,088)</u>	<u>\$ -</u>	<u>\$ 21,281,680</u>

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, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS				
Restricted cash and cash equivalents	\$ 1,870,952	\$ 11,975,715	\$ 12,145,422	\$ 1,701,245
Due from other funds	-	12,336,465	12,336,465	-
Total assets	<u>\$ 1,870,952</u>	<u>\$ 24,312,180</u>	<u>\$ 24,481,887</u>	<u>\$ 1,701,245</u>
LIABILITIES				
Accounts payable	\$ -	\$ 24,322,653	\$ 24,322,653	\$ -
Intergovernmental payables	25,716	-	-	25,716
Amounts held in custody for others:				
Prisoner property	1,435,663	170,609	215,083	1,391,189
Fire insurance proceeds	168,369	-	10,000	158,369
Medical reimbursements	183,064	110,743	229,908	63,899
Miscellaneous - other	58,140	14,642,015	14,638,083	62,072
Total amounts held in custody for others	<u>1,845,236</u>	<u>14,923,367</u>	<u>15,093,074</u>	<u>1,675,529</u>
Total liabilities	<u>\$ 1,870,952</u>	<u>\$ 39,246,020</u>	<u>\$ 39,415,727</u>	<u>\$ 1,701,245</u>

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FEDERAL AWARDS INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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	\$ 11,504,679	\$ 11,504,679
Emergency Solutions Grant Program	14.231	N/A	854,361	854,361
HOME Investment Partnerships Program	14.239	N/A	2,662,501	2,662,501
Housing Opportunities for Persons with AIDS	14.241	N/A	430,410	430,410
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>15,451,951</u>	<u>15,451,951</u>
U.S. DEPARTMENT OF JUSTICE:				
<i>Direct programs:</i>				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	42,699
Project Safe Neighborhoods	16.609	N/A	-	2,174
Special Data Collections and Statistical Studies	16.734	N/A	-	95,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	230,035
<i>Passed through New York State Office of the Attorney General:</i>				
Equitable Sharing Program	16.922	N/A	-	236,805
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>606,713</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 5	-	8,316,350
Total Highway Planning and Construction Cluster			<u>-</u>	<u>8,316,350</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>-</u>	<u>8,316,350</u>
U.S. DEPARTMENT OF TREASURY:				
<i>Passed through New York State Office of the Attorney General:</i>				
Equitable Sharing Program	21.016	N/A	-	14,302
TOTAL U.S. DEPARTMENT OF TREASURY			<u>-</u>	<u>14,302</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<i>Passed through New York State Division of Homeland Security/Emergency Services:</i>				
Homeland Security Grant Program	97.067	C152360	-	58,727
Homeland Security Grant Program	97.067	C152370	-	102,458
Homeland Security Grant Program	97.067	C845080	-	49,719
Total Homeland Security Grant Program			<u>-</u>	<u>210,904</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>-</u>	<u>210,904</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 15,451,951</u>	<u>\$ 24,600,220</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, 2020

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, 2020. 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. MATCHING COSTS

Matching costs, i.e., the City’s share of certain program costs, are not included in the reported expenditures.

4. 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.

5. DETAIL OF FEDERAL HIGHWAY PLANNING AND CONSTRUCTION (CFDA 20.205) EXPENDITURES

Detail of highway planning and construction expenditures for the year ended June 30, 2020 with their corresponding pass-through grantor numbers are as follows:

	<u>Expenditures</u>	<u>CFDA No.</u>	<u>Pass-through Grantor Number</u>
Buffalo-Niagara Medical Campus - Phase 3	\$ 2,220,306	20.205	D034267
Niagara St - PH III	1,497,769	20.205	D034866
Cars on Main - Lower Main	2,804,894	20.205	D035251
Bridge Joint/Bearing/Concrete Repair	25,375	20.205	D035480
Ohio St. Lift Bridge	482,731	20.205	D035050
Dewey over CSXT Bridge Replacement	111,598	20.205	D035580
Bicycle Master Plan	44,989	20.205	D035750
Route 5 (Main St) @ Kensington & Humbolt Pkwy	60,376	20.205	D035876
Warren Spahn Way over Caz Crk. Bridge Rehab	189,536	20.205	D035875
Pavement Rehab Walden Ave: Genesee to Sycamore	43,908	20.205	D035874
Pavement Rehab Fillmore Ave: E. Ferry to Kensington	132,971	20.205	D036038
BNMC PH 4 - Complete Streets Features around BNMC and Resurfacing of Washington & Virginia Streets	98,338	20.205	D036023
Buffalo Roadways Rehab	512,385	20.206	D036046
Pavement Rehab Walden Ave: Genesee to Sycamore	91,174	20.205	D035997
Total	<u>\$ 8,316,350</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 and City Council 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, 2020, 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, 2020. 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") which is shown as a Discretely Presented Component Unit. 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 23, 2020.

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") as a basis for designing 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 to those charged with governance.

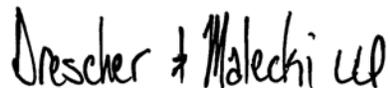
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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*.

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, 2020

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 and City Council 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 U.S. *Office of Management and Budget ("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, 2020. 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 \$88,268,046 and \$51,062,704 in federal awards, respectively, which are not included in the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2020. 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 23, 2020 based on our audit of the operations of the Agency in accordance with the Uniform Guidance.

Management's Responsibility

The City's management is responsible for compliance with the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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* (the "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, 2020.

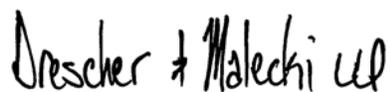
Report on Internal Control Over Compliance

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, 2020

CITY OF BUFFALO, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*
 *(which report includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	✓ _____ No
Significant deficiency(ies) identified?	_____ Yes	✓ _____ None reported
Noncompliance material to the financial statements noted?	_____ Yes	✓ _____ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	✓ _____ No
Significant deficiency(ies) identified?	_____ Yes	✓ _____ 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	✓ _____ 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	CDBG - Entitlement Grants Cluster
16.922	Equitable Sharing Program

Dollar threshold used to distinguish between Type A and Type B programs?		<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	✓ _____ Yes	_____ No
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Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

CITY OF BUFFALO, NEW YORK
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2020
(Follow up on June 30, 2019 Findings)

No findings were reported.