

**AUDITED  
BASIC FINANCIAL STATEMENTS**

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

**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**

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**JUNE 30, 2018**

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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, 2018, 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 Board'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 Board'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, 2018 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.

## **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; is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents; 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, is 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 12, 2018 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 12, 2018

**Management's Discussion and Analysis**  
**Board of Education, City of Buffalo, New York**  
**Fiscal Year ended June 30, 2018**

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, 2018.

**Financial Highlights**

The 2017-18 fiscal year ended with an operating surplus of \$12.1 million in the general fund, as overall general fund revenues increased by \$31.0 million from the prior year, while expenditures decreased by \$1.7 million. This follows alternating surpluses and deficits over the last three years, including a \$20.6 million deficit in 2016-17, a \$12.2 million surplus in 2015-16, and a \$2.6 million deficit in 2014-15.

- The \$12.1 million general fund surplus was largely the result of several unanticipated one-time revenues amounting to \$15.4 million, which were received late in the 2017-18 year or early in 2018-19, combined with a continued focus on implementing initiatives in the District's Four Year Financial Plan, which projects bringing the District into a long-term structural balance through effective collective bargaining agreements, controlling of costs, and enhanced revenues.
  - In June 2018 the District received retroactive increases in Building aid and Career Education aid resulting in an unanticipated increase in State aid of \$10.2 million.
  - In July 2018, the District received \$2.4 million in gross Medicaid reimbursement revenues as a result of retroactive rate adjustments in the School Supportive Health Services Program.
- Total general fund State aid increased \$33.9 million to \$746.5 million in 2017-18 mainly due to increases in State Foundation aid of \$16.8 million, the aforementioned \$10.2 million retroactive increases in Building aid and Career Education, and increases in many formula aid types, such as Transportation (up \$0.9 million) and Charter School Transitional and Supplemental aid (up \$1.9 million).
- Overall general fund expenditures declined \$1.7 million in 2017-18 when compared to 2016-17; however, overall expenditures increased \$18.2 million when adjusting for the \$19.9 million one time payments made to teachers as a result of the settled teachers contract in 2016-17.
- Total employee benefit expenditures in the general fund decreased by \$1.0 million to \$186.4 million in 2017-18. This decrease was mainly the result of declines in of \$4.4 million in Teachers Retirement System pension costs due to a decrease in rates and a \$0.7 million decrease in termination payments to teachers as the teacher contract settled in 2016-17 was designed to improve teacher retention, thus reducing retirements. Offsetting these decreases were increased costs in Workers Compensation of \$1.3 million, health insurance costs of \$0.8 million, and State Employee Retirement System payments of \$2.2 million as the District paid off the remaining balance of previously deferred pension payments under the Chapter 57 Laws of 2013 to reduce future interest costs.
- Tuition payments to charter schools in the general fund increased \$12.0 million in 2017-18 to \$118.4 million. The increase was due mainly to an increase in charter school students during the 2017-18 year of 615 full time equivalent students coupled with a \$500 per pupil increase in the base tuition rate, offset by a slight decrease in charter school special education tuition payments of \$0.1 million.

- During 2017-18, the District settled contracts with its Administrators union, which was ratified on September 20, 2017 with an estimated 2017-18 cost at ratification of \$4.4 million in total or \$4.0 million in the general fund, and Substitute Teachers union which was ratified on February 14, 2018 with an estimated 2017-18 cost at ratification of \$0.9 million in total or \$0.8 million in the general fund.
- Total fund balance for all funds increased \$3.0 million to \$245.6 million, with the most significant factors being the aforementioned \$12.1 million surplus in the general fund offset by a \$6.8 million reduction in the capital projects fund as proceeds received from refunding activity continue to be utilized for capital improvements.
- Total fund balance in the general fund was \$194.7 million at June 30, 2018, up \$12.1 million from the prior year. Non spendable and restricted fund balance together was \$25.5 million, flat with the prior year, while assigned fund balance was \$91.4 million, or an increase of \$4.3 million, and unassigned fund balance was \$77.8 million, or an increase of \$7.8 million, primarily as a result of the 2017-18 operating surplus.
- Total expenditures in the Special Aid fund increased by \$11.2 million to \$126.7 million in 2017-18. A significant portion of this increase was the result of new grant awards in the 2017-18 year, including the \$2.8 million Federal Temporary Emergency Impact Aid for Displaced Students program, \$6.6 million for the State funded Community Schools Grant, along with \$0.8 million for the Empire State Afterschool Program grant.
- Debt service expenditures increased \$2.4 million based on scheduled debt payments. There was no refinancing activity or newly issued debt in 2017-18.
- School food service expenditures increased \$0.9 million to \$31.5 million, while revenues increased \$2.1 million to \$31.4 million, which when combined with \$0.4 million in net interfund transfers in, resulted in a surplus of \$0.2 million, increasing fund balance to \$19.0 million. On June 20, 2018, the Board ratified a new collective bargain agreement with the food service fund's largest employee group, Food Service Workers Local 264. The agreement had no fiscal impact on the 2017-18 year.
- Capital project expenditures in 2017-18 increased \$10.4 million over the prior year, to \$25.3 million, primarily as a result of \$10.0 million in expenditures related to the New York State Smart Schools Bond Act, with those purchases being utilized to provide classroom technology to students.
- Capital assets, net of accumulated depreciation, decreased \$51.9 million to \$917.7 million mainly due to the depreciation of existing assets. Net investment in capital assets (Capital assets less outstanding debt) amounted to \$81.0 million at June 30, 2018.
- Government-wide net position increased by \$26.1 million to negative (\$2,587.9) 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.

### **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.

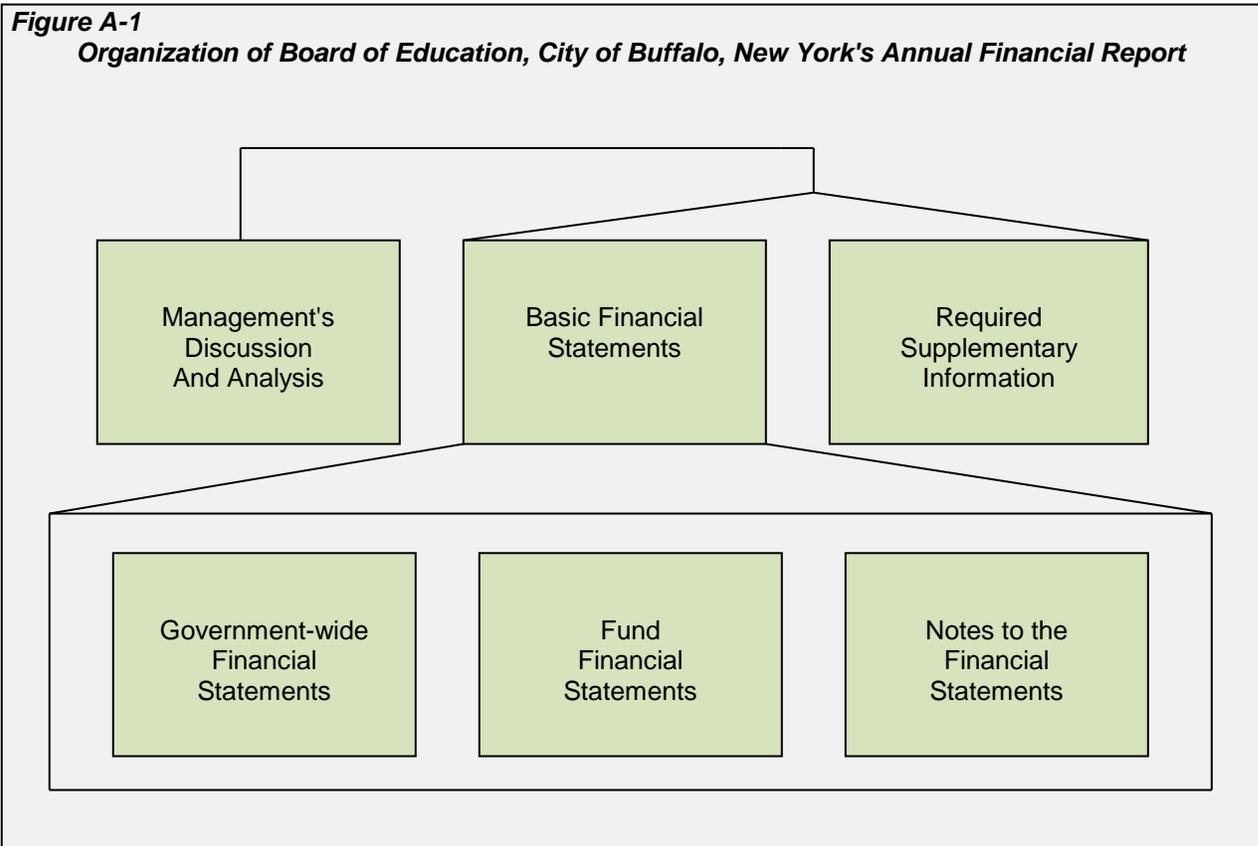


Figure A-2 summarizes the major features of the Board's financial statements, including the portion of the Board's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
		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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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 (\$2,587.9) million at the close of the most recent fiscal year, compared to negative (\$2,613.9) million in the prior year, for an increase of \$26.0 million in the current year.

