

**AUDITED
BASIC FINANCIAL STATEMENTS**

**BOARD OF EDUCATION, CITY OF
BUFFALO, NEW YORK**

A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK

JUNE 30, 2017

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The President and Members of the
Board of Education of
Board of Education, City of Buffalo, New York
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and Statement No. 77, *Tax Abatement Disclosures*.

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 Board'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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 is the responsibility of management and was derived from and relates 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.

The Information Regarding Joint School Construction Board Debt has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the Board'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 Board'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 Board's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 13, 2017



Management's Discussion and Analysis
Board of Education, City of Buffalo, New York
Fiscal Year ended June 30, 2017

As management of the Board of Education, City of Buffalo, New York (the "Board") we offer readers of the Board's financial statements this narrative discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2017.

Financial Highlights

The 2016-17 fiscal year ended with an operating deficit of \$20.7 million in the general fund, as overall general fund expenditures increased by \$67.8 million from the prior year, while revenues increased by \$34.9 million. This deficit followed a \$12.2 million surplus in 2015-16, and a series of deficits over the prior four years, ranging from a high of \$14.7 million in 2013-14 to a low of \$2.9 million in 2014-15.

- The \$20.7 million general fund deficit in 2016-17 was largely the result of increased expenditures related to the settlement of the long outstanding teachers' contract, that was ratified on October 17, 2016, and has a term that runs through June 30, 2019. The teachers contract included raises of 0% from July 1, 2004 through August 31, 2016, followed by raises of 10% on September 1, 2016, along with a signing bonus of up to \$9,000 based on the teacher's step, a 2% raise on July 1, 2017, and another 2% raise on July 1, 2018. Additional salary increases will result from the elimination of four hold steps, where teachers previously had not been entitled to receive annual salary increases at their 16th, 18th, 20th and 22nd year (or step) of service. Offsetting the salary increases are significant health insurance contributions for active teachers for the first time, and a reduction in workers compensation costs, while a longer school day and other management rights were returned to the District. Teacher salaries in 2016/17 increased by approximately \$41.4 million from the prior year, with approximately \$38.2 million related to the settlement of the contract (\$19.9 million being related to a one time signing bonus and \$18.3 million being related to 10% raise), while the remaining \$3.3 million increase was the result of an increase in the number of full time equivalent teachers during the year. Other major general fund cost changes impacted by the settlement of the contract included payroll taxes and pension expense, which increased approximately \$5.1 million, while health insurance costs were reduced by approximately \$5.6 million in the general fund as a result of teacher insurance premium contributions and changes in co-pays and plan designs. Other costs and savings in the general fund accumulate to a savings of approximately \$0.1 million, resulting in a total cost to the general fund of approximately \$37.6 million. The total cost of the teachers' contract for 2016-17 was originally estimated to be \$41.5 million.
- Total fund balance for all funds decreased \$30.8 million to \$242.5 million, with the most significant factor being the aforementioned \$20.7 million deficit in the general fund, followed by a \$7.5 million reduction in the capital projects fund as proceeds received from refunding activity were utilized for building improvements.
- Total fund balance in the general fund was \$182.6 million at June 30, 2017, down \$20.7 million from the prior year. Non spendable and restricted fund balance together was \$25.5 million, flat with the prior year; assigned fund balance was \$87.1 million, a decrease of \$35.2 million mainly as a result of fund balance utilized to settled the aforementioned BTF contract; unassigned fund balance was \$70.0, an increase of \$14.5 million as funds designated to be spent, but not spent in 2016-17 were not designated in the 2017-18 budget.
- Total State operating aid in the general fund increased \$31.7 million mainly due to increases in State foundation aid of \$29.3 million, with smaller increase in transportation aid being offset by a reduction in career education aid due to reduced student FTE counts.

- Tuition payments to charter schools in the general fund increased \$2.5 million in 2016-17 to \$106.5 million. The increase was due mainly to an increase in charter school students during the 2016-17 year, and to a lesser extent, an increase in the tuition rate of \$150 per pupil.
- Total employee benefit expenditures in the general fund increased by \$6.6 million to \$187.4 million in 2016-17 mainly due to a \$3.4 million increase in payroll taxes resulting from a higher wage base and a \$4.0 million increase in health insurance costs, offset by an overall small decline in all other benefit categories combined.
- Total expenditures in the Special Aid fund decreased slightly, by \$2.2 million, to \$115.5 million in 2016-17.
- Debt service expenditures increased \$8.1 million based on scheduled debt payments. The District refinanced and defeased \$148.0 million in higher interest rate debt during 2016-17 through the issuance of \$133.6 million in refunded debt, while recognizing a premium of \$30.9 million and bond issue costs of \$1.0 million.
- School food service expenditures increased \$0.8 million as the District continued to implement healthier but more costly meal options for students.
- Capital project expenditures in 2016-17 were relatively flat with the prior year, decreasing by \$0.3 million to \$14.9 million.
- Capital assets, net of accumulated depreciation, decreased \$63.4 million to \$969.6 million mainly due to the depreciation of existing assets. Net investment in capital assets (Capital assets less outstanding debt) amounted to \$67.2 million at June 30, 2017.
- Government-wide net position declined by (\$2,063.4) million to negative (\$2,613.9) million, representing all changes in the assets and liabilities of the Board, including long-term assets and liabilities such as long term debt, other post employment benefits (OPEB) and deferred pension outflows and inflows. The largest factor in this decline was a result of the adoption of Government Accounting Standards Board (GASB) Statement No. 75, which recognizes the full amount of the District's OPEB liability in 2016-17. This resulted in an increase in the OPEB liability of \$1,645.4 million to \$2,535.3 million, along with an increase in deferred inflows of resources of \$409.3 million also related to the adoption of GASB 75.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Board, reporting the Board's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the Board acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Board's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Board of Education, City of Buffalo, New York's Annual Financial Report

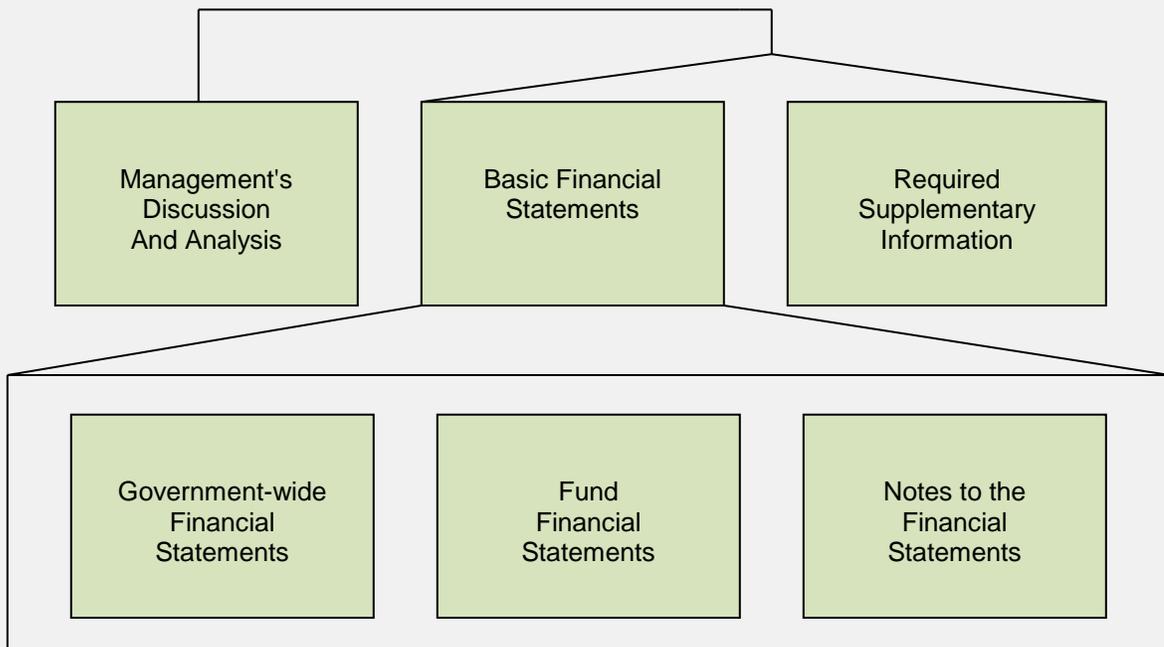


Figure A-2 summarizes the major features of the Board's financial statements, including the portion of the Board's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | |
|---|---|--|---|
| | | Fund Financial Statements | |
| | Government-wide Statements | Governmental Funds | Fiduciary Funds |
| Scope | Entire Board (except Fiduciary funds) | The activities of the Board that are not proprietary or fiduciary. | Instances in which the Board administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term | Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/out-flow information | All revenues and expenditures during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net assets - the difference between the Board's assets and liabilities - is one way to measure the Board's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Board's overall health, you need to consider additional non-financial factors such as the financial condition of the State, changes in the City's property tax base, and the condition of school buildings and other facilities.

In the government-wide financial statements, the Board's activities are shown as governmental activities. Most of the Board's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the Board as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The Board establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The Board has two types of funds:

- **Governmental Funds:** All of the Board's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.
- **Fiduciary Funds:** The Board is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The Board is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the Board as a Whole

As previously noted, over time, net position may serve as a useful indicator of a government's financial position. The Board's net position was negative (\$2,613.9) million at the close of the most recent fiscal year, compared to negative (\$550.5) million in the prior year, for a decrease of \$2,063.5 million in the current year. The largest factor in this decline was a result of the adoption of Government Accounting Standards Board (GASB) Statement No. 75, which recognizes the full amount of the District's OPEB liability in 2016-17, along with requiring assumption changes that generally increase the associated liability. This resulted in an increase in the OPEB liability of \$1,645.4 million to \$2,535.3 million, along with an increase in deferred inflows of resources of \$409.3 million also related to the adoption of GASB 75.

The largest portion of the Board's net position, an amount totaling \$67.2 million reflects its investment in capital assets (e.g. land, buildings, building improvements) less any outstanding debt used to acquire those assets. The Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Board'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. \$58.4 million of the Board's net position is subject to external restrictions or State law with \$32.9 million of that amount being restricted for debt service. The remaining negative balance for unrestricted net position of \$2,739.6 million shows that excess funds are not currently available to meet the Board's ongoing and long term obligations such as OPEB liability.

Figure A-3

Condensed Statement of Net Position
(in thousands of dollars)

| | Governmental Activities and Total District | | Total Percentage Change |
|---|---|---------------------|-------------------------------|
| | 2017 | 2016 | 2016-2017 |
| Current and other assets | \$ 376,336 | \$ 394,278 | -4.6% |
| Capital assets not being depreciated | 14,794 | 16,184 | -8.6% |
| Capital assets, net of accumulated depreciation | 954,825 | 1,016,840 | -6.1% |
| TRS pension asset | - | 173,278 | 100.0% |
| Total assets | <u>1,345,955</u> | <u>1,600,580</u> | <u>-15.9%</u> |
| Deferred outflow of resources | <u>215,017</u> | <u>71,250</u> | <u>100.0%</u> |
| Other liabilities | 141,016 | 128,812 | 9.5% |
| Long-term liabilities | <u>3,616,335</u> | <u>2,030,893</u> | <u>78.1%</u> |
| Total liabilities | <u>3,757,351</u> | <u>2,159,705</u> | <u>74.0%</u> |
| Deferred inflow of resources | <u>417,561</u> | <u>62,610</u> | <u>100.0%</u> |
| Net investment in capital assets | 67,181 | 62,712 | 7.1% |
| Restricted for: | | | |
| Capital development fund | 204 | 203 | 0.5% |
| Debt service | 32,897 | 34,470 | -4.6% |
| Endowments | 503 | 503 | 0.0% |
| Joint Schools Construction Board projects | 131 | 128 | 2.3% |
| Judgments and claims | 17,750 | 17,750 | 0.0% |
| Stabilization | 3,830 | 3,824 | 0.2% |
| Unemployment Insurance | 3,156 | 3,156 | 0.0% |
| Unrestricted (deficit) | <u>(2,739,592)</u> | <u>(673,231)</u> | <u>-306.9%</u> |
| Total net position | <u>\$ (2,613,940)</u> | <u>\$ (550,485)</u> | <u>-374.8%</u> |

Current and other assets decreased \$17.9 million from June 30, 2016 to \$376.3 million at June 30, 2017. The main driver of the decrease was a corresponding decrease of \$17.9 million in cash held by the City of Buffalo, which declined \$9.7 million in capital projects as funds were utilized for capital project expenditures, while the declines in the general and food service funds of \$6.3 million and \$1.9 million, respectively, were partially the result of operating deficits in those funds, along with offsetting cash flow changes due to variances in other assets and liabilities. In the general fund, State and federal aid receivable decreased by \$4.2 million as a result of timing differences in the receipt of basic state aid, while in the special aid fund, the state and federal aid receivable increased by \$4.9 million, as the timing of disbursements and reimbursement claims at year end resulted in a higher receivable balance than the prior year.

Capital assets being depreciated decreased \$62.0 million due mainly to current year depreciation of \$78.9 million, while asset additions totaled \$16.9 million. Capital assets not being depreciated decreased \$1.4 million as a result of a decrease in construction in process in the current year.

The TRS Pension asset declined from \$173.2 million at June 30, 2016 to zero at June 30, 2017, as the Board's proportionate share of the total TRS pension net asset in 2016, became a liability in 2017 as a result of changes in underlying assumptions, particularly the discount rate.

Deferred outflow of resources increased by \$143.8 million mainly due to an increase of \$164.8 million in deferred pension outflows, offset by a decrease in deferred pension outflows post measurement date of \$35.4 million.

Other liabilities increased \$12.2 million in 2016-17. The main reason for the increase was due to an increase in the general fund accounts payable of \$7.7 million due mainly to higher outstanding transportation related payables, along with a higher accrued liability balance due to an accrued tax liability of \$9.6 million for the settlement of an outstanding employment tax examination by the Internal Revenue Service, offset by a \$7.0 million decrease in accrued payroll as a result of fewer days of payroll accrued at June 30, 2017 when compared to the prior year. The special aid fund had a \$6.8 million increase in the amount due to the City of Buffalo as the timing of disbursements and reimbursement claims at year end resulted in a higher liability balance than the prior year.

Long term liabilities increased \$1,585.4 million in the current year. The OPEB liability increased by \$1,645.4 million to \$2,535.3 million as the result of the adoption of GASB 75, while the TRS pension liability, the Board's proportionate share of the total TRS system liability of \$17.6 million was recorded as an asset in the prior year. The reversal from an asset to a liability was the result of changes in underlying assumptions, particularly the discount rate used by the TRS system. Offsetting these long term liability increases, serial bonds and other long term obligations decreased by \$80.6 million, due mainly to regular payments for bonded and other debt and the refunding of \$148.0 million in higher interest JSCB Phase IV debt with \$133.6 million in lower interest rate debt. Additionally, the ERS Pension Liability, which is the Board's proportionate share of the total ERS System net liability, declined \$10.3 million to \$12.4 million as a result of changes in underlying assumptions.

In considering the viability of the Board, it is important to consider that 86% of all revenues come from formula based state and federal aid and state and federal operating and capital grants and contributions, while State aid alone is 84% of general fund reserves. Continued increases in state aid are dependent on many factors outside the District's control, including wider economic conditions in the nation and state. Therefore, continued support from these sources is critical to the financial and educational success of the Board. 84% of all expenses are directed to instruction.