The largest portion of the Board's net position, an amount totaling \$81.0 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. \$56.0 million of the Board's net position is subject to external restrictions or State law with \$30.4 million of that amount being restricted for debt service. The remaining negative balance for unrestricted net position of \$2,724.9 million shows that excess funds are not currently available to meet the Board's ongoing and long term obligations such as OPEB liability. The District's OPEB liability amounts to \$2,290.2 million and is funded on a pay-as-you-go basis, with funds budgeted annually to cover current year costs. Therefore, the OPEB liability is not pre-funded and will impact future years' budgets.

Figure A-3

**Condensed Statement of Net Position**  
*(in thousands of dollars)*

	Governmental Activities and Total District		Total Percentage Change
	2018	2017	2017-2018
Current and other assets	\$ 363,398	\$ 376,336	-3.4%
Capital assets not being depreciated	33,877	14,794	129.0%
Capital assets, net of accumulated depreciation	883,824	954,825	-7.4%
TRS pension asset	13,961	-	100.0%
Total assets	<u>1,295,060</u>	<u>1,345,955</u>	<u>-3.8%</u>
Deferred outflow of resources	<u>224,457</u>	<u>215,017</u>	<u>100.0%</u>
Other liabilities	124,394	141,016	-11.8%
Long-term liabilities	3,269,918	3,616,335	-9.6%
Total liabilities	<u>3,394,312</u>	<u>3,757,351</u>	<u>-9.7%</u>
Deferred inflow of resources	<u>713,081</u>	<u>417,561</u>	<u>100.0%</u>
Net investment in capital assets	80,991	67,181	20.6%
Restricted for:			
Capital development fund	204	204	0.0%
Debt service	30,444	32,897	-7.5%
Endowments	503	503	0.0%
Joint Schools Construction Board projects	146	131	11.5%
Judgments and claims	17,750	17,750	0.0%
Stabilization	3,835	3,830	0.1%
Unemployment Insurance	3,156	3,156	0.0%
Unrestricted (deficit)	<u>(2,724,905)</u>	<u>(2,739,592)</u>	<u>0.5%</u>
Total net position	<u>\$ (2,587,876)</u>	<u>\$ (2,613,940)</u>	<u>1.0%</u>

Current and other assets decreased \$12.9 million from June 30, 2017 to \$363.4 million at June 30, 2018. The main driver of the decrease was a decrease of \$38.4 million in cash held by the City of Buffalo, which declined \$32.3 million as a result of payments on outstanding accounts payables and accrued liabilities, which decreased by a corresponding amount of \$28.6 million during 2017-18. Capital fund cash balances declined \$6.4 million as funds were utilized for capital project expenditures. Offsetting these decreases, miscellaneous receivables increased \$10.2 million as a result of a health insurance refund receivable utilized to establish the District's incurred but not reported health insurance liability, while State and Federal aid receivable increased by \$10.0 million in the capital project fund related to the Smart Schools Bond Act, and by \$6.7 million in the special aid fund primarily as a result of timing and a larger reimbursable expenditure base in 2017-18.

Capital assets being depreciated decreased \$51.9 million due mainly to current year depreciation of \$78.7 million, while asset additions totaled \$7.8 million. Capital assets not being depreciated increased \$19.1 million as a result of an increase in construction in process in the current year.

The TRS Pension asset increased from zero at June 30, 2017 to \$14.0 million at June 30, 2018, as the Board's proportionate share of the total TRS pension net asset, which was a liability in the prior became an asset in 2018 as a result of changes in underlying assumptions, particularly the discount rate.

Deferred outflow of resources increased by \$9.4 million mainly due to an increase of \$11.7 million in deferred pension outflows as a result of changes in assumptions, particularly differences between expected and actual experience.

Other liabilities decreased \$16.6 million from June 30, 2017 to \$124.4 million at June 30, 2018. The main reason for the decrease was a reduction in the general fund accounts payable of \$20.4 as relatively high payables balance in the prior year was reduced, while accrued liabilities increased \$2.0 million and payments due to retirement systems declined by \$5.0 million as a result of lower pension rates in the 2017-18 year. The special aid fund had a \$2.3 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, while the capital fund had a \$2.7 million increase in accounts payable as a result of liabilities accrued related to the Smart Schools Bond act as of June 30, 2018.

Long term liabilities decreased \$346.4 million in the current year, with the OPEB liability decreasing by \$245.1 million to \$2,290.2 million as the result of changes in assumptions, particularly differences between expected and actual experience. The TRS pension liability, the Board's proportionate share of the total TRS system liability decreased to zero at June 30, 2018 as the prior year liability of \$17.6 million is recorded as an asset as of June 30, 2018. The reversal of the TRS pension liability to an asset was the result of a change in assumptions, particularly the interest rate. Serial bonds and other long term obligations decreased by \$64.9 million, due mainly to regular payments for bonded and other debt, while there were no debt refundings or new issued debt during the year. Additionally, the ERS Pension Liability, which is the Board's proportionate share of the total ERS System net liability, declined \$8.0 million to \$4.4 million at June 30, 2018 as a result of changes in underlying assumptions.

Deferred inflows of resources increased by \$295.5 million to \$713.1 million at June 30, 2018. This was primarily the result of deferred postemployment inflows which increase \$239.7 million as a result of changes in assumptions, particularly differences between expected and actual experience. Deferred pension inflows which increased \$55.8 million, as a result of differences between projected and actual earnings on pension plan investments.

In considering the viability of the Board, it is important to consider that 87% 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 85% of general fund revenues. 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. 83% 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
	2018	2017	2017-2018
<b>Revenues:</b>			
Contributions from City of Buffalo	\$ 60,348	\$ 58,615	3.0%
School tax relief reimbursement	10,475	11,708	-10.5%
Non-property taxes	46,256	43,389	6.6%
Charges for services	3,832	2,859	34.0%
Operating grants and contributions	147,820	139,521	5.9%
Use of money and property	554	234	136.8%
Miscellaneous	8,456	15,590	-45.8%
State and federal aid, unallocated	764,177	719,177	6.3%
Total revenue	<u>1,041,918</u>	<u>991,093</u>	5.1%
<b>Expenses:</b>			
General support	82,175	92,446	-11.1%
Instruction - regular	719,243	806,774	-10.8%
Instruction - charter school payments	119,591	106,378	12.4%
Pupil transportation	58,434	56,129	4.1%
Community service	294	214	37.4%
Interest	33,411	31,147	7.3%
Capital outlay	2,706	1	270500.0%
Total expenses	<u>1,015,854</u>	<u>1,093,089</u>	-7.1%
Changes in net position	<u>\$ 26,064</u>	<u>\$ (101,996)</u>	-125.6%

Total revenues of \$1,041.9 million in 2017-18 increased \$50.8 million from \$991.1 million in 2016-17. Unallocated state and federal aid of \$764.2 million increased \$45.0 million in 2017-18, mainly due to increases in State sources in the general fund, along with the Smart Schools Bond Act revenues in the capital fund. Total program revenues, which consist of operating grants and revenues along with charges for services increased \$9.3 million to \$151.7 million in 2017-18.

Total expenses of \$1,015.8 million in 2017-18 decreased \$77.2 million from \$1,093.1 million in 2016-17. Regular instruction decreased \$87.5 million mainly as a result a reduction in allocated costs including depreciation expense and the impact of other postemployment expenses as a result of GASB 75. Charter school tuition increased \$13.2 million due to higher student counts and tuition rates in 2017-18. General support declined \$10.3 million, while transportation and interest each increased \$2.3 million, while capital outlay increased \$2.7 million.

**Financial Analysis of The Board's Funds**

The General Fund is the chief operating fund of the Board. At the end of 2017-18, the Board had a total fund balance of \$194.7 million. Total fund balance increased \$12.1 million during 2017-18, which is a result of the general fund operating surplus in 2017-18.

As a measure of liquidity, it may be useful to compare the fund balances to the total General Fund expenditures. Unassigned fund balance of \$77.8 million at June 30, 2018 was 10.0% of the current year expenditures (up 1.0% from the previous year), while the total fund balance was 25.0% of the current year expenditures (an increase of 1.5% from previous year). As of June 30, 2018, the Board's policies require maintenance of \$36.7 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 and the general fund operating surplus of \$12.1 million in 2017-18.

As of June 30, 2018, non-spendable fund balance was unchanged \$0.8 million, while restricted fund balance was unchanged at \$24.7 million.

As of June 30, 2018, \$19.0 million of assigned fund balance is appropriated for the 2018-19 budget. This is an decrease of \$3.0 million from the prior year budget. The District's Four Year Financial Plan anticipates a reduced reliance on fund balance usage annually.

As of June 30, 2018, 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 unchanged from the prior year.

\$3.2 million is assigned to prior year encumbrances, a decrease of \$0.2 million from the prior year. Another \$48.1 million is assigned for OPEB and other employee benefits, an increase of \$3.0 million from the prior year. \$12.1 million is assigned for capital project seed money and un-aidable projects, such as school facility painting.

The fund balance in the Debt Service Fund declined by \$2.5 million to \$30.4 million as a result of the debt payments and transfers. The fund balance in the Capital Funds decreased \$6.8 million to \$0.9 million as revenues and interfund transfers in were less than the capital outlay by \$6.8 million. The School Lunch fund balance increased \$0.2 million to \$19.0 million due to a small surplus in the fund in 2017-18. These fund balances must be used for the specific purpose of the respective fund and cannot be transferred to the general fund.

**Figure A-5**

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

	<b>2018</b>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 878,769	\$ 866,659	\$ 194,713
Special Aid Fund	126,700	126,700	-
Joint Schools			
Construction Board Fund	14	-	90
Debt Service Fund	104,025	106,477	30,445
Capital Projects Fund	18,476	25,269	939
School Food Service Fund	31,780	31,531	18,955
Special Activities Fund	6	2	185
Permanent Fund	-	4	318

	<b>2017</b>		
	<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	32,897
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

## General Fund Budgetary Highlights

The General Fund ended 2017-18 with a \$12.1 million operating surplus, which follows a \$20.6 million deficit in the prior year. As previously described, this surplus was in large part the result of several one-time revenues amounting to \$15.4 million that were unanticipated at the time the 2017-18 budget was adopted. Total revenues and transfers in were \$878.8 million, while total expenditures and transfers out were \$866.7 million.

Within the General Fund, there was an overall unfavorable revenue budgetary variance of \$18.1 million compared to the revised budget. The largest variance, appropriated fund balance, appears as a \$24.7 million unfavorable budget variance, when including the \$2.7 million appropriated for carry over encumbrances. The remaining \$22.0 million was appropriated for 2017-18 operations. 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 \$746.5 million was \$4.4 million over budget mainly due additional unanticipated revenues the District received related to retroactive increases in Building aid and Career Education aid amounting to \$10.2 million. Offsetting these State aid increases, there were several formula based aids below budget as a result of underlying reimbursement data coming in below the original estimates, including Charter School Transitional aid, Transportation aid, and Public Excess Cost aid, which were under budget by \$2.0 million, \$1.6 million, and \$1.2 million, respectively.

Federal revenues, consisting of Medicare reimbursements, of \$4.4 million were \$1.8 million over budget due to a continuation of successful initiatives undertaken to recoup Medicaid claims from prior years that had not been received, along with the receipt of \$2.4 million in gross Medicaid reimbursement revenues as a result of retroactive rate adjustments in the School Supportive Health Services Program. Non property tax items, consisting of Erie County Sales tax revenues of \$46.3 million were \$3.9 million over budget as a result of the budget being conservatively set, while overall sales tax collections in the county have risen with the strong local economy. Miscellaneous local sources had a \$3.1 million unfavorable variance due to interfund and miscellaneous revenues which are difficult to budget with certainty, and fluctuate significantly from year to year.

The Board had favorable budgetary variances within the General Fund expenditures of \$27.1 million when compared to the original and final budget.

General support, which encompasses central services such as physical plant and information technology, along with central administration and special items, such as legal settlements and contingencies had a favorable variance of \$9.0 million to the original budget and a favorable variance of \$9.4 million to the revised budget. Favorable variances in special items, which consist of a contingency that is budgeted to be utilized to cover the cost of union contract settlements and to add instructional staff for reasons of equity, had a \$6.1 million favorable variance to the original budget and a \$4.5 million favorable variance to the revised budget as funds were unspent or replenished with savings from other areas. Central services, which encompass physical plant and information technology had a favorable variance of \$3.1 million to the original budget and \$4.1 million to the revised budget. Significant savings from the original budget were in salaries (\$1.8 million), utilities (\$0.9 million), and other contract services (\$0.4 million).

Instruction – Administration and Improvement, which is where the majority of District administrators are charged had an unfavorable variance to the original budget of \$2.4 million, but a favorable variance to the revised budget of \$2.1 million. This was the result of the Administrators contract settlement during the 2017-18 year, which was anticipated to cost approximately \$4.0 million in the general fund. Budget transfers were completed to cover the cost increases, but the final cost was somewhat less than originally projected due to vacant positions.

Regular instruction had a favorable variance to the original budget of \$5.6 million and favorable variance to the revised budget by \$7.1 million, mainly as a result of vacancies and favorable salary differentials, which are typical occurrences. The increase in the revised budget was primarily the result of additional positions added during the year to provide additional instructional resources to schools for equity reasons. Special Education instruction had a favorable variance to the original budget of \$2.7 million and a favorable variance to the revised budget of \$2.4 million, as a result of vacancies and favorable salary differentials, which are typical occurrences.

Charter school tuition expense was favorable by \$5.5 million to the original budget but flat with the revised budget, as charter school pupil counts declined throughout the year as more students returned to District and other schools. Though charter school pupil counts continue to grow year over year, including an addition of 615 FTEs during 2017-18 from 2016-17, during each year, there is a reduction in charter school pupils from the beginning of the year to the end of year, and this variance has become more pronounced in each of the last several years.

Transportation had a favorable variance to the original budget of \$1.4 million and a favorable variance to the revised budget of \$1.1 million mainly due to savings in yellow bus transportation contract costs and fuel costs.

Employee benefits had a favorable variance of \$5.6 million compared to the original budget and \$3.1 million favorable variance compared to the final budget. Health insurance costs were \$1.8 million under the original budget and \$0.5 million under the final budget as a result of cost savings initiatives such as the voluntary enrollment of retirees in a Medicare Advantage product, savings negotiated as part of collective bargaining agreements, and other initiatives in the District's four year financial plan. Termination payouts for retirees were \$2.6 million under the original budget as a result of projected retirements not materializing as recent collective bargaining agreements have focused on retaining staff, and as such, fewer retirements have resulted. Unemployment expenses were under budget as well. Employee Retirement System (ERS) pension expenses, Teachers Retirement System (TRS) pension expenses, and Social Security were under the final budget by \$0.6 million, \$0.9 million, and \$0.8 million respectively, mainly as a result of vacant positions during the year. During 2017-18, the District paid off the remaining \$2.5 million balance of the ERS pension liability originally deferred in the amount of \$3.4 million under the Chapter 57 Laws of 2013.