Figure A-4

Changes in Net Position
(in thousands of dollars)

| | Governmental Activities and Total Board | | Total Percentage Change |
|---------------------------------------|--|--------------------|-------------------------------|
| | 2017 | 2016 | 2016-2017 |
| Revenues: | | | |
| Contributions from City of Buffalo | \$ 58,615 | \$ 57,270 | 2.3% |
| School tax relief reimbursement | 11,708 | 13,052 | -10.3% |
| Non-property taxes | 43,389 | 42,363 | 2.4% |
| Charges for services | 2,859 | 2,570 | 11.2% |
| Operating grants and contributions | 139,521 | 137,349 | 1.6% |
| Use of money and property | 234 | 154 | 51.9% |
| Miscellaneous | 15,590 | 15,190 | 2.6% |
| State and federal aid, unallocated | 719,177 | 686,247 | 4.8% |
| Total revenue | <u>991,093</u> | <u>954,195</u> | <u>3.9%</u> |
| Expenses: | | | |
| General support | 92,446 | 81,021 | 14.1% |
| Instruction - regular | 806,774 | 738,211 | 9.3% |
| Instruction - charter school payments | 106,378 | 103,971 | 2.3% |
| Pupil transportation | 56,129 | 54,828 | 2.4% |
| Community service | 214 | 184 | 16.3% |
| Interest | 31,147 | 39,840 | -21.8% |
| Capital outlay | 1 | 10 | -90.0% |
| Total expenses | <u>1,093,089</u> | <u>1,018,065</u> | <u>7.4%</u> |
| Changes in net position | <u>\$ (101,996)</u> | <u>\$ (63,870)</u> | <u>59.7%</u> |

Total revenues of \$1,022.0 million in 2016-17 increased \$66.9 million from \$955.1 million in 2015-16. Unallocated state and federal aid of \$719.2 million increased \$32.9 million in 2016-17, mainly due to increases in State sources. Total program revenues, which consist of operating grants and revenues along with charges for services increased \$2.4 million to \$142.4 million in 2016-17.

Total expenses of \$1,092.1 million in 2016-17 increased \$74.0 million from \$1,018.1 million in 2015-16. Regular instruction increased \$68.6 million due mainly to the settlement of the Teachers contract in October 2016, as well as additional increases due to an increase in FTE counts. Charter school tuition increased \$2.5 million due to higher student counts at charter schools in 2016-2017. General support and transportation increased \$10.4 million and \$1.3 million respectively, while debt service decreased \$8.6 million.

Financial Analysis of The Board's Funds

The General Fund is the chief operating fund of the Board. At the end of 2016-17, the Board had a total fund balance of \$182.6 million. Total fund balance decreased \$20.7 million during 2016-17, which is a result of the general fund operating deficit in 2016-17.

As a measure of liquidity, it may be useful to compare the fund balances to the total General Fund expenditures. Unassigned fund balance of \$70.0 million at June 30, 2017 was 9.0% of the current year expenditures (up 1.9% from the previous year), while the total fund balance was 23.5% of the current year expenditures (a decrease of 2.6% from previous year). As of June 30, 2017, the Board's policies require maintenance of \$35.8 million in unassigned fund balance. The increase in the unassigned fund balance is the result of the net changes in the other fund balance categories outlined below.

As of June 30, 2017, non-spendable fund balance was \$0.8 million, an increase of \$0.1 million, while restricted fund balance was unchanged at \$24.7 million.

As of June 30, 2017, \$22.0 million of assigned fund balance is appropriated for the 2017-18 budget. This is an increase of \$12.2 million from the prior year adopted budget and a decrease of \$28.3 million from the prior year modified budget. As a result of the settlement of the teachers' contract on October 17, 2016, the District modified its general fund budget by increasing appropriated fund balance and expenditures by \$40.5 million, which was the estimate of the unbudgeted cost of the contract for the 2016-17 fiscal year. The \$22.0 million appropriated at June 30, 2017 is a planned reduction from the 2016-17 modified budget as part of the District's four year financial plan which reduces the Board's reliance on fund balance usage in the 2017-18 budget.

As of June 30, 2017, the Board has assigned \$9.0 million for prior year claims, with \$3.0 million related to potential State aid audit claims and \$6.0 million for settlements with unions whose contracts have expired. This is a decrease of \$48.7 million from the prior year, as funds assigned to prior year claims at June 30, 2016 were allocated through a budget modification for the settlement of the teachers' contract in 2016-17 and included in the \$22.0 million appropriated fund balance at June 30, 2017. Because the teachers' contract was the Board's largest contract and had been outstanding since 2004, the vast majority of the assignment for prior year claims was allocated for the teachers' contract settlement. Now that the teachers' contract has been settled, and is no longer a prior year claim, the costs of the contract and other smaller outstanding contracts are included in the annual general fund budget starting in 2017-18, with smaller amounts of fund balance being specifically assigned to settle outstanding employment contracts in the coming years.

\$3.4 million is assigned to prior year encumbrances, while another \$45.1 million is assigned for OPEB and other employee benefits, an increase of \$2.4 million from the prior year, and \$7.6 million is assigned for capital project seed money and un-aidable repairs.

The fund balance in the Debt Service Fund declined by \$1.6 million to \$32.9 million as a result of the debt refunding transaction and regular payments on debt during 2016-17. The fund balance in the Capital Funds decreased \$7.5 million to \$7.7 million as interfund transfers in were less than the capital outlay by \$7.5 million. The School Lunch fund balance decreased \$1.0 million to \$18.7 million due to a deficit caused by higher food and salary costs during 2016-17, while the Special Aid fund balance was unchanged at zero. These fund balances must be used for the specific purpose of the respective fund and cannot be transferred to the General Fund for general use.

Figure A-5

**Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds
(in thousands of dollars)**

| | 2017 | | |
|--------------------------|-----------------|---------------------|----------------------|
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 847,644 | \$ 868,300 | \$ 182,603 |
| Special Aid Fund | 115,533 | 115,533 | - |
| Joint Schools | | | |
| Construction Board Fund | 4 | - | 76 |
| Debt Service Fund | 268,574 | 270,148 | 32,896 |
| Capital Projects Fund | 7,334 | 14,865 | 7,732 |
| School Food Service Fund | 29,618 | 30,613 | 18,706 |
| Special Activities Fund | 6 | 2 | 181 |
| Permanent Fund | - | 4 | 322 |
| | | | |
| | 2016 | | |
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Fund Balances</u> |
| General Fund | \$ 812,723 | \$ 800,491 | \$ 203,259 |
| Special Aid Fund | 117,775 | 117,775 | - |
| Joint Schools | | | |
| Construction Board Fund | 2 | | 72 |
| Debt Service Fund | 109,974 | 109,973 | 34,470 |
| Capital Projects Fund | 15,931 | 15,157 | 15,263 |
| School Food Service Fund | 29,030 | 29,900 | 19,701 |
| Special Activities Fund | 3 | 12 | 177 |
| Permanent Fund | | 3 | 326 |

General Fund Budgetary Highlights

The General Fund ended 2016-17 with a \$20.7 million operating deficit, which follows a \$12.2 million surplus in the prior year. As previously described, this deficit was primarily the result of costs for the settlement of the teachers' contract during 2016-17. The original budgeted deficit in 2016-17 was \$9.8 million, but this was increased by \$40.5 million to \$50.3 million after ratification of the contract. Total revenues were \$847.6 million, while total expenditures were \$868.3 million.

Within the General Fund, there was an overall unfavorable revenue budgetary variance of \$45.1 million compared to the amended budget. The largest variance, appropriated fund balance, appears as a \$53.2 million unfavorable budget variance, when including the \$2.9 million appropriated for carry over encumbrances. The remaining \$50.3 million was appropriated for 2016-17 operations, and in particular the settlement of the teacher's contract, which accounted for the \$40.5 million amendment to the original budget. These are not true revenues, but are budgeted with the anticipation of an operating loss, which ultimately would decrease fund balance on the balance sheet.

State aid, including formula based aid, lottery aid and other reimbursable aids of \$712.6 million was \$1.6 million under budget mainly due to small changes in the underlying data used by the State to calculate the original budget. Federal revenues, consisting of Medicare reimbursements, of \$4.1 million were \$1.7 million over budget due to a successful initiative undertaken to recoup Medicaid claims from prior years that had not been received. Non property tax items, consisting of Erie County Sales tax revenues of \$43.4 million were \$1.4 million over budget as a result of the budget being conservatively set as flat with the prior year.

Interfund transfers were unfavorable by \$.9 million due to the JSCB local share funding not being drawn down during 2016-17. Miscellaneous local sources had a \$3.7 million favorable variance due to interfund and miscellaneous revenues which are difficult to budget with certainty, and therefore, budgeted conservatively.

The Board had favorable budgetary variances within the General Fund expenditures of \$24.6 million when compared to the modified budget, after the \$40.5 amendment for the settlement of the teachers' contract.

Employee benefits had a favorable variance of \$2.1 million (\$11.0 million favorable to the original budget), mainly as a result of reductions in health insurance costs related to the settled teachers' contract and savings in retiree health insurance as a result of cost savings initiatives, such as the voluntary enrollment of retirees in a Medicare Advantage product. Termination payouts for retirees were under budget as a result of projected retirements not materializing, while unemployment expenses were under budget as well. Offsetting those favorable budgetary variances, Social Security and Teachers Retirement System (TRS) pension expenses increased as a result of higher teacher salaries.

Regular instruction had a favorable variance to the revised budget of \$12.0 million, mainly as a result of vacancies and favorable salary differentials, which are typical occurrences. Regular instruction had a negative variance of \$35.9 million when compared to the original adopted budget, as a result of the costs for the settlement of the teachers' contract. Charter school tuition expense was flat with the revised budget, but favorable by \$3.2 million to the original budget as charter school pupil counts declined throughout the year as more students returned to District and other schools.

General support, which encompasses physical plant, information technology, central office administration and special items had a favorable variance of \$8.3 million to the revised budget, but was essential flat to the original budget. Favorable budget variances to the revised budget were spread out among several accounts including salaries due to vacancies of \$1.8 million, general contract services of \$0.4 million, utilities of \$0.3 million, equipment, supplies and materials of \$0.9 million. Additionally, \$4.9 million of funds set aside in contingency to be used for costs related to the settlement of the teachers' contract were not used.

Transportation had a favorable variance of \$1.6 million mainly due to savings in transportation contract costs and fuel costs.

Interfund transfers were \$0.6 million under budget mainly due to timing of interfund transfers to the special aid fund related to the general fund contribution payable upon closing certain projects. Transfers to the City of Buffalo were flat with the budget.

Capital Asset and Debt Administration

Capital Assets

The Board's investment in capital assets (net of accumulated depreciation) for its governmental funds totaled \$969.6 million as of June 30, 2017. This investment in capital assets includes land, buildings and building improvements, land improvements and equipment. The net decrease from the previous fiscal year was \$63.4 million. This was mainly due to the depreciation expense of \$78.9 million and net disposals of \$0.2 million offset by additions of \$16.9 million.

| <i>Figure A-6</i> | | | |
|---|--|---------------------|----------------------|
| <i>Capital Assets Net of Depreciation (in thousands of dollars)</i> | | | |
| | Governmental Activities and Total District | | Percentage Change |
| | 2017 | 2016 | 2016-2017 |
| Land | \$ 3,007 | \$ 3,007 | 0.0% |
| Construction work in process | 11,787 | 13,177 | -10.5% |
| Land improvements | 1,062 | 1,153 | -7.9% |
| Buildings | 949,333 | 1,010,256 | -6.0% |
| Equipment | 4,430 | 5,431 | -18.4% |
| Total | <u>\$ 969,619</u> | <u>\$ 1,033,024</u> | <u>-6.1%</u> |

Long-Term Debt

Total long-term debt outstanding at June 30, 2017 totaled \$3,616.3 million, of which \$864.0 million pertained to bonded debt. During 2016-17, The District refinanced and defeased \$148.0 million in higher interest rate debt through the issuance of \$133.6 million in refunded debt. During the year, regular principal payments on bonded debt totaled \$65.4 million. Postemployment benefits increased \$1,645.4 million as a result of the adoption of Government Accounting Standards Board (GASB) Statement No. 75, which recognizes the full amount of the District's OPEB liability in 2016-17. Bond premiums increased as \$14.3 million as \$30.9 million in new premiums on refunded debt were offset by \$16.6 million in regular amortization, bringing their carrying value down to \$111.3 million.

Additional information on the Board's long-term debt can be found in Note 2 to the financial statements on pages 46-48 of this report.

Figure A-7

Outstanding Long-Term Debt (in thousands of dollars)

| | Governmental Activities and Total District | | Percentage Change |
|--|--|---------------------|----------------------|
| | 2017 | 2016 | 2016-2017 |
| Due to City of Buffalo Debt Service Fund | \$ 53,678 | \$ 65,376 | -17.9% |
| Revenue bonds payable | 11,530 | 12,140 | -5.0% |
| JSCB bonds payable | 798,790 | 866,365 | -7.8% |
| Postemployment benefits | 2,535,305 | 889,901 | 184.9% |
| Pensions | 30,133 | 22,703 | 32.7% |
| Other long-term obligations | 75,594 | 77,437 | -2.4% |
| Bond premiums | 111,305 | 96,971 | 14.8% |
| Total | <u>\$ 3,616,335</u> | <u>\$ 2,030,893</u> | <u>78.1%</u> |

Factors Bearing on the Board's Future

The 2017-18 adopted federal fund budget is \$894.2 million, an increase of \$41.3 million from the 2016-17 original budget and an increase of \$0.8 million from the 2016-17 modified budget. The \$40.5 million modification of the 2016-17 budget, as previously described, was the result of budgeted cost increases associated with the settlement on the teachers contract in October 2016. The 2017-18 budget year is the second year of the Board's New Education Bargain, a comprehensive redesign of how the District educates its students through reduced class sizes in grades K-3, new innovative high schools, extended learning time, community schools, student support services and a new relationship with teachers. The 2017-18 adopted budget includes an increase of 52 full time equivalent positions above the modified 2016-17 budget, primarily at the school level.

Total 2017-18 budgeted expenditures are increasing \$41.3 million from the 2016-17 adopted budget mainly due to increases in salaries of \$40.1 million related to the new teachers' contract and charter school tuition expense of \$14.2 million due to higher pupil counts and tuition rates. Partially offsetting these increases are: reductions in benefit costs of \$6.4 million, particularly health insurance related to the new teachers' contract, reductions in debt service costs of \$3.4 million as a result of previous refinancing activity, and a reduction in all other costs of \$3.3 million. When compared to the 2016-17 modified budget, total 2017-18 budgeted expenditures are increasing \$0.8 million primarily as a result of increased charter school tuition expense, offset by reductions in benefits, debt service and other expenses.

Total budgeted revenues in 2017-18 are expected to increase \$29.1 million, including an increase of \$27.9 million in State Aid. To close the 2017-18 deficit, the Board has appropriated \$22.0 million in fund balance, an increase of \$12.2 million from the 2016-17 original budget, but a decrease of \$28.3 million from the 2016-17 modified budget. This fund balance usage was planned for in the Board's four year financial plan.

On September 20, 2017, the Board and the Buffalo Council of Supervisors and Administrators (BCSA) ratified a tentative agreement for a new contract, which had expired over 13 years earlier, on June 30, 2004. This contract, which expires on September 1, 2020, includes raises for administrators in exchange for health insurance contributions for active administrators for the first time, increased contributions for retiree health insurance, a reduction in workers compensation costs, along and other non-monetary considerations, like a longer school day and reduced time off. The projected costs for the contract are \$4.4 million in both 2017-18 and 2018-19, and \$5.4 million in 2019-20, split between the general fund and special projects fund. These contract costs were included in the 2017-18 adopted general fund budget and four year financial plan.

The Board continues to face structural deficit drivers that include increased charter school tuition expenditures based on projected increases in charter school pupil counts and tuition rates, along with annual increases in employee and retiree health insurance. Progress in reducing health insurance costs has been accomplished through new contracts in 2016-17 with teachers and in 2017-18 with administrators, and the District has historically achieved rate increases below the trends in the general market. However, as long as the overall trend of health insurance cost growth in the marketplace is increasing, pressure to control these on the District will continue. Pension rates have declined for 2016-17 and again in 2017-18 after years of increases, offering some relief; however, the Board has little control over revenues, of which 84% in the general fund come from the State. The Board has established a comprehensive four year financial plan with achievable targets to ensure the long term fiscal solvency of the District and continues to follow it.

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, and investors and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer, Buffalo City School District, 708 City Hall, Buffalo, New York 14202.