Interfund transfers were flat with the revised budget, but unfavorable to the original budget by \$3.0 million mainly due to interfund transfers to the special aid fund related to the District's summer handicapped program, which requires a significant general fund subsidy. Transfers to the City of Buffalo for debt service 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 \$917.7 million as of June 30, 2018. This investment in capital assets includes land, buildings and building improvements, land improvements and equipment. The net decrease from the previous fiscal year was \$51.9 million. This was mainly due to the depreciation expense of \$78.7 million and net disposals of \$0.1 million offset by additions of \$26.9 million.

**Figure A-6**

**Capital Assets Net of Depreciation**  
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2018	2017	2017-2018
Land	\$ 3,007	\$ 3,007	0.0%
Construction work in process	30,870	11,787	161.9%
Land improvements	972	1,062	-8.5%
Buildings	878,221	949,333	-7.5%
Equipment	4,631	4,430	4.5%
Total	<u>\$ 917,701</u>	<u>\$ 969,619</u>	<u>-5.4%</u>

**Long-Term Debt**

Total long-term debt outstanding at June 30, 2018 totaled \$3,269.9 million, of which \$798.0 million pertained to bonded debt. There was no refinancing activity in 2017-18. During the year, regular principal payments on bonded debt totaled \$65.6 million. Postemployment benefits decreased \$245.1 million to \$2,290.9 million due to changes in actuary assumptions, particularly differences between expected and actual experience. Net pension liabilities decreased \$25.7 million due to a change in actuary assumptions.

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
	2018	2017	2017-2018
Due to City of Buffalo Debt Service Fund	\$ 44,962	\$ 53,678	-16.2%
Revenue bonds payable	10,900	11,530	-5.5%
JSCB bonds payable	742,570	798,790	-7.0%
Postemployment benefits	2,290,152	2,535,305	-9.7%
Pensions	4,402	30,133	-85.4%
Other long-term obligations	76,230	75,594	0.8%
Bond premiums	100,702	111,305	-9.5%
Total	<u>\$ 3,269,918</u>	<u>\$ 3,616,335</u>	<u>-9.6%</u>

### **Factors Bearing on the Board's Future**

The 2018-19 adopted federal fund budget is \$916.4 million, an increase of \$22.2 million from the 2017-18 budget. The 2018-19 budget year is the third year of the Board's 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. Significant gains in student achievement have resulted from this investment in District students.

Total 2018-19 budgeted expenditures are increasing \$22.2 million from the 2017-18 adopted budget mainly due to increases in salaries of \$12.9 million related to contractual salary increases, \$6.1 million in employee benefits, charter school tuition expense of \$5.8 million due to higher pupil counts and tuition rates, and transportation costs of \$2.9 million. Partially offsetting this increase is a reduction in the budgeted contingency, contract costs, repairs and maintenance, utilities that amount to approximately \$5.4 million.

Total budgeted revenues in 2018-19 are expected to increase \$25.2 million, including an increase of \$22.6 million in State Aid. To close the 2018-19 deficit, the Board has appropriated \$19.0 million in fund balance, a decrease of \$3.0 million from the 2017-18 budget. A reduction in fund balance usage was projected in the Board's four year financial plan.

On September 19, 2018, the Board ratified a successor contract with the Transportation Aides of Buffalo. The Cost of this three year contract is anticipated to be \$0.2 million in 2018-19, \$0.4 million in 2019-20 and \$0.6 million in 2020-21, for a cumulative cost of \$1.2 million over three years. This contract is not anticipated to require any adjustment to the District's 2018-19 budget or four year financial plan.

The union contracts settled in 2017-18 have the following projected net costs through their terms: Administrators - \$4.4 million in 2017-18, \$4.4 million in 2018-19, \$5.4 million in 2019-20; Substitute Teachers - \$0.9 million in 2017-18, \$1.1 million in 2018-19; Food Service Workers – zero in 2017-18, \$0.6 million in 2018-19, \$0.8 million in 2019-20, \$1.0 million in 2020-21; \$1.3 million in 2021-22. These costs are expected to be paid for with funds projected in the District's four year financial plan; costs of settling outstanding union contracts were included in the 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 rising 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. After declining for two years, Teachers Retirement System rates increased 8.5% in 2018-19. Meanwhile, the Board has little control over revenues, of which 83% 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, 2018**

**ASSETS**

Cash and cash equivalents	\$ 276,903
Cash held by the City of Buffalo	232,455,732
Cash with fiscal agent	18,938,160
Cash and cash equivalents - restricted	15,726,300
Receivables	13,253,782
State and federal aid receivable	75,851,625
Due from other governments	5,231,946
Inventory	1,663,316
Capital assets not being depreciated	33,876,689
Capital assets, net of accumulated depreciation	883,824,565
Net pension asset	13,960,812
Total assets	<u>1,295,059,830</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension outflows	197,864,709
Deferred charge on refunding	26,592,388
Total deferred outflow of resources	<u>224,457,097</u>

**LIABILITIES**

Accounts payable	39,388,693
Interest payable	6,640,117
Accrued liabilities	19,118,617
Due to fiduciary funds	315,961
Due to the City of Buffalo	24,211,605
Due to other governments	1,362,022
Due to retirement systems	33,356,499
Long-term liabilities:	
Due and payable within one year	89,746,141
Due and payable after one year	3,180,171,967
Total liabilities	<u>3,394,311,622</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension inflows	63,992,726
Deferred postemployment inflows	649,088,000
Total deferred inflows of resources	<u>713,080,726</u>

**NET POSITION**

Net investment in capital assets	80,990,648
Restricted for:	
Capital development fund	203,630
Debt service	30,444,695
Endowments	502,938
Joint Schools Construction Board projects	145,789
Judgment and claims	17,750,000
Stabilization	3,835,350
Unemployment insurance	3,156,044
Unrestricted (deficit)	(2,724,904,515)
Total net position	<u>\$ (2,587,875,421)</u>

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General support	\$ 82,175,555	\$ -	\$ 139,940	\$ (82,035,615)
Instruction - regular	719,242,571	3,832,269	145,849,161	(569,561,141)
Instruction - charter school	119,591,393	-	-	(119,591,393)
Pupil transportation	58,433,842	-	1,830,902	(56,602,940)
Interest	33,410,848	-	-	(33,410,848)
Home and community services	293,671	-	-	(293,671)
Capital outlay	2,706,128	-	-	(2,706,128)
Total governmental activities	<u>\$ 1,015,854,008</u>	<u>\$ 3,832,269</u>	<u>\$ 147,820,003</u>	<u>(864,201,736)</u>
General revenues:				
Contribution from City of Buffalo				60,348,132
School tax relief reimbursement				10,474,626
Non-property taxes				46,256,229
Use of money and property				554,388
State aid - basic formula				672,375,156
State aid - lottery				91,801,031
Miscellaneous local sources				8,456,374
Total general revenues				<u>890,265,936</u>
Change in net position				26,064,200
Net position - beginning of year				<u>(2,613,939,621)</u>
Net position - end of year				<u>\$ (2,587,875,421)</u>

See notes to basic financial statements.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>General</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 91,488	\$ -	\$ 185,415	\$ 276,903
Cash held by the City of Buffalo	212,649,258	-	-	19,806,474	232,455,732
Cash with fiscal agent	-	-	18,938,160	-	18,938,160
Cash and cash equivalents - restricted	694,090	-	11,506,535	3,525,675	15,726,300
Receivables	13,017,227	111,975	-	124,580	13,253,782
Due from other funds	10,230,168	-	-	75,802	10,305,970
State and federal aid receivable	29,170,099	34,865,683	-	11,815,843	75,851,625
Due from other governments	5,231,946	-	-	-	5,231,946
Inventory	791,724	-	-	871,592	1,663,316
	<u>271,784,512</u>	<u>35,069,146</u>	<u>30,444,695</u>	<u>36,405,381</u>	<u>373,703,734</u>
Total assets	\$	\$	\$	\$	\$
<b>LIABILITIES</b>					
Accounts payable	\$ 24,143,119	\$ 7,113,052	\$ -	\$ 8,132,522	\$ 39,388,693
Accrued liabilities	17,892,884	898,047	-	327,686	19,118,617
Due to other funds	317,123	2,846,442	-	7,458,366	10,621,931
Due to the City of Buffalo	-	24,211,605	-	-	24,211,605
Due to other governments	1,362,022	-	-	-	1,362,022
Due to retirement systems	33,356,499	-	-	-	33,356,499
	<u>77,071,647</u>	<u>35,069,146</u>	<u>-</u>	<u>15,918,574</u>	<u>128,059,367</u>
Total liabilities	77,071,647	35,069,146	-	15,918,574	128,059,367
<b>FUND BALANCES</b>					
Nonspendable	791,724	-	-	1,189,416	1,981,140
Restricted	24,741,394	-	30,444,695	534,534	55,720,623
Assigned	91,394,194	-	-	18,762,857	110,157,051
Unassigned	77,785,553	-	-	-	77,785,553
Total fund balances	<u>194,712,865</u>	<u>-</u>	<u>30,444,695</u>	<u>20,486,807</u>	<u>245,644,367</u>
Total liabilities and fund balances	\$ <u>271,784,512</u>	\$ <u>35,069,146</u>	\$ <u>30,444,695</u>	\$ <u>36,405,381</u>	\$ <u>373,703,734</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  
FOR THE YEAR ENDED JUNE 30, 2018**

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Amounts reported for governmental activities in the Statement of Net Position (page 18) are different because:

Total fund balances - governmental funds (page 20)	\$	245,644,367
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets are \$1,822,782,770 and the accumulated depreciation is \$985,081,516.		917,701,254
Pension assets (TRS) used in governmental activities are not financial resources and therefore are not reported in the funds		13,960,812
Long-term liabilities not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$	(753,470,000)
Compensated absences		(23,627,437)
Judgements and claims		(43,763,000)
Due to the City of Buffalo debt service fund		(44,962,000)
Due to other governments		(8,840,000)
ERS pension liability		(4,402,094)
Net postemployment obligations		<u>(2,290,152,000)</u>
		(3,169,216,531)
To recognize interest accrual on long-term debt.		(6,640,117)
Deferred outflows of resources associated with advance refunding are reported as expenditures in the governmental funds.		26,592,388
Bond premiums are recorded as revenues in the governmental funds. The premium amount is \$258,894,978 and the accumulated amortization is \$158,193,401.		(100,701,577)
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		(649,088,000)
Net pension deferred outflows and inflows of resources		<u>133,871,983</u>
Net position of governmental activities	\$	<u><u>(2,587,875,421)</u></u>

**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, 2018**

	<u>General</u>	<u>Special Aid</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Contribution from City of Buffalo	\$ 60,348,132	\$ -	\$ -	\$ -	\$ 60,348,132
School tax relief reimbursement	10,474,626	-	-	-	10,474,626
Non-property taxes	46,256,229	-	-	-	46,256,229
Charges for services	2,569,828	-	-	1,262,441	3,832,269
Use of money and property	128,136	-	404,373	21,879	554,388
Sale of property and compensation for loss	68,362	-	-	-	68,362
Miscellaneous local sources	7,844,631	2,901,181	400,263	143,118	11,289,193
State sources	746,543,543	54,407,402	-	10,770,047	811,720,992
Federal sources	4,402,723	63,686,450	-	29,284,844	97,374,017
	<u>878,636,210</u>	<u>120,995,033</u>	<u>804,636</u>	<u>41,482,329</u>	<u>1,041,918,208</u>
Total revenues					
<b>EXPENDITURES</b>					
Current:					
General support	66,424,463	4,564,929	-	1,250,243	72,239,635
Instruction - regular schools	320,923,974	93,638,683	-	28,127,234	442,689,891
Instruction - charter school	118,429,103	1,162,290	-	-	119,591,393
Pupil transportation	54,344,516	1,796,527	-	-	56,141,043
Home and community services	183,919	-	-	6,919	190,838
Employee benefits	186,401,206	25,537,371	-	2,128,864	214,067,441
Debt service:					
Principal	-	-	57,563,332	-	57,563,332
Interest	-	-	40,572,266	-	40,572,266
Capital outlay:					
General support	-	-	-	25,268,962	25,268,962
	<u>746,707,181</u>	<u>126,699,800</u>	<u>98,135,598</u>	<u>56,782,222</u>	<u>1,028,324,801</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, 2018**  
**(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	131,929,029	(5,704,767)	(97,330,962)	(15,299,893)	13,593,407
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to City of Buffalo debt service fund	(10,466,048)	-	-	-	(10,466,048)
Interfund transfers in	132,925	5,704,767	103,220,344	8,794,630	117,852,666
Interfund transfers out	<u>(109,486,248)</u>	<u>-</u>	<u>(8,341,322)</u>	<u>(25,096)</u>	<u>(117,852,666)</u>
Total other financing sources (uses)	<u>(119,819,371)</u>	<u>5,704,767</u>	<u>94,879,022</u>	<u>8,769,534</u>	<u>(10,466,048)</u>
Net change in fund balances	12,109,658	-	(2,451,940)	(6,530,359)	3,127,359
Fund balances - beginning	<u>182,603,207</u>	<u>-</u>	<u>32,896,635</u>	<u>27,017,166</u>	<u>242,517,008</u>
Fund balances - ending	<u>\$ 194,712,865</u>	<u>\$ -</u>	<u>\$ 30,444,695</u>	<u>\$ 20,486,807</u>	<u>\$ 245,644,367</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, 2018**

Amounts reported for governmental activities in the Statement of Net Position (page 19) are different because:

Net change in fund balances - total governmental funds (page 23)		\$	3,127,359
<p>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.</p>			
Capital outlays	\$	26,833,976	
Depreciation expense		<u>(78,730,272)</u>	(51,896,296)
<p>Change in proportionate share of net pension asset (liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.</p>			
Net pension - proportionate share - TRS		31,649,047	
Net pension - proportionate share - ERS		8,042,629	
Other postemployment benefits		<u>245,153,000</u>	284,844,676
<p>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.</p>			
Pension - TRS	\$	(36,062,514)	
Pension - ERS		(8,017,921)	
OPEB		<u>(239,751,000)</u>	(283,831,435)
<p>The net effect of various transactions involving capital assets (i.e. sales, trades, donations) is to decrease net position.</p>			
			(21,030)
<p>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:</p>			
Repayment of bond principal (due to City of Buffalo)	\$	8,716,000	
Repayment of due to other governments		713,332	
Repayment of revenue bonds payable		630,000	
Repayment of Joint School Construction Board debt		56,220,000	
Interest expense - general obligation bonds		556,280	
Amortization of deferred outflow		(2,248,446)	
Amortization of bond premium		<u>10,603,632</u>	75,190,798
<p>In the Statement of Activities, certain operating expenses - compensated absences (vacation &amp; 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:</p>			
Worker's compensation	\$	(1,689,000)	
Retirement system deferral		2,704,466	
Compensated absences		<u>(2,365,338)</u>	(1,349,872)
Change in net position of governmental activities		\$	<u>26,064,200</u>

See notes to basic financial statements.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK**  
**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**  
**JUNE 30, 2018**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ -	\$ 2,304
Cash and cash equivalents - restricted	5,988	941,908
Due from other funds	-	317,123
	<u>5,988</u>	<u>1,261,335</u>
Total assets	<u>5,988</u>	<u>1,261,335</u>
<b>LIABILITIES:</b>		
Employee benefits	-	317,123
Extraclassroom activity balances	-	941,908
Due to other funds	-	1,162
	<u>-</u>	<u>1,260,193</u>
Total liabilities	<u>-</u>	<u>1,260,193</u>
<b>NET POSITION:</b>		
Restricted for agency	-	1,142
Restricted for scholarships	5,988	-
	<u>5,988</u>	<u>-</u>
Total net position	<u>\$ 5,988</u>	<u>\$ 1,142</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, 2018**

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	<b>Private Purpose Trust</b>
<b>ADDITIONS:</b>	
Interest	\$ <u>          3</u>
Change in net position	3
Net position - beginning	<u>          5,985</u>
Net position - ending	<u><u>          5,988</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**

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**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 3.G).

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 GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units*. 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. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the Board's business office. 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**

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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. Activities of the fund are substantially complete as of June 30, 2018.