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

| | |
|---|----------------------|
| Cash and cash equivalents | \$ 275,898 |
| Cash held by the City of Buffalo | 270,827,635 |
| Cash with fiscal agent | 20,124,641 |
| Cash and cash equivalents - restricted | 17,160,931 |
| Accounts receivable | 2,928,842 |
| State and federal aid receivable | 57,789,319 |
| Due from other governments | 5,741,350 |
| Inventory | 1,487,850 |
| Capital assets not being depreciated | 14,793,784 |
| Capital assets, net of accumulated depreciation | 954,824,796 |
| Total assets | <u>1,345,955,046</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|-------------------------------------|--------------------|
| Deferred pension outflows | 186,176,242 |
| Deferred charge on refunding | 28,840,834 |
| Total deferred outflow of resources | <u>215,017,076</u> |

LIABILITIES

| | |
|---------------------------------|----------------------|
| Accounts payable | 55,518,542 |
| Interest payable | 7,196,397 |
| Accrued liabilities | 16,590,727 |
| Due to fiduciary funds | 45,816 |
| Due to City of Buffalo | 21,916,862 |
| Due to other governments | 1,432,981 |
| Due to retirement systems | 38,314,530 |
| Long-term liabilities: | |
| Due and payable within one year | 92,403,332 |
| Due and payable after one year | 3,523,931,732 |
| Total liabilities | <u>3,757,350,919</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|--------------------|
| Deferred pension inflows | 8,223,824 |
| Deferred postemployment inflows | 409,337,000 |
| Total deferred inflows of resources | <u>417,560,824</u> |

NET POSITION

| | |
|---|---------------------------|
| Net investment in captital assets | 67,181,116 |
| Restricted for: | |
| Capital development fund | 203,630 |
| Debt service | 32,896,635 |
| Endowments | 503,315 |
| Joint Schools Construction Board projects | 131,571 |
| Judgment and claims | 17,750,000 |
| Stabilization | 3,829,601 |
| Unemployment insurance | 3,156,044 |
| Unrestricted (deficit) | (2,739,591,533) |
| Total net position | <u>\$ (2,613,939,621)</u> |

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| General support | \$ 91,446,302 | \$ - | \$ 967,825 | \$ (90,478,477) |
| Instruction - regular | 806,774,428 | 2,859,119 | 136,801,845 | (667,113,464) |
| Instruction - charter school payments | 106,377,849 | - | - | (106,377,849) |
| Pupil transportation | 56,128,657 | - | 1,751,025 | (54,377,632) |
| Interest | 31,146,807 | - | - | (31,146,807) |
| Home and community services | 214,276 | - | - | (214,276) |
| Capital outlay | 1,149 | - | - | (1,149) |
| | <u>1,092,089,468</u> | <u>2,859,119</u> | <u>139,520,695</u> | <u>(949,709,654)</u> |
| Total governmental activities | \$ | \$ | \$ | |
| General revenues: | | | | |
| Contribution from City of Buffalo | | | | 58,615,112 |
| School tax relief reimbursement | | | | 11,707,646 |
| Non-property taxes | | | | 43,389,176 |
| Use of money and property | | | | 234,013 |
| State aid - basic formula | | | | 629,212,033 |
| State aid - lottery | | | | 89,965,096 |
| Miscellaneous local sources | | | | 15,589,913 |
| Total general revenues | | | | <u>848,712,989</u> |
| Change in net position | | | | (100,996,665) |
| Net position - beginning of year as previously stated | | | | (550,484,956) |
| Restatement of net postemployment benefit - see note 8 | | | | <u>(1,962,458,000)</u> |
| Net position beginning of year as restated | | | | <u>(2,512,942,956)</u> |
| Net position - end of year | | | | <u><u>\$ (2,613,939,621)</u></u> |

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>General</u> | <u>Special Aid</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------------|----------------------|----------------------|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 94,252 | \$ - | \$ 181,646 | \$ 275,898 |
| Cash held by City of Buffalo | 244,948,802 | - | - | 25,878,833 | 270,827,635 |
| Cash with fiscal agent | - | - | 20,124,641 | - | 20,124,641 |
| Cash and cash equivalents - restricted | 873,334 | - | 12,771,994 | 3,515,603 | 17,160,931 |
| Accounts receivable | 2,727,177 | 119,777 | - | 81,888 | 2,928,842 |
| Due from other funds | 675 | - | - | - | 675 |
| State and federal aid receivable | 27,695,954 | 28,145,650 | - | 1,947,715 | 57,789,319 |
| Due from other governments | 5,741,350 | - | - | - | 5,741,350 |
| Inventory | 780,863 | - | - | 706,987 | 1,487,850 |
| | <u>282,768,155</u> | <u>28,359,679</u> | <u>32,896,635</u> | <u>32,312,672</u> | <u>376,337,141</u> |
| Total assets | \$ | \$ | \$ | \$ | \$ |
| LIABILITIES | | | | | |
| Accounts payable | \$ 44,531,344 | \$ 5,738,396 | \$ - | \$ 5,248,802 | \$ 55,518,542 |
| Accrued liabilities | 15,839,602 | 704,421 | - | 46,704 | 16,590,727 |
| Due to other funds | 46,491 | - | - | - | 46,491 |
| Due to City of Buffalo | - | 21,916,862 | - | - | 21,916,862 |
| Due to other governments | 1,432,981 | - | - | - | 1,432,981 |
| Due to retirement systems | 38,314,530 | - | - | - | 38,314,530 |
| | <u>100,164,948</u> | <u>28,359,679</u> | <u>-</u> | <u>5,295,506</u> | <u>133,820,133</u> |
| Total liabilities | 100,164,948 | 28,359,679 | - | 5,295,506 | 133,820,133 |
| FUND BALANCES | | | | | |
| Nonspendable | 780,863 | - | - | 1,028,956 | 1,809,819 |
| Restricted | 24,735,645 | - | 32,896,635 | 516,547 | 58,148,827 |
| Assigned | 87,086,699 | - | - | 25,471,663 | 112,558,362 |
| Unassigned | 70,000,000 | - | - | - | 70,000,000 |
| Total fund balances | <u>182,603,207</u> | <u>-</u> | <u>32,896,635</u> | <u>27,017,166</u> | <u>242,517,008</u> |
| Total liabilities and fund balances | \$ <u>282,768,155</u> | \$ <u>28,359,679</u> | \$ <u>32,896,635</u> | \$ <u>32,312,672</u> | \$ <u>376,337,141</u> |

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

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

| | | |
|---|--------------------|---------------------------|
| Total fund balances - governmental funds (page 18) | | \$ 242,517,008 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets are \$1,781,318,338 and the accumulated depreciation is \$826,493,542. | | 969,618,580 |
| Long-term liabilities not due and payable in the current period and therefore are not reported in the funds. | | |
| Bonds payable | \$ (810,320,000) | |
| Compensated absences | (21,262,099) | |
| Judgements and claims | (42,074,000) | |
| Due to the City of Buffalo debt service fund | (53,678,000) | |
| Due to other governments | (9,553,332) | |
| Net pension liabilities | (30,132,958) | |
| Net postemployment liabilities | (2,535,305,000) | |
| Pension deferral | <u>(2,704,466)</u> | |
| | | (3,505,029,855) |
| To recognize interest accrual on long-term debt. | | (7,196,397) |
| Deferred outflows of resources associated with advance refunding are reported as expenditures in the governmental funds. | | 28,840,834 |
| Bond premiums are recorded as revenues in the governmental funds. The premium amount is \$258,894,978 and the accumulated amortization is \$147,589,769. | | (111,305,209) |
| Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds: | | |
| Net postemployment deferred outflows and inflows of resources | | (409,337,000) |
| Net pension deferred outflows and inflows of resources | | <u>177,952,418</u> |
| Net position of governmental activities | | <u>\$ (2,613,939,621)</u> |

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>General</u> | <u>Special Aid</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------|--------------------|---------------------|--|---|
| REVENUES | | | | | |
| Contribution from City of Buffalo | \$ 58,615,112 | \$ - | \$ - | \$ - | \$ 58,615,112 |
| School tax relief reimbursement | 11,707,646 | - | - | - | 11,707,646 |
| Non-property taxes | 43,389,176 | - | - | - | 43,389,176 |
| Charges for services | 2,226,197 | - | - | 632,922 | 2,859,119 |
| Use of money and property | 142,828 | - | 78,435 | 12,750 | 234,013 |
| Sale of property and compensation for loss | 33,371 | - | - | - | 33,371 |
| Miscellaneous local sources | 14,698,083 | 2,527,797 | 793,815 | 64,644 | 18,084,339 |
| State sources | 712,632,362 | 45,586,373 | - | 760,670 | 758,979,405 |
| Federal sources | 4,165,222 | 65,165,951 | - | 27,859,449 | 97,190,622 |
| | <u>847,609,997</u> | <u>113,280,121</u> | <u>872,250</u> | <u>29,330,435</u> | <u>991,092,803</u> |
| Total revenues | | | | | |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General support | 70,984,602 | 2,904,869 | - | 1,380,171 | 75,269,642 |
| Instruction - regular schools | 330,826,467 | 86,996,166 | - | 26,651,584 | 444,474,217 |
| Instruction - charter school | 106,463,812 | - | - | - | 106,463,812 |
| Pupil transportation | 52,617,781 | 1,394,260 | - | - | 54,012,041 |
| Home and community services | 134,268 | - | - | 6,399 | 140,667 |
| Employee benefits | 187,425,920 | 24,237,466 | - | 2,581,711 | 214,245,097 |
| Debt service: | | | | | |
| Principal | - | - | 55,506,959 | - | 55,506,959 |
| Interest | - | - | 40,244,620 | - | 40,244,620 |
| Capital outlay: | | | | | |
| General support | - | - | - | 14,865,393 | 14,865,393 |
| | <u>748,452,850</u> | <u>115,532,761</u> | <u>95,751,579</u> | <u>45,485,258</u> | <u>1,005,222,448</u> |
| Total expenditures | | | | | |

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

| | <u>General</u> | <u>Special Aid</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------------|--------------------|----------------------|--|---|
| Excess (deficit) of revenues over expenditures | 99,157,147 | (2,252,640) | (94,879,329) | (16,154,823) | (14,129,645) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from bond issues | - | - | 133,580,000 | - | 133,580,000 |
| Premium on refunding bonds | - | - | 30,906,352 | - | 30,906,352 |
| Payment to refunded bond escrow agent | - | - | (167,220,121) | - | (167,220,121) |
| Transfer to City of Buffalo debt service fund | (13,887,906) | - | - | - | (13,887,906) |
| Interfund transfers in | 34,367 | 2,252,640 | 103,215,212 | 7,632,944 | 113,135,163 |
| Interfund transfers out | (105,959,293) | - | (7,175,870) | - | (113,135,163) |
| Total other financing sources (uses) | <u>(119,812,832)</u> | <u>2,252,640</u> | <u>93,305,573</u> | <u>7,632,944</u> | <u>(16,621,675)</u> |
| Net change in fund balances | <u>(20,655,685)</u> | <u>-</u> | <u>(1,573,756)</u> | <u>(8,521,879)</u> | <u>(30,751,320)</u> |
| Fund balances - beginning | <u>203,258,892</u> | <u>-</u> | <u>34,470,391</u> | <u>35,539,045</u> | <u>273,268,328</u> |
| Fund balances - ending | <u>\$ 182,603,207</u> | <u>\$ -</u> | <u>\$ 32,896,635</u> | <u>\$ 27,017,166</u> | <u>\$ 242,517,008</u> |

See notes to basic financial statements.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS, STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds (page 21) \$ (30,751,320)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | | |
|----------------------|----|---------------------|--------------|
| Capital outlays | \$ | 15,559,591 | |
| Depreciation expense | | <u>(78,942,291)</u> | (63,382,700) |

Change in proportionate share of net pension liability reported in the statement of net position does not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds. (180,708,052)

Change in proportionate share of net deferred inflows and outflows reported in the statement of net position during the measurement period between the Board's contributions and its proportionate share of total contributions subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

| | | | |
|----------|----|----------------------|---------------|
| Pensions | \$ | 183,795,203 | |
| OPEB | | <u>(409,337,000)</u> | (225,541,797) |

Change in the net postemployment liability reported in the statement of net position does not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds. 317,054,000

The net effect of various transactions involving capital assets (i.e. sales, trades, donations) is to decrease net position. (22,357)

The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | | | |
|--|----|-------------------|------------|
| Refunding bond proceeds | \$ | (133,580,000) | |
| Repayment of bond principal (due to City of Buffalo) | | 11,698,000 | |
| Bond premium | | (30,906,352) | |
| Deferred charge on refunding | | 16,605,937 | |
| Repayment of due to other governments | | 713,334 | |
| Repayment of revenue bonds payable | | 610,000 | |
| Repayment of Joint School Construction Board debt | | 201,155,000 | |
| Interest expense - general obligation bonds | | 606,916 | |
| Amortization of deferred outflow | | (2,248,446) | |
| Amortization of bond premium | | <u>16,572,058</u> | 81,226,447 |

In the statement of activities, certain operating expenses - compensated absences (vacation & sick leave), amounts due to retirement systems, judgment and claims, and workers' compensation - are measured by the amounts accrued or 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 is as follows:

| | | | |
|----------------------------|----|------------------|------------------|
| Worker's compensation | \$ | 1,812,801 | |
| Retirement system deferral | | 248,725 | |
| Compensated absences | | <u>(932,412)</u> | <u>1,129,114</u> |

Change in net position of governmental activities \$ (100,996,665)

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF NET POSITION -
FIDUCIARY FUNDS
JUNE 30, 2017

| | Private Purpose Trust | Agency |
|--|--------------------------------------|-----------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ - | \$ 1,962 |
| Cash and cash equivalents - restricted | 5,985 | 852,202 |
| Due from other funds | - | 46,491 |
| | <u>5,985</u> | <u>900,655</u> |
| Total assets | <u>5,985</u> | <u>900,655</u> |
| LIABILITIES: | | |
| Employee benefits | - | 46,492 |
| Extraclassroom activity balances | - | 852,202 |
| Due to other funds | - | 675 |
| | <u>-</u> | <u>899,369</u> |
| Total liabilities | <u>-</u> | <u>899,369</u> |
| NET POSITION: | | |
| Restricted for agency | - | 1,286 |
| Restricted for scholarships | 5,985 | - |
| | <u>5,985</u> | <u>-</u> |
| Total net position | <u>\$ 5,985</u> | <u>\$ 1,286</u> |

See notes to basic financial statements.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
 STATEMENT OF CHANGES IN NET POSITION -
 FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2017**

| | Private Purpose Trust |
|--------------------------|--------------------------------------|
| ADDITIONS: | |
| Interest | \$ <u>4</u> |
| Change in net position | 4 |
| Net position - beginning | <u>5,981</u> |
| Net position - ending | <u>\$ <u>5,985</u></u> |

See notes to basic financial statements.

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**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board is a unit of local government created under the Constitution of the State. The Board is financially dependent upon the City and other governments and has no independent authority to contract bonded indebtedness or levy taxes, with the exception of the Special Program Revenue Bonds issued by the State of New York Municipal Bond Bank Agency (see Note 2.H.5).

The Board is governed by the Education Law and other laws of the State of New York. The Board of Education is an independent entity consisting of nine members.

The scope of activities included within the accompanying financial statements are those transactions which comprise Board operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the Board is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the Board officials exercise oversight responsibility.

The reporting entity of the Board is based upon criteria set forth by the Governmental Accounting Standards Board. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the Board. The Board is a component unit of the City of Buffalo. The decision to include a potential component unit in the Board's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the Board's reporting entity.

1. INCLUDED IN THE REPORTING ENTITY

The Extraclassroom Activity Funds of the Board represent funds of the students within the Board. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the Board with respect to financial transactions and designation of student management. The Board accounts for assets held as an agent for various student organizations in the Agency Fund of the Board.

B. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE STATEMENTS:

While separate government-wide and fund statements are presented, they are interrelated. The Statement of Net Position and the Statement of Activities present financial information about the Board's governmental activities. These statements include the financial activities of the overall Board in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including the City contribution, are presented as general revenues.

2. FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Board reports the following major governmental funds:

General Fund: This is the Board's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants that are legally restricted to expenditures for a specified purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Debt Service Fund - The debt service fund is used to account for payments made on the Board's long-term debt, except for amounts held by the City. Those payments are recorded in the general and capital funds as transfers to the City of Buffalo.

The Board reports the following governmental funds as nonmajor governmental funds:

Joint Schools Construction Board (JSCB) Fund - The JSCB fund is used to account for transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The JSCB is authorized to act as an agent to enter into contracts on behalf of the Board and the Common Council of the City of Buffalo, New York (the Council) for the construction of new educational facilities in accordance with applicable state and local laws.

Capital Projects Fund - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

School Food Service Fund - This fund is used to record the Board's breakfast, lunch, summer food, and Root Culinary programs.

Special Activities Fund - This fund is used to account for transactions that support the Board's regular programs. The proceeds are legally restricted to expenditures for specified purposes.

Permanent Fund - This fund is used to report resources, that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Board's programs.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the Board reports the following fund types:

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the Board acts as trustee or agent for resources that are the property of others. These activities are not included in the government-wide financial statements, because their resources are not the property of the Board, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the Board or representatives of the donors may serve on committees to determine who benefits from these trust agreements.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement or results of operations. Assets are held by Board as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings.

During the course of operations the Board 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 funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in 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.

C. 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 and fiduciary fund 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 at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives or receives value without directly receiving or giving value in exchange, includes state aid, grants or donations. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund 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.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Board considers revenues to be available if they are collected within one year 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, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the Board.

The Agency Fund has no measurement focus but utilized the accrual basis of accounting for reporting its assets and liabilities.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

2. RESTRICTED ASSETS

Certain assets are classified on the Balance Sheet as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the government-wide financial statements and their use is limited by applicable bond covenants.

3. RECEIVABLES

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles requires the establishment of an allowance for uncollectible accounts, however, no allowance for uncollectible accounts has been established by management since management believes that such allowance would not be material.

4. INVENTORY

Inventories of food and/or supplies in the General and School Food Service Funds are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. CAPITAL ASSETS

Capital assets, which include property and equipment, are reported in the government-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received. As the Board constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. 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.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|---|-------------------------------------|--------------------------------|----------------------------------|
| Buildings | \$ 5,000 | straight-line | 50 years |
| Building improvements | 5,000 | straight-line | 20 years |
| Land improvements | 5,000 | straight-line | 20 years |
| General equipment | 5,000 | straight-line | 10 years |
| Computer, business machine, and audio visual equipment | 5,000 | straight-line | 5 years |
| Automotive | 5,000 | straight-line | 7 years |

6. INSURANCE

The Board insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

7. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net 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. The Board has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions also reported in the governmental-wide Statement of Net Position. This represents the effect of the net change in the Board's proportion of the collective net pension liability, difference during the measurement period between the Board's contributions and its proportional share of total contributions to the pension systems not included in pension expense and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 2.E. The third item is related to OPEB reported in the governmental-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 2.F.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of Net 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. The Board has two items that qualify for reporting in this category. First is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Board's proportion of the collective net pension liability and difference during the measurement periods between the Board's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 2.E. The second item is related to OPEB reported in the governmental-wide Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 2.F.

8. VESTED EMPLOYEE BENEFITS

Compensated Absences

Compensated absences consist of unpaid accumulated sick and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

Board employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year end in the government-wide financial statements. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

9. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources. Claims and judgments and compensated absences that will be paid from governmental funds, are reported as a liability in the governmental funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the governmental fund financial statements when due.

Long-term obligations represent the Board's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as Other Financing Sources – proceeds from bond issues, premiums on the bonds are reported as other Financing Sources – premium on bonds, and discounts on debt issuances are reported as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

10. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State Employees' Retirement System.

In addition to providing pension benefits, the Board provides postemployment benefits in the form of health insurance. The obligation of the Board and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 2.F.).

11. NET POSITION FLOW ASSUMPTION

Sometimes the Board 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Board's policy that the Chief Financial Officer, or their designee will assess the current financial condition of the Board and then determine the order of application of expenses to which restricted and unrestricted net position will be applied.

12. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the Board 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.

The Board has adopted a formal spending policy, under the provisions of GASB Statement No. 54, stating the Board will assess the current financial condition of the Board and then determine the order of application of expenditures to which fund balance classifications will be charged.

13. FUND BALANCE POLICIES

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

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Chief Financial Officer, or their designee, to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue 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 an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

E. PROGRAM REVENUES

Amounts reported as *program revenues* include 1) charges to taxpayers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All other internally dedicated resources are reported as general revenues rather than as program revenues.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2017, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 79, *Certain External Investment Pools and Pool Participants*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by governments, such as the Board, for postemployment benefits. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The primary objective of Statement No. 77 is to require governments, such as the Board, that enter into tax abatement agreements to disclose information about the tax abatement agreements that are entered into by other governments and that reduce the Board's tax revenues.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board has evaluated Statements No. 74, 77, 78, 79, 80 and 82 and have determined that they have no impact on the Board's operations.

The GASB has issued the following new pronouncements:

- Statement No. 81, *Split-Interest Agreements*, which will be effective for the year ending June 30, 2018;
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020;
- Statement No. 85, *Omnibus*, which will be effective for the year ending June 30, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending June 30, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.

The Board is currently reviewing these statements and plans on adoption, as required.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 13, 2017 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.

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

The Board's investment policies are governed by State statutes. In addition, the Board has its own written investment policy. The Board funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The Board's aggregate bank balances were fully collateralized at June 30, 2017.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes.

Cash with Fiscal Agent - General Fund

The joint account held in trust with the Buffalo Teachers' Federation in relation to a Teachers' Settlement had a balance of \$556,769 as of June 30, 2017.

Cash with Fiscal Agent - Debt Service Fund

In accordance with the Indenture Trust Agreement, an amount of the Series 2008, 2009, 2011, 2012 and 2013 bond proceeds is to be deposited and maintained by the trustee in the Debt Service Fund.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Restricted Cash - General

Cash is restricted to support obligations related to workers' compensation claims.

Restricted Cash - JSCB Fund

Proceeds from Series 2009, 2011, 2012, 2013 and 2015 bonds, held in trust, and can only be utilized for approved project costs.

Restricted Cash - Debt Service Fund

In accordance with the Local Share Trust and Depository Agreement, the local share contribution is to be held in trust and can only be disbursed as specified by the aforementioned agreement.

Cash held by City of Buffalo

Amounts on deposit with the City on behalf of the Board total \$270,827,635. Cash held by the City of Buffalo represents cash held in the City's bank accounts. The cash is an asset of the Board and is specifically designated for Board purposes. These deposits are subject to applicable city and state investment and collateralization policies. The City has also advanced \$21,916,862 of certain Board funds, as discussed in Note 7.

Extraclassroom Activity Cash

Deposits totaled \$852,202 and were fully collateralized at June 30, 2017.

Investment and Deposit Policy

The Board follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Finance Department.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Board's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Board's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Board's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Board's investment and deposit policy, all deposits of the Board including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 105% of the aggregate amount of deposits. The Board restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

B. RECEIVABLES

Significant revenues accrued by the Board include the following:

Accounts receivable consist of the following at June 30, 2017:

| | |
|------------------------|---------------------|
| General Fund: | |
| Health Services | \$ 683,107 |
| Tuition billing | 1,768,205 |
| Miscellaneous revenues | <u>275,865</u> |
| | <u>\$ 2,727,177</u> |

State and federal aid receivable, consist of the following at June 30, 2017:

| | |
|----------------------------------|----------------------|
| General Fund: | |
| State Aid – lottery aid | \$ 11,482,761 |
| State Aid – excess cost aid | 14,952,442 |
| State – Medicaid | <u>1,260,751</u> |
| | 27,695,954 |
| Special Aid Fund: | |
| Federal and State Grants | 28,145,650* |
| School Food Service: | |
| Federal and State Reimbursements | <u>1,947,715</u> |
| Total | <u>\$ 57,789,319</u> |

*Amount reported net of unearned revenue.

Due from other governments which represents amounts due primarily from Erie County consist of the following at June 30, 2017:

| | |
|-----------------------|---------------------|
| General Fund: | |
| Erie County Sales Tax | \$ 4,741,357 |
| RDS - Medicaid | <u>999,993</u> |
| Total | <u>\$ 5,741,350</u> |

C. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

| | Balance <u>7/01/16</u> | Increases | Decreases | Balance <u>6/30/17</u> |
|--|---------------------------|------------------|-------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 3,006,700 | \$ - | \$ - | \$ 3,006,700 |
| Construction in progress | <u>13,177,988</u> | <u>9,720,576</u> | <u>11,111,480</u> | <u>11,787,084</u> |
| Capital assets, not being depreciated | <u>16,184,688</u> | <u>9,720,576</u> | <u>11,111,480</u> | <u>14,793,784</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

| | Balance <u>7/01/16</u> | <u>Increases</u> | <u>Decreases</u> | Balance <u>6/30/17</u> |
|---|---------------------------|------------------------|----------------------|---------------------------|
| Capital assets that are depreciated: | | | | |
| Land improvements | 5,542,686 | - | - | 5,542,686 |
| Buildings and building improvements | 1,734,142,880 | 16,255,147 | - | 1,750,398,027 |
| Equipment | <u>24,879,613</u> | <u>695,348</u> | <u>197,336</u> | <u>25,377,625</u> |
| Capital assets, being depreciated | <u>1,764,565,179</u> | <u>16,950,495</u> | <u>197,336</u> | <u>1,781,318,338</u> |
| Less accumulated depreciation: | | | | |
| Land improvement | 4,389,969 | 90,932 | - | 4,480,901 |
| Buildings and building improvements | 723,887,126 | 77,177,958 | - | 801,065,084 |
| Equipment | <u>19,449,135</u> | <u>1,673,401</u> | <u>174,979</u> | <u>20,947,557</u> |
| Total accumulated depreciation | <u>747,726,230</u> | <u>78,942,291</u> | <u>174,979</u> | <u>826,493,542</u> |
| Total capital assets being depreciated, net | <u>1,016,838,949</u> | <u>(61,991,796)</u> | <u>22,357</u> | <u>954,824,796</u> |
| Governmental activities capital assets, net | <u>\$ 1,033,023,637</u> | <u>\$ (52,271,220)</u> | <u>\$ 11,133,837</u> | <u>\$ 969,618,580</u> |

Depreciation has not been allocated to the individual functions of the Board's operations as no allocation methodology has been established.

D. ACCRUED LIABILITIES

Accrued liabilities reported by the Board at June 30, 2017, were as follows:

| | General Fund | Special Aid Fund | School Food Service | Total |
|---------------------|----------------------|---------------------|------------------------|----------------------|
| Accrued payroll | \$ 1,586,094 | \$ 604,421 | \$ 29,046 | \$ 2,219,561 |
| Termination accrual | 1,014,056 | - | - | 1,014,056 |
| Miscellaneous | <u>13,239,452</u> | <u>100,000</u> | <u>17,658</u> | <u>13,357,110</u> |
| | <u>\$ 15,839,602</u> | <u>\$ 704,421</u> | <u>\$ 46,704</u> | <u>\$ 16,590,727</u> |

E. PENSION OBLIGATIONS

The Board participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Provisions and Administration

The TRS System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System 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 Public Schools and BOCES who elected to participate in TRS. 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.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

The ERS System provides 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 net assets and record changes in plan 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 New York State Retirement and Social Security Law (RSSL). 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 Board 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 regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent 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. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31st.

In the prior year, the Board elected to participate in the alternate contribution stabilization program for ERS as enacted by New York State under Chapter 57, Laws of 2013. The program provides short-term cash relief by allowing municipalities to defer payment on a portion of the annual contribution, but requires repayment with interest in the following year. The Board made a payment of \$248,725 under this program and deferred payment of the remaining \$2,704,466. Amortization of the deferral is as follows:

| Fiscal Year <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|--------------------|-------------------|--------------------|
| 2018 | \$ 258,077 | \$ 101,688 | \$ 359,765 |
| 2019 | 267,781 | 91,984 | 359,765 |
| 2020 | 277,849 | 81,916 | 359,765 |
| 2021 | 288,296 | 71,469 | 359,765 |
| 2022 | 299,136 | 60,629 | 359,765 |
| 2023-2026 | <u>1,313,327</u> | <u>125,730</u> | <u>1,439,057</u> |
| | <u>\$2,704,466</u> | <u>\$ 533,416</u> | <u>\$3,237,882</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Board reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of June 30, 2016 for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Board's proportion of the net pension 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 the TRS and ERS Systems in reports provided to the Board.

| | <u>TRS</u> | <u>ERS</u> |
|---|---------------|----------------|
| Measurement date | June 30, 2016 | March 31, 2017 |
| Net pension liability | \$17,688,235 | \$12,444,723 |
| Board's portion of the Plan's total net pension liability | 1.651498% | .132444% |
| Change in proportion since the prior measurement date | (0.016750) | (0.900300) |

For the year ended June 30, 2017, the Board recognized pension expense of \$29,475,400 for TRS and \$7,789,194 for ERS, respectively. At June 30, 2017 the Board's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|--|---|---------------------|--|---------------------|
| | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> |
| Differences between expected and actual experience | \$ - | \$ 311,853 | \$ 5,746,130 | \$ 1,889,802 |
| Changes of assumptions | 100,763,449 | 4,251,573 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 39,772,453 | 2,485,716 | - | - |
| Changes in proportion and differences between the Board's contributions and proportionate share of contributions | 1,735,406 | 1,226,811 | 277,935 | 309,957 |
| Board's contributions subsequent to the measurement date | <u>34,062,426</u> | <u>1,566,555</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 176,333,734</u> | <u>\$ 9,842,508</u> | <u>\$ 6,024,065</u> | <u>\$ 2,199,759</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>TRS</u> | <u>ERS</u> |
|-------------|--------------|--------------|
| Year ended: | | |
| 2018 | \$12,519,921 | \$ 2,656,344 |
| 2019 | 12,519,921 | 2,656,344 |
| 2020 | 43,408,308 | 2,353,498 |
| 2021 | 33,798,032 | (1,589,992) |
| 2022 | 15,618,432 | - |
| Thereafter | 18,382,629 | - |

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

| | <u>TRS</u> | <u>ERS</u> |
|----------------------------|--|--|
| Measurement date | June 30, 2016 | March 31, 2017 |
| Actuarial valuation date | June 30, 2015 | April 1, 2016 |
| Interest rate | 7.5% | 7.0% |
| Salary scale | 1.9% - 4.7% | 3.8% |
| Decrement tables | July 1, 2009 – June 30, 2014 System's Experience | April 1, 2010 - March 31, 2015 System's Experience |
| Inflation rate | 2.5% | 2.5% |
| Cost of living adjustments | 1.5% | 1.3% |

For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

| Measurement Date | <u>Target Allocation</u> | | <u>Long-Term Expected Real Rate of Return</u> | |
|----------------------------|--------------------------|---------------|---|-------------------------------|
| | <u>TRS</u> | <u>ERS</u> | <u>TRS June 30, 2016</u> | <u>ERS March 31, 2017</u> |
| Asset Class: | | | | |
| Domestic equities | 37.0% | 36.0% | 6.1% | 4.6% |
| International equities | 18.0 | 14.0 | 7.3 | 6.4 |
| Private equity | - | 10.0 | - | 7.8 |
| Real estate | 10.0 | 10.0 | 5.4 | 5.8 |
| Alternative Investments | 7.0 | - | 9.2 | - |
| Absolute return strategies | 20.0 | 2.0 | 1.9 | 4.0 |
| Opportunistic portfolio | - | 3.0 | - | 5.9 |
| Real assets | - | 3.0 | - | 5.5 |
| Bond and Mortgages | 8.0 | 17.0 | 3.1 | 1.3 |
| Cash | - | 1.0 | - | (0.3) |
| Inflation-indexed bonds | - | 4.0 | - | 1.5 |
| Total | <u>100.0%</u> | <u>100.0%</u> | | |

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' 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 following tables present the Board's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the Board's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% for ERS and 6.5% for TRS) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

| TRS | 1% Decrease (6.5%) | Current Assumption (7.5%) | 1% Increase (8.5%) |
|---|--------------------------|---------------------------------|--------------------------|
| Employer's proportionate share of the net pension liability (asset) | \$230,783,231 | \$17,688,235 | \$(161,044,677) |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

| ERS | 1% Decrease <u>(6.0%)</u> | Current Assumption <u>(7.0%)</u> | 1% Increase <u>(8.0%)</u> |
|---|---------------------------------|--|---------------------------------|
| Employer's proportionate share of the net pension liability (asset) | \$ 39,745,981 | \$12,444,723 | \$ (10,638,438) |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

| | ERS | TRS (Dollars in Thousands) | Total |
|---|---------------------|-------------------------------|----------------------|
| Measurement date | March 31, 2017 | June 30, 2016 | |
| Employers' total pension liability | \$ 177,400,586 | \$ 108,577,184 | \$ 285,977,770 |
| Plan net position | <u>168,004,363</u> | <u>107,506,142</u> | <u>275,510,505</u> |
| Employers' net pension asset/(liability) | <u>\$ 9,396,223</u> | <u>\$ 1,071,042</u> | <u>\$ 10,467,265</u> |
| Ratio of Plan net position to the Employers' total pension asset/(liability) | 94.7% | 99.0% | |

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 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 as of June 30, 2017 amounted to \$36,747,975.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$1,566,556.