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.

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:

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

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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. 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 and workers' compensation, are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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.

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

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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**

Receivables are carried at their net realizable value. Receivables 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 receivables, however, no allowance for uncollectible receivables has been provided 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 inventoriable 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.

**5. INTERFUND TRANSACTIONS**

The operations of the Board include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The Board typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the Board statements, the amounts reported on the Statement of Net Position for inter-fund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all inter-fund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Board's practice to settle these amounts as a net balance based upon the right of legal offset.

Refer to Note 3.H for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

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

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**6. 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, 2004. For assets acquired prior to June 30, 2004, 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

**7. INSURANCE**

The Board insures against liability for many risks including, but not limited to, property damage and automobile, but is self-insured for 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.

**8. 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 two 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, the 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 3.E.

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

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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 3.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, along with net change in actual and expected experience. See details of deferred OPEB inflows in Note 3.F.

**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.

Premiums received upon the issuance of debt are included as other financing sources in the governmental fund statements when issued. In the district-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a components of interest expense over the life of the related obligation.

Bond Defeasance – In the government-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of retired debt, and are recorded as either a deferred outflow or inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

**10. 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.

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

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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.

**11. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS**

In addition to providing pension benefits, the Board provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. 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 3.F).

**12. 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.

**13. 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.

**14. 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).

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.

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

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**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, 2018, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Split-Interest Agreements*; Statement No. 85, *Omnibus-2017*; and Statement No. 86, *Certain Debt Extinguishment Issues*.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 85 is to address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB).

The primary objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

The Board has evaluated Statements No. 81, 85, and 86 and have determined that they have no impact on the Board's operations in the current year.

The GASB has issued the following new pronouncements:

- 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. 87, *Leases*, which will be effective for the year ending June 30, 2021;
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for the year ending June 30, 2019; and
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.

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

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

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**NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**LEGAL COMPLIANCE BUDGETS**

**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.

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.

**NOTE 3 - 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, 2018.

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 - 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.

**Restricted Cash - General**

Cash is restricted to support obligations related to workers' compensation claims, along with an account held in trust with the Teacher's Federation in relation to the teacher's settlement.

**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.

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

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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 \$232,455,732. 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 \$24,211,605 of certain Board funds, as discussed in Note 8.

Extraclassroom Activity Cash

Deposits totaled \$941,908 and were fully collateralized at June 30, 2018.

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**

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**B. RECEIVABLES**

Significant revenues accrued by the Board include the following:

Receivables consist of the following at June 30, 2018:

General Fund:	
Health Services	\$ 955,367
Tuition billing	1,048,997
Health insurance refunds	10,235,122
Miscellaneous receivables	777,741
	<u>\$ 13,017,227</u>

State and federal aid receivable, consist of the following at June 30, 2018:

General Fund:	
State aid - basic aid	\$ 11,482,761
State aid - excess cost aid	14,918,762
State aid - medicaid	2,768,576
	<u>29,170,099</u>
Special Aid Fund:	
Federal awards	34,865,683
Capital Fund:	
State awards	10,007,636
School Food Service:	
Federal and State Reimbursements	<u>1,808,207</u>
Total	<u>\$ 75,851,625</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, 2018:

General Fund:	
Erie County Sales Tax	<u>\$ 5,231,946</u>

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

**C. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance 07/01/17	Increases	Decreases	Balance 06/30/18
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 3,006,700	\$ -	\$ -	\$ 3,006,700
Construction work in progress	11,787,084	22,562,834	3,479,929	30,869,989
Capital assets, not being depreciated	<u>14,793,784</u>	<u>22,562,834</u>	<u>3,479,929</u>	<u>33,876,689</u>
Capital assets that are depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvements	1,750,398,027	6,185,562	-	1,756,583,589
Equipment	25,377,625	1,565,509	163,328	26,779,806
Capital assets, being depreciated	<u>1,781,318,338</u>	<u>7,751,071</u>	<u>163,328</u>	<u>1,788,906,081</u>
Less accumulated depreciation:				
Land improvement	4,480,901	89,738	-	4,570,639
Buildings and building improvements	801,065,084	77,296,828	-	878,361,912
Equipment	20,947,557	1,343,706	142,298	22,148,965
Total accumulated depreciation	<u>826,493,542</u>	<u>78,730,272</u>	<u>142,298</u>	<u>905,081,516</u>
Total capital assets being depreciated, net	<u>954,824,796</u>	<u>(70,979,201)</u>	<u>21,030</u>	<u>883,824,565</u>
Governmental activities capital assets, net	<u>\$ 969,618,580</u>	<u>\$ (48,416,367)</u>	<u>\$ 3,500,959</u>	<u>\$ 917,701,254</u>

**D. ACCRUED LIABILITIES**

Accrued liabilities reported by the Board at June 30, 2018, were as follows:

	Accrued Payroll and Benefits	Termination Accrual	Miscellaneous	Total
General Fund	\$ 12,572,291	\$ 1,013,899	\$ 4,306,694	17,892,884
Special Aid Fund	898,047	-	-	898,047
School Food Service	30,463	-	1,332	31,795
Capital Fund	-	-	295,891	295,891
	<u>\$ 13,500,801</u>	<u>\$ 1,013,899</u>	<u>\$ 4,603,917</u>	<u>19,118,617</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.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK  
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The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding 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](http://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](http://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 31<sup>st</sup>.

In prior years, 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 paid the remaining balance of \$2,704,766 in the current year.

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

At June 30, 2018, the Board reported the following liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension liability was measured as of June 30, 2017 for TRS and March 31, 2018 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, 2017	March 31, 2018
Net pension (asset)/liability	\$ (13,960,812)	\$ 4,402,094
Board's portion of the Plan's total net pension (asset)/liability	1.836709%	0.136396%
Change in proportion since the prior measurement date	0.185211	0.003952

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK  
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For the year ended June 30, 2018, the Board recognized pension expense of \$33,540,684 for TRS and \$5,761,572 for ERS, respectively. At June 30, 2018 the Board's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 11,486,318	\$ 1,570,084	\$ 5,443,159	\$ 1,297,459
Change of assumptions	142,053,978	2,918,952	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,393,694	32,881,750	12,620,510
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,475,180	1,391,699	11,518,784	231,064
Board's contributions subsequent to the measurement date	<u>29,075,372</u>	<u>1,499,432</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 184,090,848</u>	<u>\$ 13,773,861</u>	<u>\$ 49,843,693</u>	<u>\$ 14,149,033</u>

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

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

Actuarial Assumptions

The total pension 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.

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

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Significant actuarial assumptions used in the valuations were as follows:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7.00%
Salary scale	1.9% - 4.7%	3.8%
Decrement tables	April 1, 2009 March 31, 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, 2016 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, 2017 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.

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:

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

Measurement Date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2017	March 31, 2018
	TRS	ERS	TRS	ERS
<b>Asset Class:</b>				
Domestic equity	35.0 %	36.0 %	5.9 %	4.6 %
International equity	18.0	14.0	7.4	6.4
Private equity	8.0	10.0	9.0	7.5
Real estate	11.0	10.0	4.3	5.6
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	8.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.6	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.6	-
Global fixed income securities	2.0	-	1.3	-
High yield income securities	1.0	-	3.9	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially 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 (asset)/liability calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the Board's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25% for TRS and 6.0% for ERS ) or 1-percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<b>TRS</b>			
Employer's proportionate share of the net pension (asset)/liability	\$ 240,503,438	\$ (13,960,812)	\$ (227,061,990)
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<b>ERS</b>			
Employer's proportionate share of the net pension (asset)/liability	\$ 33,307,433	\$ 4,402,094	\$ (20,050,667)

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

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Employer' total pension (asset)/ liability	\$ 114,708,261	\$ 183,400,590
Plan net position	115,468,360	180,173,145
Employers' net pension (asset)/liability	\$ <u>(760,099)</u>	\$ <u>3,227,445</u>
Ratio of plan net position to the employers' total pension (asset)/liability	100.7%	98.2%

Payables to the Pension Plan

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

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$1,499,431.