F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)

Plan Description

The Board administers the Board of Education, City of Buffalo, New York's Retiree Medical and Prescription Drug (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental 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 Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the 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 vary 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 plan are paid by the Board.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Employees Covered by Benefit Terms

As of June 30, 2017, the following employees were covered by the benefit terms:

| | |
|-------------------------------------|---------------|
| Inactive employees or beneficiaries | 5,626 |
| Active employees | <u>5,177</u> |
| | <u>10,803</u> |

The Board's total OPEB liability of \$2,535,305,000 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 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% - 10.30% |
| Discount Rate | 3.56% |
| Healthcare Cost Trend Rates | 9.0% of 2017, with an ultimate rate of 5.00% for 2025 and later years. |
| Retirees' Share of Benefit-Related Costs | 100% of future retirees eligible for an employer subsidy. |

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

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

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

Changes in the Total OPEB Liability

| | <u>(in thousands)</u> |
|--|-----------------------|
| Balance at July 1, 2016 | \$ 2,852,359 |
| Changes for the year- | |
| Service cost | 105,405 |
| Interest | 82,361 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (202,349) |
| Changes in assumptions or other inputs | (238,475) |
| Benefit payments | <u>(63,996)</u> |
| Net changes | <u>(317,054)</u> |
| Balance at June 30, 2017 | <u>\$ 2,535,305</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent in 2016 to 3.56 percent in 2017.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the District, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 %) or 1 percentage point higher (4.56%) than the current discount rate (amounts in thousands):

| | <u>1% Decrease (2.56%)</u> | <u>Discount Rate (3.56%)</u> | <u>1% Increase (4.56%)</u> |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB Liability | \$ <u>3,034,948</u> | \$ <u>2,535,305</u> | \$ <u>2,144,839</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Board, as well as what the Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (8.00%) or 1 percentage point higher (10.00%) than the current healthcare cost trend rate (amount in thousands):

| | <u>1% Decrease (8.00% - 4.00%)</u> | <u>Healthcare Cost Trend Rates (9.00% - 5.00%)</u> | <u>1% Increase (10.00% - 6.00%)</u> |
|----------------------|--|--|---|
| Total OPEB Liability | <u>2,104,762</u> | <u>2,535,305</u> | <u>3,102,769</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the Board recognized OPEB expense of \$155,918,000. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources (amounts in thousands):

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expended and actual experience | \$ - | \$ (221,441) |
| Changes of assumptions | <u>-</u> | <u>(187,896)</u> |
| Total | \$ <u>-</u> | \$ <u>(409,337)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount (in thousands)</u> |
|------------------------------------|------------------------------|
| 2018 | \$ (31,487) |
| 2019 | (31,487) |
| 2020 | (31,487) |
| 2021 | (31,487) |
| 2022 | (31,487) |
| Thereafter | <u>(251,902)</u> |
| | <u>\$ (415,217)</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

The Board issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City of Buffalo.

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 debt service expenditures. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Board's outstanding long-term liabilities include serial bonds, compensated absences, other postemployment benefit obligations and net pension liability.

CHANGES IN LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2017 are as follows:

| | <u>Balance</u> <u>7/01/16</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>6/30/17</u> | <u>Due Within</u> <u>One Year</u> |
|--------------------------|----------------------------------|-----------------------|----------------------|----------------------------------|--------------------------------------|
| Government activities: | | | | | |
| Due to other | | | | | |
| governments | \$ 10,266,666 | - | \$ 713,334 | \$ 9,553,332 | \$ 713,334 |
| Due to City of Buffalo | | | | | |
| Debt Service Fund | 65,376,000 | - | 11,698,000 | 53,678,000 | 8,716,000 |
| Revenue bonds payable | 12,140,000 | - | 610,000 | 11,530,000 | 630,000 |
| JSCB bonds payable | 866,365,000 | 133,580,000 | 201,155,000 | 798,790,000 | 56,220,000 |
| Premium on bonds | 96,970,915 | 30,906,352 | 16,572,058 | 111,305,209 | 10,603,632 |
| Compensated absences | 20,329,687 | 7,728,023 | 6,795,611 | 21,262,099 | 7,107,289 |
| Pension deferral | 2,953,191 | - | 248,725 | 2,704,466 | 258,077 |
| Net pension liabilities* | (150,575,094) | 181,008,052 | - | 30,132,958 | - |
| Postemployment | | | | | |
| benefit obligation | 2,852,359,000 | 187,766,000 | 504,820,000 | 2,535,305,000 | - |
| Workers' compensation | 43,886,801 | 6,451,186 | 8,263,987 | 42,074,000 | 8,155,000 |
| Governmental activities | | | | | |
| long-term liabilities | <u>\$ 3,820,072,166</u> | <u>\$ 547,139,613</u> | <u>\$750,876,715</u> | <u>\$ 3,616,335,064</u> | <u>\$92,403,332</u> |

*Additions to net pension liabilities are presented net of reductions.

Source of Funding - Amounts due to other governments; due to City of Buffalo (bond debt); and revenue bonds payable are repaid through annual appropriation of the General Fund. Payments for compensated absences and postemployment benefit obligations are charged to the General Fund.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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 litigation settlement with the Buffalo Teachers Federation. In June 2006 the Board received an additional lottery aid advance of \$1,400,000. The advances are recorded as long-term interest-free loans with annual maturities as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u> |
|---------------------------------------|---------------------|
| 2018 | \$ 713,332 |
| 2019 | 713,334 |
| 2020 | 713,334 |
| 2021 | 713,332 |
| 2022 | 713,334 |
| 2023-2027 | 3,566,666 |
| 2028-2032 | 2,233,334 |
| 2033-2036 | 186,666 |
| | <u>\$ 9,553,332</u> |

Due to City of Buffalo Debt Service Fund - Represents payments due to the City for the maturity of serial bonds, which were issued by the City on behalf of the Board.

The remaining annual maturities are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 8,716,000 | \$ 1,778,091 | \$ 10,494,091 |
| 2019 | 8,973,000 | 1,457,844 | 10,430,844 |
| 2020 | 8,624,000 | 1,135,044 | 9,759,044 |
| 2021 | 8,695,000 | 809,800 | 9,504,800 |
| 2022 | 5,600,000 | 571,306 | 6,171,306 |
| 2023-2027 | <u>13,070,000</u> | <u>753,138</u> | <u>13,823,138</u> |
| | <u>\$ 53,678,000</u> | <u>\$ 6,505,223</u> | <u>\$ 60,183,223</u> |

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

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

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The remaining annual maturities are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 630,000 | \$ 453,641 | \$ 1,083,641 |
| 2019 | 645,000 | 440,891 | 1,085,891 |
| 2020 | 665,000 | 421,141 | 1,086,141 |
| 2021 | 695,000 | 390,466 | 1,085,466 |
| 2022 | 730,000 | 354,841 | 1,084,841 |
| 2023-2027 | 4,205,000 | 1,211,081 | 5,416,081 |
| 2028-2031 | 3,960,000 | 369,977 | 4,329,977 |
| | <u>\$ 11,530,000</u> | <u>\$ 3,642,038</u> | <u>\$ 15,172,038</u> |

JSCB Bonds Payable - Represents bond payments due for the design, construction, and financing of public educational facilities in the City (see Note 4).

In September 2016, the Board issued \$133,580,000 in school facility refunding revenue bonds with an average interest rate of 5.00% to advance refund \$148,000,000 of outstanding 2009A bonds with an average interest rate of 5.08%. The net proceeds of \$167,222,021 (after payment of \$1,026,724 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the Board's financial statements. The Board advance refunded the bonds to reduce debt service payments over 11 years by \$17,693,614 and obtained an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$16,600,079.

In prior years, the Board defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board's financial statements. The amount of \$275,080,000 of these bonds defeased in prior years are outstanding at June 30, 2017.

The remaining annual maturities are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-----------------------|-----------------------|-------------------------|
| 2018 | \$ 56,220,000 | \$ 40,118,625 | \$ 96,338,625 |
| 2019 | 53,055,000 | 37,312,625 | 90,367,625 |
| 2020 | 55,780,000 | 34,664,975 | 90,444,975 |
| 2021 | 65,280,000 | 31,878,625 | 97,158,625 |
| 2022 | 74,675,000 | 28,617,375 | 103,292,375 |
| 2023-2027 | 341,460,000 | 86,995,675 | 428,455,675 |
| 2028-2032 | 152,320,000 | 17,462,475 | 169,782,475 |
| | <u>\$ 798,790,000</u> | <u>\$ 277,050,375</u> | <u>\$ 1,075,840,375</u> |

Compensated Absences - As described in Note 1.D.8, compensated absences, which total \$21,262,099 at June 30, 2017, represent amounts relating to sick, vacation and personal leave for employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service). The Board has estimated that \$7,107,289 will be paid in the next fiscal year.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Workers' Compensation - Workers' compensation obligations total \$42,074,000 at June 30, 2017, represent estimated amounts due for various outstanding claims.

Operating Leases - Operating lease obligations are primarily for rental of space and equipment. Lease expenditures and expenses for the year were \$3,617,377. The future minimum lease payments required for noncancellable operating leases are as follows:

| <u>Fiscal Year</u> | |
|--------------------|----------------------|
| 2018 | \$ 3,766,641 |
| 2019 | 3,910,007 |
| 2020 | 4,019,194 |
| 2021 | 4,135,834 |
| 2022 | 3,982,089 |
| 2023-2027 | 15,842,564 |
| 2028 | <u>2,845,196</u> |
| Total | <u>\$ 38,501,525</u> |

H. DETAIL OF FUND BALANCES

As of June 30, 2017, fund balances were classified as follows:

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|---|-----------------------|-------------------------|---------------------------|-----------------------|
| <u>Nonspendable</u> | | | | |
| Inventory | \$ 780,863 | \$ - | \$ 706,987 | \$ 1,487,850 |
| Endowment | - | - | 324,000 | 324,000 |
| <u>Restricted:</u> | | | | |
| Unemployment Insurance | 3,156,044 | - | - | 3,156,044 |
| Judgments, property loss and claims | 17,750,000 | - | - | 17,750,000 |
| Stabilization | 3,829,601 | - | - | 3,829,601 |
| Joint School Construction Board projects | - | - | 75,956 | 75,956 |
| Debt service | - | 32,896,635 | - | 32,896,635 |
| Capital projects | - | - | 259,245 | 259,245 |
| Special activities fund | - | - | 181,346 | 181,346 |
| <u>Assigned:</u> | | | | |
| Subsequent years' expenditures | 22,000,000 | - | - | 22,000,000 |
| OPEB and other employee benefits | 45,146,088 | - | - | 45,146,088 |
| Prior year claims | 9,000,000 | - | - | 9,000,000 |
| Capital projects and repairs | 7,580,000 | - | 7,472,256 | 15,052,256 |
| School food service | - | - | 17,999,407 | 17,999,407 |
| <u>Encumbrances:</u> | | | | |
| General Support | 1,753,802 | - | - | 1,753,802 |
| Instruction | 1,581,747 | - | - | 1,581,747 |
| Transportation | 24,809 | - | - | 24,809 |
| Other | 253 | - | - | 253 |
| <u>Unassigned (deficit):</u> | | | | |
| General fund | <u>70,000,000</u> | <u>-</u> | <u>(2,031)</u> | <u>69,997,969</u> |
| Total | <u>\$ 182,603,207</u> | <u>\$ 32,896,635</u> | <u>\$ 27,017,166</u> | <u>\$ 242,517,008</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Assigned to subsequent year's expenditure – Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.

Assigned to specific use – Represents fund balance within the general and special revenue funds that are assigned for a specific purpose. The assignment's purpose related to specific initiatives or each special revenue fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance – Represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

I. INTERFUND ACTIVITY

Interfund activity at June 30, 2017 are as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Interfund Revenues</u> | <u>Interfund Expenditures</u> |
|-----------------------|----------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$ 675 | \$ 46,491 | \$ 34,367 | \$105,959,293 |
| Capital Projects Fund | - | - | 7,324,653 | - |
| Special Aid Fund | - | - | 2,252,640 | - |
| School Lunch Fund | - | - | 308,291 | - |
| Debt Service Fund | - | - | 103,215,212 | 7,175,870 |
| Trust & Agency Fund | 46,491 | 675 | - | - |
| Total | <u>\$ 47,166</u> | <u>\$ 47,166</u> | <u>\$ 113,135,163</u> | <u>\$ 113,135,163</u> |

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Interfund receivables and payables were incurred primarily due to cash not being transferred prior to fiscal year end. The majority of the interfund revenues and expenses were for debt service and capital project expenses, unfunded grant expenditures and unspent bond proceeds associated with capital projects.

NOTE 3 - AGENCY FUNDS

An agency fund exists for temporary deposit of funds. The following is a summary of changes in assets and liabilities for the fiscal year ended June 30, 2017.

| | <u>Balance 7/01/16</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/17</u> |
|------------------------------|----------------------------|-----------------------|-----------------------|----------------------------|
| Cash | \$ 1,556 | \$ 151,610,942 | \$ 151,610,536 | \$ 1,962 |
| Extraclassroom activity cash | 848,168 | 2,376,500 | 2,372,466 | 852,202 |
| Accounts Receivable | 372,874 | 12,527,264 | 12,898,495 | 1,643 |
| Due from other funds | <u>209,615</u> | <u>18,785,397</u> | <u>18,948,521</u> | <u>46,491</u> |
| Total assets | <u>\$ 1,432,213</u> | <u>\$ 185,300,103</u> | <u>\$ 185,830,018</u> | <u>\$ 902,298</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

| | <u>Balance</u> <u>7/01/16</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/17</u> |
|---------------------------------|----------------------------------|----------------------|----------------------|----------------------------------|
| Employee liabilities | \$ 582,488 | \$ 35,312,660 | \$ 31,847,013 | \$ 48,135 |
| Extraclassroom activity balance | 848,168 | 2,376,500 | 2,372,466 | 852,202 |
| Due to other funds | 317 | 1,167 | 809 | 675 |
| Agency reserve | <u>1,240</u> | <u>988,640</u> | <u>988,594</u> | <u>1,286</u> |
| Total liabilities | <u>\$ 1,432,213</u> | <u>\$ 34,678,968</u> | <u>\$ 35,208,882</u> | <u>\$ 902,298</u> |

NOTE 4 - JOINT SCHOOLS CONSTRUCTION BOARD

The Buffalo Joint Schools Construction Board (the JSCB) is an inter-municipal board created as a joint cooperative board by resolutions of the Board and the City of Buffalo Common Council (the Council) and amendment of the City Charter, §18-59 and §18-60, to assist in a comprehensive program to redevelop the Board's school buildings and facilities. The JSCB is comprised of two Board designees, the Superintendent of Schools, the Mayor, the City Comptroller and one Council designee.