**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.

Employees Covered by Benefit Terms

As of April 30, 2018, the following employees were covered by the benefit terms:

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

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK  
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The Board's total OPEB liability of \$2,290,152,000 was measured as of June 30, 2018, using updated procedures to roll forward the total OPEB actuarial valuation from June 30, 2017.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary Increases	4.67%, average, including inflation
Discount Rate	3.87%
Healthcare Cost Trend Rates	8.50% in 2018, with an ultimate rate of 5.50% in 2026
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy.

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

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2017.

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

Changes in the Total OPEB Liability

	(in thousands)
Balance at July 1, 2017	\$ 2,535,305
<u>Changes for the year:</u>	
Service cost	82,946
Interest	92,126
Changes of benefit terms	509
Differences between expected and actual experience	(234,596)
Changes in assumptions or other inputs	(124,707)
Benefit payments	(61,431)
Net changes	<u>(245,153)</u>
Balance at June 30, 2018	<u>\$ 2,290,152</u>

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

Sensitivity of the Total OPEB Liability to 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 (2.87%) or 1 percentage point higher (4.87%) than the current discount rate (amounts in thousands):

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ <u>2,729,404</u>	\$ <u>2,290,152</u>	\$ <u>1,945,716</u>

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

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 (4.0%) or 1 percentage point higher (6.0%) than the current healthcare cost trend rate (amount in thousands):

	1% Decrease (7.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (8.50% decreasing to 5.00%)	1% Increase (9.50% decreasing to 6.00%)
Total OPEB Liability	\$ <u>1,894,120</u>	\$ <u>2,290,152</u>	\$ <u>2,812,500</u>

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

For the year ended June 30, 2018, the Board recognized OPEB expense of \$56,029,000. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 385,616
Changes in assumptions	-	263,472
Total	\$ <u>-</u>	\$ <u>649,088</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 Ended June 30,</u>	<u>Amount (in thousands)</u>
2019	\$ (119,552)
2020	(119,552)
2021	(119,552)
2022	(119,552)
2023	(119,551)
Thereafter	(51,328)

**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.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK  
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**CHANGES IN LONG-TERM LIABILITIES**

Changes in the Board's long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Government activities:					
Due to other governments	\$ 9,553,332	\$ -	\$ 713,332	\$ 8,840,000	\$ 713,334
Due to City of Buffalo					
Debt Service Fund	53,678,000	-	8,716,000	44,962,000	8,973,000
Revenue bonds payable	11,530,000	-	630,000	10,900,000	645,000
JSCB bonds payable	798,790,000	-	56,220,000	742,570,000	53,055,000
Premium on bonds	111,305,209	-	10,603,632	100,701,577	10,588,184
Compensated absences	21,262,099	8,911,700	6,546,362	23,627,437	7,274,623
Pension deferral	2,704,466	-	2,704,466	-	-
Net pension liability (ERS)-Proportionate Share*	12,444,723	-	8,042,629	4,402,094	-
Postemployment benefit obligations	2,535,305,000	175,581,000	420,734,000	2,290,152,000	-
Workers' compensation	42,074,000	11,667,000	9,978,000	43,763,000	8,497,000
Total long-term liabilities	<u>\$ 3,598,646,829</u>	<u>\$ 196,159,700</u>	<u>\$ 524,888,421</u>	<u>\$ 3,269,918,108</u>	<u>\$ 89,746,141</u>

\*Additions/reductions to net pension liabilities are presented net.

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.

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</u>	<u>Principal</u>
2019	713,334
2020	713,334
2021	713,332
2022	713,334
2023	713,334
2024-2028	3,566,666
2029-2032	1,566,666
2033-2036	140,000
Total	<u>\$ 8,840,000</u>

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

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

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

The remaining annual maturities are as follows:

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

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

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

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

The remaining annual maturities are as follows:

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

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

Compensated Absences - As described in Note 1.D.10, compensated absences, which total \$23,627,437 at June 30, 2018, 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 \$7,274,623 will be paid in the next fiscal year.

Workers' Compensation - Workers' compensation obligations total \$43,763,000 at June 30, 2018, 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 \$3,720,054. The future minimum lease payments required for noncancellable operating leases are as follows:

<u>Fiscal Year</u>	
2019	3,887,753
2020	5,443,651
2021	6,655,287
2022	6,492,927
2023	6,327,235
2024-2028	31,879,965
2029-2033	17,014,084
2034-2035	5,114,750
Total	<u>\$ 82,815,652</u>

**H. INTERFUND ACTIVITY**

Interfund activity at June 30, 2018 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 10,230,168	\$ 317,123	\$ 132,925	\$ 109,486,248
Capital Projects Fund	75,802	7,458,366	8,379,077	-
Special Aid Fund	-	2,846,442	5,704,767	-
Debt Service Fund	-	-	103,220,344	8,341,322
School Lunch Fund	-	-	415,553	25,096
Agency Fund	317,123	1,162	-	-
Total	<u>\$ 10,623,093</u>	<u>\$ 10,623,093</u>	<u>\$ 117,852,666</u>	<u>\$ 117,852,666</u>

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

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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.

**I. NET POSITION AND FUND BALANCE**

**1. NET POSITION**

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

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2018, plus nonspendable net position in the permanent fund.

Unrestricted net position - This category represents net position of the District not restricted for any project or other purpose.

**2. FUND BALANCE**

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by Board at June 30, 2018 include:

- *Permanent Fund* – represents assets that are legally restricted for endowment. This balance is nonspendable as the asset does not represent an available resource.
- *Inventory* - represents nonspendable inventory in the school lunch fund and school store.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority, the Board of Education. As of June 30, 2018, the District had no committed fund balances.

Assigned – represents amounts that are constrained by the District's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to specific use* – Represents fund balance within the special revenue funds that is assigned to a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.
- *Assigned to subsequent year's expenditure* – represents available fund balance being appropriated to meet expenditure requirements in the 2019 fiscal year.

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

*Unassigned* – 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.

As of June 30, 2018, fund balances were classified as follows:

	General	Debt Service	Nonmajor Funds	Total
<u>Nonspendable</u>				
Inventory	\$ 791,724	\$ -	\$ 871,593	\$ 1,663,317
Endowment	-	-	317,823	317,823
<u>Restricted:</u>				
Unemployment insurance	3,156,044	-	-	3,156,044
Judgments, property loss and claims	17,750,000	-	-	17,750,000
Stabilization	3,835,350	-	-	3,835,350
Joint School Construction				
Board projects	-	-	145,789	145,789
Debt service	-	30,444,695	-	30,444,695
Capital projects	-	-	203,630	203,630
Special activities fund	-	-	185,115	185,115
<u>Assigned:</u>				
Subsequent years' expenditures	19,000,000	-	-	19,000,000
OPEB and other employee benefits	48,146,089	-	-	48,146,089
Prior year claims	9,000,000	-	-	9,000,000
Capital projects and repairs	12,080,000	-	679,746	12,759,746
School food service	-	-	18,083,111	18,083,111
<u>Encumbrances:</u>				
General support	1,952,569	-	-	1,952,569
Instruction	1,205,640	-	-	1,205,640
Transportation	9,654	-	-	9,654
Other	242	-	-	242
<u>Unassigned (deficit):</u>				
General	77,785,553	-	-	77,785,553
<b>Total</b>	<b>\$ 194,712,865</b>	<b>\$ 30,444,695</b>	<b>\$ 20,486,807</b>	<b>\$ 245,644,367</b>

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

**NOTE 4 - 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, 2018.

	Balance <u>7/1/2017</u>	Additions	Deletions	Balance <u>6/30/18</u>
Cash	1,962	102,655,656	102,655,314	2,304
Extraclassroom activity cash	852,202	2,173,968	2,084,262	941,908
Accounts Receivable	1,643	13,492,219	13,493,862	-
Due from other funds	46,491	14,158,604	13,887,972	317,123
Total	<u>\$ 902,298</u>	<u>\$ 132,480,447</u>	<u>\$ 132,121,410</u>	<u>\$ 1,261,335</u>
Employee liabilities	48,135	31,996,960	31,727,972	317,123
Extraclassroom activity balance	852,202	2,173,968	2,084,262	941,908
Due to other funds	675	2,155	1,668	1,162
Agency reserve	1,286	1,385,898	1,386,042	1,142
Total	<u>\$ 902,298</u>	<u>\$ 35,558,981</u>	<u>\$ 35,199,944</u>	<u>\$ 1,261,335</u>

**NOTE 5 - 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 6 - COMMITMENTS AND CONTINGENCIES**

**A. CONTINGENCIES**

**1. GRANT AWARDS**

The Board participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the Board's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Board anticipates such amounts, if any, will be immaterial.