Although the Buffalo Schools Act confers extensive powers upon the JSCB in relation to the construction of new educational facilities, it assigns to the JSCB only limited functions in relation to the reconstruction of existing schools, which the act authorizes the Board to finance and implement as projects of the Erie County Industrial Development Agency (the ECIDA). Phase I, II, III, IV and V of the Program have been authorized by amendments to the Buffalo Schools Act as ECIDA reconstruction projects. The JSCB's role in those phases has been principally to assist and advise the Board in developing projects up to the point when plans and specifications have been approved by the State Education Department, financing is completed and available and construction can begin. The JSCB has also been assigned to monitor implementation of the Program's workforce and business diversification plan and to compare the financing of the Project available through ECIDA with financing of the Project available through the Municipal Bond Agency (and to employ the financing that will result in the lowest cost to the taxpayers of the City and the State). For Phase III, the JSCB was also required to submit certain cost reports to state officials and could not proceed with the projects if estimated costs did not meet certain limits prescribed in the Phase III regulation.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2017, the Board has approximately \$13,703,000 committed to various renovations.

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$3,360,611 in the General Fund.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

Judgments, Claims, and Contingencies

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

State Aid

The State periodically reviews its distribution of aid to school boards throughout the state. Thus, revenues recorded as of June 30, 2017 are subject to potential revision.

Grants

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

NOTE 6 - RISK MANAGEMENT

The Board is self-insured for workers' compensation and has accrued its best estimate of workers' compensation losses. The plan establishes reserve liabilities based on the estimated cost of individual claims incurred. Those estimates are determined based on many factors, one of the most significant being past experience. Since the reserve liability is an estimate it may not reflect the plan's ultimate liability.

The schedule below presents the changes in the Board's estimated claims since June 30, 2016. The estimated claims represent claims that have occurred and are open due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. Estimated claims represents anticipated future payouts based on prior experience with actual payments of claims.

The Board is self-insured for health insurance and the program is managed by a third party administrator. The Board is required to submit "premium" payments to the third party administrator on a monthly basis to fund claim liabilities. The Board has calculated its best estimate of health insurance losses and claims paid subsequent to year end based on claim reports provided by the third party administrator. This does not include an estimate of the claims incurred but not reported since management believes that any such estimate would not be material. The Board purchases stop loss insurance to reimburse the Board for individual claims in excess of \$500,000.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6 - RISK MANAGEMENT (Continued)

At the end of the year, the Board compares the liability for claims paid subsequent to year end to excess premiums held on deposit by the third party administrator and records any deficit as a current liability in the governmental financial statements. As of June 30, 2017, premiums on deposit with the third party administrator exceeded the liability for claims paid subsequent to year end, thus no liability has been recorded.

| | <u>Worker's Compensation</u> |
|--------------------------------------|------------------------------|
| Estimated claims as of June 30, 2015 | \$ 43,112,284 |
| Claims incurred during the year | 9,627,834 |
| Payments made during the year, net | <u>(8,853,317)</u> |
| Estimated claims as of June 30, 2016 | 43,886,801 |
| Claims incurred during the year | 6,451,186 |
| Payments made during the year, net | <u>(8,263,987)</u> |
| Estimated claims as of June 30, 2017 | <u>\$ 42,074,000</u> |

NOTE 7 - RELATED PARTY TRANSACTIONS

The amounts classified as due to the City of Buffalo, in the Special Aid Fund, represent cash advances made to the Board totaling \$21,916,862.

Additionally, the Board transferred \$13,887,906 to the City for payment of the Board's portion of principal and interest on long-term debt.

NOTE 8- RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2017, the Board implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred postemployment outflow of resources, postemployment liability and deferred postemployment inflow of resources related to the District's single-employer defined benefit other postemployment plan.

| | |
|--|---------------------------|
| Net position beginning of year, as previously stated | \$ (550,484,956) |
| GASB Statement No. 75 implementation | |
| Beginning plan liability under GASB Statement No. 75 | (2,852,359,000) |
| Beginning plan liability under GASB Statement No. 45 | <u>889,901,000</u> |
| Net position beginning of year, as restated | <u>\$ (2,590,973,692)</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

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**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
LAST THREE FISCAL YEARS***

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|------------------|----------------|----------------|
| Teachers' Retirement System (TRS) | | | |
| Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 |
| District's proportion of the net pension (asset) liability | 1.695591% | 1.668248% | 1.651498% |
| District's proportionate share of the net pension (asset) liability | \$ (188,878,283) | (173,277,759) | 17,688,235 |
| District's covered-employee payroll | 248,023,907 | 258,505,177 | 259,159,687 |
| District's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll | -76.2% | -67.0% | 6.8% |
| Plan fiduciary net position as a percentage of the total pension (asset) liability | -111.5% | -110.5% | 99.0% |
| Employees' Retirement System (ERS) | | | |
| Measurement date | March 31, 2015 | March 31, 2016 | March 31, 2017 |
| District's proportion of the net pension (asset) liability | 0.142493% | 0.141447% | 0.132444% |
| District's proportionate share of the net pension liability | \$ (4,813,758) | 22,702,665 | 12,444,723 |
| District's covered-employee payroll | 50,901,094 | 51,421,185 | 53,178,712 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | -9.5% | 44.2% | 23.4% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.9% | 90.7% | 94.7% |

* Information prior to the year ended June 30, 2015 is not available

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF THE BOARD'S PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30,

| | TEACHERS' RETIREMENT SYSTEM | | | | | | | | | |
|--|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Contractually required contribution | \$ 18,981,793 | \$ 18,543,340 | \$ 15,246,576 | \$ 20,465,737 | \$ 26,491,441 | \$ 28,341,558 | \$ 40,700,597 | \$ 43,929,324 | \$ 33,792,412 | \$ 34,062,426 |
| Contributions in relation to the contractually required contribution | 18,981,793 | 18,543,340 | 15,246,576 | 20,465,737 | 26,491,441 | 28,341,558 | 40,700,597 | 43,929,324 | 33,792,412 | 34,062,426 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | 223,908,720 | 231,549,995 | 247,755,396 | 251,885,437 | 242,820,821 | 243,486,199 | 248,023,907 | 258,505,177 | 259,159,687 | 308,322,717 |
| Contributions as a percentage of covered-employee payroll | 8% | 8% | 6% | 8% | 11% | 12% | 16% | 17% | 13% | 11% |
| | EMPLOYEES' RETIREMENT SYSTEM | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Contractually required contribution | \$ 4,070,641 | \$ 3,676,006 | \$ 2,391,143 | \$ 4,440,936 | \$ 7,065,431 | \$ 8,436,183 | \$ 8,494,573 | \$ 7,335,763 | \$ 6,923,385 | \$ 6,004,084 |
| Contributions in relation to the contractually required contribution | 4,568,445 | 3,676,006 | 2,391,143 | 4,440,936 | 7,065,431 | 8,436,183 | 5,070,646 | 7,695,528 | 7,283,149 | 6,363,848 |
| Contribution deficiency (excess) | \$ (497,804) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,423,927 | \$ (359,765) | \$ (359,764) | \$ (359,764) |
| District's covered-employee payroll | 44,588,023 | 45,577,635 | 40,385,561 | 38,838,292 | 34,302,213 | 39,735,784 | 40,651,043 | 50,901,094 | 51,421,185 | 53,178,712 |
| Contributions as a percentage of covered-employee payroll | 10% | 8% | 6% | 11% | 21% | 21% | 12% | 15% | 14% | 12% |

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Adopted Budget*</u> | <u>Final Budget</u> | <u>Actual Revenues</u> | <u>Over (Under) Final Budget</u> |
|--|----------------------------|-------------------------|----------------------------|--------------------------------------|
| REVENUES | | | | |
| Local sources: | | | | |
| Contribution from City of Buffalo | \$ 57,270,405 | \$ 57,270,405 | \$ 58,615,112 | \$ 1,344,707 |
| School tax relief reimbursement | 13,052,353 | 13,052,353 | 11,707,646 | (1,344,707) |
| Nonproperty tax items | 42,000,000 | 42,000,000 | 43,389,176 | 1,389,176 |
| Charges for services | 1,900,000 | 1,900,000 | 2,226,197 | 326,197 |
| Use of money and property | 115,000 | 115,000 | 142,828 | 27,828 |
| Sale of property and compensation for loss | 42,116 | 42,116 | 33,371 | (8,745) |
| Miscellaneous local sources | 11,026,368 | 11,026,368 | 14,698,083 | 3,671,715 |
| State sources: | | | | |
| Basic formula | 628,932,658 | 628,932,658 | 613,022,010 | (15,910,648) |
| Lottery aid | 75,000,000 | 75,000,000 | 89,965,096 | 14,965,096 |
| Other aid | 10,281,100 | 10,281,100 | 9,645,256 | (635,844) |
| Federal sources | 2,500,000 | 2,500,000 | 4,165,222 | 1,665,222 |
| | | | | |
| Total revenues | 842,120,000 | 842,120,000 | 847,609,997 | 5,489,997 |
| Other sources: | | | | |
| Interfund transfers in | 950,000 | 950,000 | 34,367 | (915,633) |
| Appropriated fund balance | 9,830,000 | 53,200,074 | - | (53,200,074) |
| | | | | |
| Total revenues and other sources | \$ <u>852,900,000</u> | \$ <u>896,270,074</u> | \$ <u>847,644,364</u> | \$ <u>(48,625,710)</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (CONTINUED)**

| | <u>Adopted Budget*</u> | <u>Final Budget</u> | <u>Actual Expenditures</u> | <u>Encumbrances</u> | <u>Unencumbered Balances</u> |
|---|----------------------------|-------------------------|--------------------------------|---------------------|----------------------------------|
| EXPENDITURES | | | | | |
| General support: | | | | | |
| Board of education | \$ 215,934 | \$ 238,269 | \$ 230,255 | \$ 812 | \$ 7,202 |
| Central administration | 947,407 | 1,024,145 | 927,607 | 836 | 95,702 |
| Finance | 3,374,326 | 3,642,673 | 3,274,267 | 14,963 | 353,443 |
| Staff | 3,426,308 | 3,859,916 | 3,391,174 | 57,031 | 411,711 |
| Central services | 54,656,932 | 57,130,402 | 52,722,866 | 1,680,160 | 2,727,376 |
| Special items | 10,344,839 | 15,317,921 | 10,438,433 | - | 4,879,488 |
| Instruction: | | | | | |
| Instruction, administration, and improvements | 25,742,919 | 28,447,740 | 26,384,988 | 22,204 | 2,040,548 |
| Teaching - regular school | 247,127,113 | 288,810,279 | 279,594,148 | 1,043,033 | 8,173,098 |
| Charter school payments | 109,650,054 | 106,487,444 | 106,463,812 | - | 23,632 |
| Instructional media | 6,020,496 | 7,137,194 | 6,297,953 | 124,046 | 715,195 |
| Pupil services | 17,496,704 | 19,898,035 | 18,549,378 | 392,464 | 956,193 |
| Pupil transportation | 54,935,136 | 54,164,956 | 52,617,781 | 24,809 | 1,522,366 |
| Home and community services | 113,994 | 149,766 | 134,268 | 253 | 15,245 |
| Employee benefits | 198,443,861 | 189,540,259 | 187,425,920 | - | 2,114,339 |
| | | | | | |
| Total expenditures | 732,496,023 | 775,848,999 | 748,452,850 | 3,360,611 | 24,035,538 |
| Other uses: | | | | | |
| Interfund transfers out | 120,403,977 | 120,421,075 | 119,847,199 | - | 573,876 |
| | | | | | |
| Total expenditures and other uses | \$ <u>852,900,000</u> | \$ <u>896,270,074</u> | \$ <u>868,300,049</u> | \$ <u>3,360,611</u> | \$ <u>24,609,414</u> |
| | | | | | |
| Net change in fund balance | | | \$ <u>(20,655,685)</u> | | |

* See Schedule of Change from Original Budget to Final Budget on page 60 for reconciliation of GAAP to budgetary basis.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

A. BUDGETARY INFORMATION

1. BUDGET POLICIES

Prior to May 1, the Board submits to the Mayor of the City its budget request and financial plan for the fiscal year beginning July 1. On or before May 1, the Mayor submits to the Council a complete operating plan which includes the Board's estimated revenues and proposed expenditures. The Council then acts upon the Mayor's recommended Board budget and may make additions or deletions within its authority as provided by the City Charter. The Board's budget, as approved by the Council, is limited to total estimated revenues and proposed expenditures.

A formal annual budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America except that the encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Encumbrances outstanding at year-end are accounted for by an assignment of fund balance under GAAP.

Program budgets are adopted for Special Aid Fund related grants and the School Food Service Fund at the program's inception and lapse upon completion of the program. These grant programs do not necessarily coincide with the Board's fiscal year.

Capital projects are subject to project budgets determined primarily by the City's bonding authorization used to fund a particular project rather than annual budgetary appropriations. These budgets do not lapse at year-end; rather, they lapse upon completion of the project.

B BUDGET BASIS OF ACCOUNTING

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund and School Lunch Fund are the only funds with legally approved budgets for the fiscal year ended June 30, 2016, and therefore, are the only funds presented on the Budgetary Comparison Schedules.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related 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 expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

The capital projects fund is appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

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SUPPLEMENTARY INFORMATION

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | <u>Capital Projects</u> | <u>School Food Service</u> | <u>Joint Schools Construction Board</u> | <u>Special Activities</u> | <u>Permanent Fund</u> | <u>Total</u> |
|--|-----------------------------|--------------------------------|---|-------------------------------|---------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ 300 | \$ - | \$ 181,346 | \$ - | \$ 181,646 |
| Cash held by City of Buffalo | 9,176,636 | 16,702,197 | - | - | - | 25,878,833 |
| Cash and cash equivalents - restricted | - | - | 3,193,634 | - | 321,969 | 3,515,603 |
| Accounts receivable | - | 81,888 | - | - | - | 81,888 |
| State and federal aid receivable | - | 1,947,715 | - | - | - | 1,947,715 |
| Inventory | - | 706,987 | - | - | - | 706,987 |
| Total assets | <u>\$ 9,176,636</u> | <u>\$ 19,439,087</u> | <u>\$ 3,193,634</u> | <u>\$ 181,346</u> | <u>\$ 321,969</u> | <u>\$ 32,312,672</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 1,445,135 | \$ 685,989 | \$ 3,117,678 | \$ - | \$ - | \$ 5,248,802 |
| Accrued liabilities | - | 46,704 | - | - | - | 46,704 |
| Total liabilities | <u>1,445,135</u> | <u>732,693</u> | <u>3,117,678</u> | <u>-</u> | <u>-</u> | <u>5,295,506</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | - | 706,987 | - | - | 321,969 | 1,028,956 |
| Restricted | 259,245 | - | 75,956 | 181,346 | - | 516,547 |
| Assigned | 7,472,256 | 17,999,407 | - | - | - | 25,471,663 |
| Total fund balances | <u>7,731,501</u> | <u>18,706,394</u> | <u>75,956</u> | <u>181,346</u> | <u>321,969</u> | <u>27,017,166</u> |
| Total liabilities and fund balances | <u>\$ 9,176,636</u> | <u>\$ 19,439,087</u> | <u>\$ 3,193,634</u> | <u>\$ 181,346</u> | <u>\$ 321,969</u> | <u>\$ 32,312,672</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Capital Projects</u> | <u>School Food Service</u> | <u>Joint Schools Construction Board</u> | <u>Special Activities</u> | <u>Permanent Fund</u> | <u>Total</u> |
|--|-----------------------------|--------------------------------|---|-------------------------------|---------------------------|----------------------|
| REVENUES | | | | | | |
| Charges for services | \$ - | \$ 632,922 | \$ - | \$ - | \$ - | \$ 632,922 |
| Use of money and property | 8,971 | - | 3,527 | - | 252 | 12,750 |
| Miscellaneous local sources | - | 57,921 | - | 6,723 | - | 64,644 |
| State sources | - | 760,670 | - | - | - | 760,670 |
| Federal sources | - | 27,859,449 | - | - | - | 27,859,449 |
| | <u>8,971</u> | <u>29,310,962</u> | <u>3,527</u> | <u>6,723</u> | <u>252</u> | <u>29,330,435</u> |
| Total revenues | | | | | | |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General support | - | 1,380,171 | - | - | - | 1,380,171 |
| Instruction - regular schools | - | 26,651,584 | - | - | - | 26,651,584 |
| Home and community services | - | - | - | 1,883 | 4,516 | 6,399 |
| Employee benefits | - | 2,581,711 | - | - | - | 2,581,711 |
| Capital outlay: | | | | | | |
| General support | 14,865,393 | - | - | - | - | 14,865,393 |
| | <u>14,865,393</u> | <u>30,613,466</u> | <u>-</u> | <u>1,883</u> | <u>4,516</u> | <u>45,485,258</u> |
| Total expenditures | | | | | | |
| Excess (deficit) of revenues over expenditures | (14,856,422) | (1,302,504) | 3,527 | 4,840 | (4,264) | (16,154,823) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | 7,324,653 | 308,291 | - | - | - | 7,632,944 |
| | <u>7,324,653</u> | <u>308,291</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,632,944</u> |
| Total other financing sources | | | | | | |
| Net change in fund balances | (7,531,769) | (994,213) | 3,527 | 4,840 | (4,264) | (8,521,879) |
| Fund balances - beginning | 15,263,270 | 19,700,607 | 72,429 | 176,506 | 326,233 | 35,539,045 |
| Fund balances - ending | <u>\$ 7,731,501</u> | <u>\$ 18,706,394</u> | <u>\$ 75,956</u> | <u>\$ 181,346</u> | <u>\$ 321,969</u> | <u>\$ 27,017,166</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF CHANGE FROM ADOPTED
BUDGET TO FINAL BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|-------------------------------|-----------------------|
| Adopted Budget | \$ 852,900,000 |
| Additions: | |
| Prior year encumbrances | 4,350,389 |
| Budget Revisions: | |
| BTF contract settlement costs | 40,500,000 |
| Cancelled encumbrances | <u>(1,480,315)</u> |
| Final Budget | <u>\$ 896,270,074</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF PROJECT EXPENDITURES -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| Project Title | Original Appropriation | Revised Appropriation | Expenditures/Reclassifications To Date | | | Outstanding Encum- brances | Over (Under) Budget |
|--|---------------------------|--------------------------|--|----------------------|-----------------------|----------------------------------|---------------------------|
| | | | Prior Years | Current Year | Total | | |
| Reconstruction of Various Schools | \$ 2,700,000 | \$ 2,782,038 | \$ 2,752,000 | \$ 30,038 | \$ 2,782,038 | \$ - | \$ - |
| Computers & Technology | 1,200,000 | 1,236,462 | 1,050,608 | 12,056 | 1,062,664 | 6,698 | 167,100 |
| Refunding Savings Phase I | 16,786,423 | 16,785,198 | 16,125,145 | 660,053 | 16,785,198 | - | - |
| Refunding Savings Phase II | 27,917,363 | 27,939,615 | 24,468,069 | 1,610,036 | 26,078,105 | 1,779,544 | 81,966 |
| A/E Services Mech System Reconstr Waterfront Sch | 122,400 | 122,400 | 121,900 | 500 | 122,400 | - | - |
| Partial Refunding Savings Phase IV | 11,063,175 | 11,073,131 | 3,315,657 | 5,755,075 | 9,070,732 | 1,731,741 | 270,658 |
| JSCB Local Share | - | 2,020,836 | 1,358,566 | 662,270 | 2,020,836 | - | - |
| Refunding Savings Phase IIIa&b | 25,936,750 | 25,938,544 | - | 5,694,838 | 5,694,838 | 10,105,802 | 10,137,904 |
| Instructional Kitchens - School 28 | 319,043 | 319,042 | 23,800 | 295,242 | 319,042 | - | - |
| Emergency Generator - School 84 | - | 79,500 | - | - | - | 79,500 | - |
| Transfer of Debt Service Costs | 468,434 | 34,723,154 | 34,723,154 | - | 34,723,154 | - | - |
| Design / Consultants for Capital Projects | 500,000 | 500,000 | - | - | - | - | 500,000 |
| JSCB ECIDA Funds Phase II | 612,111 | 3,529,432 | 1,419,840 | - | 1,419,840 | - | 2,109,592 |
| JSCB ECIDA Funds Phase IV | 144,450 | 248,100 | 102,818 | 145,285 | 248,103 | - | (3.00) |
| Total Capital Project Expenditures and Other Financing Uses | \$ 87,770,149 | \$ 127,297,452 | \$ 85,461,557 | \$ 14,865,393 | \$ 100,326,950 | \$ 13,703,285 | \$ 13,267,217 |

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|----------------------|
| Capital assets, net | \$ 969,618,580 |
| Add: | |
| Cash held by City of Buffalo | 9,176,636 |
| Cash with fiscal agents | 20,124,641 |
| Cash – restricted | 3,193,634 |
| Deferred charge on refunding | <u>28,840,834</u> |
| Total additions | 61,335,745 |
| Deduct: | |
| Joint School Construction Board bonds payable | 798,790,000 |
| Due to City of Buffalo debt service fund | 53,678,000 |
| Premium on bonds | <u>111,305,209</u> |
| Total deductions | <u>963,773,209</u> |
| Net investment in capital assets | <u>\$ 67,181,116</u> |

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FEDERAL FINANCIAL ASSISTANCE

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through/ Grantor Entity Identification Number</u> | <u>Pass-Through to to Subrecipients</u> | <u>Disbursements/ Expenditures</u> |
|---|------------------------------------|---|---|--|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>NUTRITION CLUSTER</i> | | | | |
| <i>DIRECT PROGRAM(S):</i> | | | | |
| SUMMER FOOD SERVICE PROGRAM | 10.559 | N/A | \$ - | \$ 1,338,038 |
| <i>PASSED THROUGH STATE BUREAU OF SCHOOL FOOD MANAGEMENT:</i> | | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | --- | - | 7,946,687 |
| SCHOOL LUNCH PROGRAM | 10.555 | --- | - | 16,598,557 |
| SCHOOL SNACK PROGRAM | 10.555 | --- | - | 455,311 |
| USDA DONATED FOODS | 10.555 | --- | - | 1,520,856 |
| <i>TOTAL NUTRITION CLUSTER</i> | | | | <u>27,859,449</u> |
| <i>PASSED THROUGH STATE DEPARTMENT OF EDUCATION:</i> | | | | |
| SNAP E & T | 10.561 | TDA01-C00252GG-34100 | - | 7,377 |
| SCHOOL FOOD SERVICE EQUIPMENT | 10.579 | 0005 15 0004 | - | 23,912 |
| FRESH FRUITS AND VEGETABLES | 10.582 | 0004 17 0012 | - | 1,201,575 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | <u>29,092,313</u> |
| U.S. DEPARTMENT OF DEFENSE | | | | |
| <i>DIRECT PROGRAM(S):</i> | | | | |
| JROTC PROGRAM, 2015-2016 | 12.357 | N/A | - | 14,621 |
| JROTC PROGRAM, 2016-2017 | 12.357 | N/A | - | 592,459 |
| JROTC PROGRAM, 2017-2018 | 12.357 | N/A | - | 6,649 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | | <u>613,729</u> |
| U.S. DEPARTMENT OF LABOR | | | | |
| <i>DIRECT PROGRAM(S):</i> | | | | |
| YOUTHBUILD - YOUTH CAREER CONNECT | 17.274 | YC-25402-14-60-A-36 | - | 558,316 |
| YOUTHBUILD - YOUTH CAREER CONNECT | 17.274 | YC-25402-14-60-A-36 | - | 516,747 |
| NYSDOL CFA WORKFORCE DEVELOPMENT | 17.278 | CO15305 | - | 13,621 |
| TOTAL U.S. DEPARTMENT OF LABOR | | | | <u>1,088,684</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>DIRECT PROGRAM(S):</i> | | | | |
| INDIAN EDUCATION FORMULA GRANT | 84.060A | S060A151033 | - | 4,428 |
| INDIAN EDUCATION FORMULA GRANT | 84.060A | S060A161033 | - | 204,530 |
| TURNAROUND SCHOOL LEADERS PROGRAM - 2016 | 84.377B | S377B150004 | - | 21,339 |
| TURNAROUND SCHOOL LEADERS PROGRAM - 2017 | 84.377B | S377B150004 | - | 316,799 |
| SCHOOL CLIMATE TRANSFORMATION USDOE - 2015 | 84.184G | S184G140241 | - | (5,585) |
| SCHOOL CLIMATE TRANSFORMATION USDOE - 2016 | 84.184G | S184G140241 | - | 190,254 |
| SCHOOL CLIMATE TRANSFORMATION USDOE - 2017 | 84.184G | S184G140241 | - | 444,553 |
| CAROL M. WHITE PEP GRANT | 84.215F | S215F160281 | - | 9,055 |
| <i>PASSED THROUGH STATE DEPARTMENT OF EDUCATION:</i> | | | | |
| WIA TITLE II - ADULT BASIC | 84.002A | 2338 16 2003 | - | 32,583 |
| WIA TITLE II - ADULT BASIC | 84.002A | 2338 17 2003 | - | 511,414 |
| WIA LITERACY ZONE - EAST ZONE | 84.002A | 2338 16 3001 | - | 979 |
| WIA LITERACY ZONE - EAST ZONE | 84.002A | 2338 17 3001 | - | 93,699 |
| WIA LITERACY ZONE - WEST | 84.002A | 2338 16 3003 | - | 6,878 |
| WIA LITERACY ZONE - WEST | 84.002A | 2338 17 3003 | - | 88,748 |
| WIA LITERACY ZONE - NORTH | 84.002A | 2338 16 3002 | - | 5,986 |
| WIA LITERACY ZONE - NORTH | 84.002A | 2338 17 3002 | - | 78,249 |
| WIA TITLE II-ENGLISH LANGUAGE CIVICS EDUCATION | 84.002A | 0040 16 2001 | - | 16,443 |
| WIA TITLE II-ENGLISH LANGUAGE CIVICS EDUCATION | 84.002A | 0040 17 2001 | - | 241,044 |
| TITLE I SCHOOL IMPROVEMENT - SOCIOECONOMIC INTEGRATION | 84.010A | 0011 16 7011 | - | 72,042 |
| TITLE I SCHOOL IMPROVEMENT - SOCIOECONOMIC INTEGRATION | 84.010A | 0011 17 7011 | - | 180,658 |
| TITLE I SCHOOL IMPROVEMENT - SOCIOECONOMIC INTEGRATION | 84.010A | 0011 16 7012 | - | 94,999 |
| TITLE I SCHOOL IMPROVEMENT - SOCIOECONOMIC INTEGRATION | 84.010A | 0011 17 7012 | - | 226,013 |
| TITLE I SCHOOL IMPROVEMENT - SOCIOECONOMIC INTEGRATION | 84.010A | 0011 16 7010 | - | 49,208 |
| TITLE I SCHOOL IMPROVEMENT FUND | 84.010A | 0011 16 6101 | - | (6,823) |
| TITLE I SCHOOL IMPROVEMENT FUND | 84.010A | 0011 17 6101 | - | 201,342 |
| TITLE I PARTS A & D | 84.010A | 0021 15 0740 | - | 277 |
| TITLE I PARTS A & D | 84.010A | 0021 16 0740 | - | 1,323,311 |
| TITLE I PARTS A & D | 84.010A | 0021 17 0740 | - | 24,505,503 |
| TITLE I SCHOOL IMPROVEMENT - 1003A | 84.010A | 0011 16 2002 | - | 164,710 |
| TITLE I SCHOOL IMPROVEMENT - 1003A | 84.010A | 0011 17 2002 | - | 282,062 |
| OUT OF DISTRICT TITLE I PAYMENT | 84.010A | N/A | - | 2,646 |
| OUT OF DISTRICT TITLE I PAYMENT | 84.010A | N/A | - | 33,708 |
| <i>SPECIAL EDUCATION CLUSTER</i> | | | | |
| RSE-TASC (REGULAR SPECIAL ED, TECH ASST SPT) - 2016 | 84.027A | C012213 | - | (1,793) |
| RSE-TASC (REGULAR SPECIAL ED, TECH ASST SPT) - 2017 | 84.027A | C012216 | - | 397,894 |
| IDEA SECTION 611 - PART B | 84.027A | 0032 16 0202 | - | 26,637 |
| IDEA SECTION 611 - PART B | 84.027A | 0032 17 0202 | - | 11,717,463 |
| IDEA SECTION 619 - PRE-SCHOOL REGULAR | 84.173A | 0033 16 0202 | - | 8,542 |
| IDEA SECTION 619 - PRE-SCHOOL REGULAR | 84.173A | 0033 17 0202 | - | 495,095 |
| <i>TOTAL SPECIAL EDUCATION CLUSTER</i> | | | | <u>12,643,838</u> |

(Continued)

See notes to the schedule of expenditures of federal awards.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through/ Grantor Entity Identification Number</u> | <u>Pass-Through to to Subrecipients</u> | <u>Disbursements/ Expenditures</u> |
|---|------------------------------------|---|---|--|
| PERKINS VATEA ADULT PROJECT | 84.048A | 8000 16 9002 | - | 2,856 |
| PERKINS VATEA ADULT PROJECT | 84.048A | 8000 17 9002 | - | 310,499 |
| VATEA BASIC GRANT - PERKINS SECONDARY | 84.048A | 8000 16 0075 | - | 6,838 |
| VATEA BASIC GRANT - PERKINS SECONDARY | 84.048A | 8000 17 0075 | - | 542,197 |
| 21ST CCLC | 84.287C | 0187 16 6080 | - | 11,813 |
| 21ST CCLC | 84.287C | 0187 17 6080 | - | 441,824 |
| TITLE III - LEP | 84.365A | 0293 16 0740 | - | 103,815 |
| TITLE III - LEP | 84.365A | 0293 17 0740 | - | 702,826 |
| TITLE III - IMMIGRANT FUNDS | 84.365A | 0149 16 0740 | - | 246,449 |
| TITLE III - IMMIGRANT FUNDS | 84.365A | 0149 17 0740 | - | 23,478 |
| TITLE III SIFE | 84.365A | 0153 17 0740 | - | 8,135 |
| MATH & SCIENCE PARTNERSHIP - MATH | 84.366B | 0294 16 0207 | - | 29,106 |
| MATH & SCIENCE PARTNERSHIP - MATH | 84.366B | 0294 17 0207 | - | 852,013 |
| MATH & SCIENCE PARTNERSHIP - SCIENCE | 84.366B | 0294 16 0213 | - | 6,776 |
| MATH & SCIENCE PARTNERSHIP - SCIENCE | 84.366B | 0294 17 0213 | - | 255,451 |
| TITLE II PART A | 84.367A | 0147 16 0740 | - | 520,164 |
| TITLE II PART A | 84.367A | 0147 17 0740 | - | 4,732,614 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 5117 | - | 134,221 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 5117 | - | 369,103 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 6102 | - | 3,410 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 6102 | - | 427,270 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 6105 | - | 8,792 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 6105 | - | 369,958 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 6104 | - | 6,992 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 6104 | - | 487,296 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 6101 | - | 8,390 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 6101 | - | 459,741 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 6103 | - | 17,299 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 6103 | - | 457,284 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 6106 | - | 10,334 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 6106 | - | 390,475 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 7002 | - | 6,474 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7002 | - | 614,499 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 7000 | - | 3,496 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7000 | - | 373,803 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 7001 | - | 1,164 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7001 | - | 570,897 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 4103 | - | 241,813 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 4103 | - | 387,385 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 5115 | - | 109,813 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 5115 | - | 429,212 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 4104 | - | 216,293 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 4104 | - | 399,450 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 4301 | - | 145,845 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 4301 | - | 389,611 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 2102 | - | 2,088 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 4101 | - | 197,958 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 14 4101 | - | 421,117 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 15 4102 | - | 590 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 4102 | - | 131,935 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 4102 | - | 423,521 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 3202 | - | 771 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 3202 | - | 710,710 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 16 5116 | - | 135,055 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 5116 | - | 426,382 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 3102 | - | 203,889 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7512 | - | 135,026 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7508 | - | 291,170 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7506 | - | 134,724 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7507 | - | 221,644 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7511 | - | 293,905 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7509 | - | 235,934 |
| SCHOOL IMPROVEMENT GRANT | 84.377A | 0123 17 7510 | - | 309,972 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | - | <u>62,148,455</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| <i>PASSED THROUGH STATE DEPARTMENT OF HEALTH</i> | | | | |
| PATHWAYS TO SUCCESS PREGNANCY ASST. | 93.500 | 4744 04 | - | 70,377 |
| EDUCATIONAL RESOURCES PROGRAM | 93.558 | CO20716 | - | 11,842 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | - | <u>82,219</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | - | <u>\$ 93,025,400</u> |

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs administered by the Board, an entity as defined in Note 1 to the Board's basic financial statements. 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). Federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of the Board, it is not intended and does not present the financial position, changes in net position, or cash flows of the Board.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the Board's financial reporting system, which is the source of the Board's basic financial statements.

NOTE 3 - PASS-THROUGH GRANTOR

Except as noted on the Schedule of Expenditures of Federal Awards, all remaining Federal financial assistance received was passed-through departments of the State of New York.

NOTE 4 - NON-MONETARY FEDERAL PROGRAM

The Board is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the Board received \$1,520,856 of commodities under the Surplus Food Distribution Program (CFDA 10.555).

NOTE 5 – INDIRECT COST RATE

The Board has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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INTERNAL CONTROL AND COMPLIANCE

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**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
City of Buffalo, New York

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Board of Education, City of Buffalo, New York (the Board), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 Board'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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 13, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
City of Buffalo, New York

Report on Compliance for Each Major Federal Program

We have audited the Board of Education, City of Buffalo, New York's (the Board) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2017. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board'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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board'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 Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board 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, 2017.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board'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 Board'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.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 13, 2017

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report(s) issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's opinion(s) issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs CFDA#

Title I 84.010A

Dollar threshold used to distinguish between Type A and Type B Programs \$2,790,762

Auditee qualified as low risk? yes no

II. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted in the current fiscal year.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted in the current fiscal year.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2016.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted for the fiscal year ended June 30, 2016.

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JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

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**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
INFORMATION REGARDING JOINT SCHOOLS
CONSTRUCTION BOARD DEBT
FOR THE YEAR ENDED JUNE 30, 2017**

THE PROGRAM

Authorization

The Program was developed by the JSCB in conjunction with the Program Provider pursuant to the Buffalo Schools Act, the resolutions of the Board of Education and the Common Council, and the Charter of the City, and encompassed a comprehensive redevelopment program for the reconstruction of existing public schools and the construction of new public schools for the Buffalo CSD. Prior to the Program, few new public schools had been built in the City and many elementary and secondary schools in the City were in need of substantial improvement, renovation and reconstruction. The Buffalo Schools Act was enacted to encourage the City and the Buffalo CSD to cooperatively undertake new and innovative ways of renovating, building and financing public schools within the City.

Program Overview

To date, \$1.304 billion aggregate principal amount of Project Bonds (excluding Project Bonds issued for refunding purposes) have been issued and are dedicated to the Program. Each phase of the Program has been completed. Currently no additional phases are anticipated to be undertaken for the Program.

In September 2003, the Issuer issued its Series 2003 Bonds to provide funds for Phase I of the Program (the "Series 2003 Project"). The Series 2003 Project provided for the general reconstruction of nine school facilities and included site work, exterior and interior building improvements, mechanical and electrical upgrades, and the renovation and improvement of Buffalo CSD's telecommunications system and an energy program on a district-wide basis. Phase I was completed in April 2005. The Series 2003 Bonds were refunded in whole from proceeds of the sale of the Series 2011B Bonds.

In December 2004, the Issuer issued its Series 2004 Bonds to provide funds for a portion of the cost of Phase II of the Program (the "Series 2004 Project"). The Series 2004 Project provided for the reconstruction of 13 existing schools, continued the construction of the district-wide technology and energy upgrades to create a state of the art educational environment, and renovation of an outdoor sports facility for use district-wide. A portion of the proceeds of the Series 2007A Bonds was applied to finance additional costs relating to Phase II of the Program. Phase II of the Program was completed in July 2008. The Series 2004 Bonds were refunded in whole from proceeds of the sale of the Series 2012A Bonds.

In August 2007, the Issuer issued its Series 2007A Bonds to provide funds for a portion of the cost of Phase II of the Program and a portion of the cost of Phase III of the Program (the "Series 2007 Project"). The Series 2007 Project provided for the general reconstruction of four school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades begun with the Series 2003 Project. The technology portion of the Series 2004 Project and of the Series 2007 Project included an ongoing program known as E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis.

In February 2008, the Issuer issued its Series 2008A Bonds to provide funds for the balance of the cost of Phase III of the Program (the "Series 2008 Project"). The Series 2008 Project provided for the general reconstruction of five school facilities including site work, exterior and interior building improvements and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2008 Project included E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis. These improvements are designed to deliver the flexible educational spaces, instructional technology and social support necessary to enhance student achievement. Phase III of the Program is substantially completed. The Series 2007A and 2008A Bonds were refunded in whole from proceeds of the sale of the Series 2015A Bonds on June 24, 2015.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
 INFORMATION REGARDING JOINT SCHOOLS
 CONSTRUCTION BOARD DEBT
 FOR THE YEAR ENDED JUNE 30, 2017
 (CONTINUED)**

In November 2009, the Issuer issued its Series 2009A Bonds to provide funds for Phase IV of the Program (the "Series 2009 Project"). The Series 2009 Project provided for the general reconstruction of 10 school facilities, including site work, exterior and interior building improvements and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2009 Project includes expanded security cameras and an access control system on a district-wide basis. These improvements were designed to deliver the flexible educational spaces, instructional technology and social support necessary to enhance student achievement. Phase IV of the Program is substantially completed. The Series 2009A Bonds were refunded from proceeds of the sale of the Series 2013A and 2016A Bonds and partially from the proceeds of the Series 2016A Bonds.

In July 2011, the Issuer issued its Series 2011A Bonds to provide funds for Phase V of the Program (the "Series 2011 Project"). The Series 2011 Project provided for the general reconstruction of seven school facilities, including site work, exterior and interior building improvements and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2011 Project includes the creation of data server hubs for the Buffalo CSD at two school locations and improved network technology and access on a district-wide basis. Phase V of the Program is substantially completed.

THE BUFFALO CSD AND BOARD OF EDUCATION

The Buffalo CSD is dependent on funding from the City, the County, the State and the Federal government. It is governed by an independently elected nine-member Board of Education and operates pursuant to the New York State Education Law (the "Education Law"). The administration of the schools is the responsibility of the Superintendent of Schools who is appointed by the Board of Education of the Buffalo CSD. The school system operates 16 secondary schools, 38 elementary and intermediate schools, and 2 special schools. There are 16 charter schools that operate independently from the Buffalo CSD. All Charter Schools receive the same per pupil tuition rate for Buffalo resident pupils, regardless of their location.

The following table sets forth information relating to the size of the school system.

**SIZE OF BUFFALO SCHOOL SYSTEM
 Fiscal Year Ended June 30**

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> ⁽⁴⁾ | <u>2018</u> ⁽⁵⁾ |
|---|-------------|-------------|-------------|-------------|----------------------------|----------------------------|
| Enrollment | 32,765 | 33,938 | 34,402 | 34,174 | 34,055 | 34,584 |
| Schools ⁽¹⁾ | 68 | 65 | 62 | 61 | 61 | 61 |
| Instructional Staff ⁽²⁾ | 3,403 | 3,489 | 3,416 | 3,489 | 3,533 | 3,630 |
| Administrative Personnel ⁽²⁾ | 208 | 240 | 241 | 243 | 250 | 243 |
| Non-Certified Personnel ⁽²⁾⁽³⁾ | 1,454 | 1,517 | 1,521 | 1,525 | 1,558 | 1,671 |

Source: Buffalo CSD, Finance Office.

- (1) Includes active schools (with student enrollment) and swing schools (with and without temporary enrollment).
- (2) Paid from Buffalo CSD General, Grants and Food Service Funds.
- (3) Includes clerical, custodial, transportation, maintenance, instructional aides, exempt personnel and other full-time non-certified personnel.
- (4) Data as of March 31, 2017.
- (5) Projected.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
 INFORMATION REGARDING JOINT SCHOOLS
 CONSTRUCTION BOARD DEBT
 FOR THE YEAR ENDED JUNE 30, 2017
 (CONTINUED)**

STATE AID

State Aid (All Funds)
 Buffalo CSD
 Fiscal Years
 2011 through 2018

| Fiscal Year Ending June 30, | State Aid Received (\$ in Millions) |
|--------------------------------|---|
| 2011 | \$625.9 |
| 2012 | 624.4 |
| 2013 | 661.8 |
| 2014 | 679.8 |
| 2015 | 697.9 |
| 2016 | 721.9 |
| 2017 | 764.7 |
| 2018 ⁽¹⁾ | 798.1 |

⁽¹⁾ Budgeted.

Source: City of Buffalo Board of Education

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EXTRACLASSROOM ACTIVITY

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**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASROOM ACTIVITY FUNDS**

The President and Members of the
Board of Education of
Board of Education, City of Buffalo, New York
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds of Board of Education, City of Buffalo, New York (the Board), as of and for the year ended June 30, 2017 and the related note to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Extraclassroom Activity relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Extraclassroom Activity relevant to the Board's preparation and fair presentation of the financial statement 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 Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used 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 qualified opinion.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the Central Treasurers. Accordingly, it was impractical to extend our audit of receipts beyond the amounts recorded and were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the recorded transactions of the Extraclassroom Activity Funds of the Board for the year ended June 30, 2017, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statement is prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 13, 2017

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASSROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>School</u> | <u>Balance June 30, 2016</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2017</u> |
|---------------|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| 3 | \$ 2,978 | \$ 13,493 | \$ 12,359 | \$ 4,112 |
| 6 | 8,058 | 9,363 | 9,925 | 7,496 |
| 17 | 4,292 | 16,085 | 14,902 | 5,475 |
| 18 | 2,422 | 16,400 | 11,784 | 7,038 |
| 19 | 5,340 | 9,971 | 9,744 | 5,567 |
| 27 | 10,745 | 16,265 | 15,754 | 11,256 |
| 28 | 165 | 1,770 | 291 | 1,644 |
| 30 | 12,561 | 16,858 | 17,872 | 11,547 |
| 31 | 4,615 | 12,034 | 16,024 | 625 |
| 32 | 30,798 | 44,057 | 42,283 | 32,572 |
| 33 | 10,128 | 23,918 | 24,602 | 9,444 |
| 37 | 2,805 | 13,876 | 13,607 | 3,074 |
| 39 | 293 | 4,142 | 3,834 | 601 |
| 40 | 18 | 1,494 | 1,172 | 340 |
| 42 | 10,415 | 18,127 | 18,418 | 10,124 |
| 43 | 5,163 | 27,693 | 29,709 | 3,147 |
| 45 | 14,430 | 33,152 | 35,245 | 12,337 |
| 53 | 4,746 | 8,719 | 4,925 | 8,540 |
| 54 | 8,467 | 16,720 | 21,549 | 3,638 |
| 59 | 3,041 | 27,156 | 26,113 | 4,084 |
| 61 | 678 | 14,440 | 12,630 | 2,488 |
| 64 | 15,642 | 17,293 | 20,452 | 12,483 |
| 65 | 1,748 | 35,469 | 25,973 | 11,244 |
| 66 | 2,185 | 13,747 | 14,588 | 1,344 |
| 67 | 7,432 | 46,683 | 44,967 | 9,148 |
| 69 | 12,291 | 21,795 | 18,338 | 15,748 |
| 72 | 7,717 | 20,978 | 20,490 | 8,205 |
| 74 | 932 | 5,039 | 5,876 | 95 |
| 76 | 2,016 | 19,416 | 20,232 | 1,200 |
| 79 | 15,532 | 15,468 | 16,234 | 14,766 |
| 80 | 4,132 | 36,719 | 36,489 | 4,362 |
| 81 | 2,897 | 13,255 | 11,739 | 4,413 |
| 82 | 7,379 | 9,127 | 9,018 | 7,488 |
| 84 | 32,800 | 40,211 | 27,567 | 45,444 |
| 89 | - | 29,056 | 26,704 | 2,352 |
| 90 | 1,943 | 10,306 | 10,220 | 2,029 |
| 91 | 7,248 | 12,634 | 16,996 | 2,886 |
| 93 | 37,455 | 30,483 | 32,584 | 35,354 |
| 94 | 24,507 | 26,515 | 33,925 | 17,097 |
| 95 | 22,416 | 16,036 | 22,664 | 15,788 |
| 97 | 5,155 | 53,850 | 54,167 | 4,838 |
| 99 | 5,124 | 32,273 | 35,316 | 2,081 |
| 131 | 2,805 | 3,356 | 5,378 | 783 |
| 156 | 13,768 | 130,032 | 124,875 | 18,925 |
| 192 | 96,450 | 196,664 | 202,233 | 90,881 |
| Subtotal | \$ 471,732 | \$ 1,182,138 | \$ 1,179,767 | \$ 474,103 |

See note to financial statement.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASROOM ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

| <u>School</u> | <u>Balance June 30, 2016</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2017</u> |
|---------------|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| 195 | \$ 99,064 | \$ 297,667 | \$ 294,887 | \$ 101,844 |
| 197 | 2,723 | 45,713 | 46,026 | 2,410 |
| 198 | 5,039 | 29,490 | 23,335 | 11,194 |
| 200 | 12,619 | 47,610 | 49,150 | 11,079 |
| 204 | 12,628 | 46,562 | 46,173 | 13,017 |
| 205 | 11,029 | 33,332 | 33,605 | 10,756 |
| 206 | 44,995 | 84,212 | 81,997 | 47,210 |
| 212 | 12,814 | 111,666 | 123,486 | 994 |
| 301 | 12,507 | 28,426 | 31,764 | 9,169 |
| 302 | 30,328 | 55,589 | 54,988 | 30,929 |
| 304 | 71,441 | 242,820 | 244,013 | 70,248 |
| 305 | 28,631 | 119,409 | 114,788 | 33,252 |
| 307 | 5,709 | (656) | (2,408) | 7,461 |
| 352 | - | 1,025 | 1,025 | - |
| 353 | - | 1,713 | 879 | 834 |
| 357 | 430 | 2,122 | 1,772 | 780 |
| 361 | - | 200 | 90 | 110 |
| 415 | 26,479 | 47,461 | 47,128 | 26,812 |
| Subtotal | <u>376,436</u> | <u>1,194,361</u> | <u>1,192,698</u> | <u>378,099</u> |
| Total | <u>\$ 848,168</u> | <u>\$ 2,376,499</u> | <u>\$ 2,372,465</u> | <u>\$ 852,202</u> |

See note to financial statement.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
EXTRAClassroom Activity Funds
NOTE TO FINANCIAL STATEMENT**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Board of Education, City of Buffalo, New York (the Board). Consequently, such transactions are included in the basic financial statements of the Board only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the Board's Statement of Net Position-Fiduciary Funds at June 30, 2017.

The books and records of the Board's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

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