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

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2. LITIGATION

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

3. STATE AID

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

B. CONSTRUCTION COMMITMENTS

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

C. 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 \$3,168,134 in the General Fund.

**NOTE 7 - 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.

At the end of the year, the Board records the liability for claims paid subsequent to year end as an accrued liability and the excess premiums held on deposit by the third party administrator as a receivable.

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

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	Workers' Compensation
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	42,074,000
Claims incurred during the year	11,667,000
Payments made during the year, net	<u>(9,978,000)</u>
Estimated claims as of June 30, 2018	<u><u>\$ 43,763,000</u></u>

**NOTE 8 - 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 \$24,211,605.

Additionally, the Board transferred \$10,466,048 to the City for payment of the Board's portion of principal and interest on long-term debt.

**NOTE 9 – SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after October 12, 2018 which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Adopted Budget*</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Local sources:				
Contribution from City of Buffalo	\$ 57,770,405	\$ 57,770,405	\$ 60,348,132	\$ 2,577,727
School tax relief reimbursement	13,052,353	13,052,353	10,474,626	(2,577,727)
Nonproperty tax items	42,400,000	42,400,000	46,256,229	3,856,229
Charges for services	2,200,000	2,200,000	2,569,828	369,828
Use of money and property	115,000	115,000	128,136	13,136
Sale of property and compensation for loss	64,939	64,939	68,362	3,423
Miscellaneous local sources	10,951,368	10,951,368	7,844,631	(3,106,737)
State sources:				
Basic formula	655,295,350	655,295,350	642,991,597	(12,303,753)
Lottery aid	75,000,000	75,000,000	91,801,031	16,801,031
Other aid	11,800,585	11,800,585	11,750,915	(49,670)
Federal sources	<u>2,600,000</u>	<u>2,600,000</u>	<u>4,402,723</u>	<u>1,802,723</u>
 Total revenues	 871,250,000	 871,250,000	 878,636,210	 7,386,210
Other sources:				
Interfund transfers in	950,000	950,000	132,925	(817,075)
Appropriated fund balance	<u>22,000,000</u>	<u>24,715,815</u>	<u>-</u>	<u>(24,715,815)</u>
 Total revenues and other sources	 <u>\$ 894,200,000</u>	 <u>\$ 896,915,815</u>	 <u>\$ 878,769,135</u>	 <u>\$ (18,146,680)</u>

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

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (CONTINUED)**

	<u>Adopted Budget*</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
<b>EXPENDITURES</b>					
General support:					
Board of education	\$ 227,248	\$ 236,530	\$ 228,479	\$ 343	\$ 7,708
Central administration	960,328	1,075,323	1,031,572	976	42,775
Finance	3,485,142	3,553,693	3,110,654	71,883	371,156
Staff	3,537,687	4,302,279	3,774,462	140,453	387,364
Central services	61,531,932	62,576,685	56,723,017	1,731,441	4,122,227
Special items	7,659,522	6,052,030	1,556,279	7,714	4,488,037
Instruction:					
Instruction, administration, and improvements	27,434,941	31,960,689	29,616,348	217,725	2,126,616
Teaching - regular school	167,347,550	168,847,732	161,082,454	657,976	7,107,302
Teaching - special education	108,526,653	108,202,107	105,772,563	23,836	2,405,708
Charter school payments	123,917,294	118,506,993	118,429,103	-	77,890
Instructional media	4,872,612	5,796,067	4,957,929	167,805	670,333
Pupil services	19,863,701	20,674,507	19,494,680	105,919	1,073,908
Pupil transportation	55,750,401	55,452,842	54,344,516	42,034	1,066,292
Home and community services	143,655	196,258	183,919	-	12,339
Employee benefits	192,044,643	189,485,241	186,401,206	-	3,084,035
	<u>777,303,309</u>	<u>776,918,976</u>	<u>746,707,181</u>	<u>3,168,105</u>	<u>27,043,690</u>
Other uses:					
Interfund transfers out	<u>116,896,691</u>	<u>119,996,839</u>	<u>119,952,296</u>	<u>-</u>	<u>44,543</u>
Total expenditures and other uses	<u>\$ 894,200,000</u>	<u>\$ 896,915,815</u>	<u>\$ 866,659,477</u>	<u>\$ 3,168,105</u>	<u>\$ 27,088,233</u>
Net change in fund balance			<u>\$ 12,109,658</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  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) –  
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Teachers' Retirement System (TRS)</b>				
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Board's proportion of the net pension (asset) liability	1.695591%	1.668248%	1.651498%	1.836709%
Board's proportionate share of the net pension (asset) liability	\$ (188,878,283)	(173,277,759)	17,688,235	(13,960,812)
Board's covered-employee payroll	248,023,907	258,505,177	259,159,687	308,322,717
Board's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	-76.2%	-67.0%	6.8%	-4.5%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.0%	-100.7%
<b>Employees' Retirement System (ERS)</b>				
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Board's proportion of the net pension (asset) liability	0.142493%	0.141447%	0.132444%	0.136396%
Board's proportionate share of the net pension liability	\$ (4,813,758)	22,702,665	12,444,723	4,402,094
Board's covered-employee payroll	39,110,981	41,408,099	40,206,979	42,572,064
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-12.3%	54.8%	31.0%	10.3%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%	98.2%

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

The notes to the required supplementary information are an integral part of this schedule.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK**  
**SCHEDULE OF THE BOARD'S PENSION CONTRIBUTIONS – EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS**  
**LAST TEN FISCAL YEARS**  
**FOR THE YEAR ENDED JUNE 30,**

<b>TEACHERS' RETIREMENT SYSTEM</b>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 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	\$ 34,111,928
Contributions in relation to the contractually required contribution	<u>18,543,340</u>	<u>15,246,576</u>	<u>20,465,737</u>	<u>26,491,441</u>	<u>28,341,558</u>	<u>40,700,597</u>	<u>43,929,324</u>	<u>33,792,412</u>	<u>34,062,426</u>	<u>34,111,928</u>
Contribution deficiency (excess)	\$ <u>-</u>									
Board's covered-employee payroll	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	307,737,480
Contributions as a percentage of covered-employee payroll	8%	6%	8%	11%	12%	16%	17%	13%	11%	11%

<b>EMPLOYEES' RETIREMENT SYSTEM</b>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 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	\$ 6,266,223
Contributions in relation to the contractually required contribution	<u>3,676,006</u>	<u>2,391,143</u>	<u>4,440,936</u>	<u>7,065,431</u>	<u>8,436,183</u>	<u>5,070,646</u>	<u>7,695,528</u>	<u>7,283,149</u>	<u>6,363,848</u>	<u>6,266,223</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>3,423,927</u>	\$ <u>(359,765)</u>	\$ <u>(359,764)</u>	\$ <u>(359,764)</u>	\$ <u>-</u>				
Board's covered-employee payroll	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	55,203,507
Contributions as a percentage of covered-employee payroll	8%	6%	11%	21%	21%	12%	15%	14%	12%	11%

The notes to the required supplementary information are an integral part of this schedule.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK**  
**SCHEDULE OF CHANGE IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS\***

Measurement Date	June 30, 2017 (In Thousands)	June 30, 2018 (In Thousands)
<b>Total OPEB Liability</b>		
Service cost	\$ 105,405	\$ 82,946
Interest	82,361	92,126
Changes in benefit terms	-	509
Differences between expected and actual experience in the measurement of the total OPEB liability	(202,349)	(234,596)
Changes of assumptions or other inputs	(238,475)	(124,707)
Benefit payments	<u>(63,996)</u>	<u>(61,431)</u>
Net change in total OPEB liability	(317,054)	(245,153)
Total OPEB liability - beginning	<u>2,852,359</u>	<u>2,535,305</u>
Total OPEB liability - ending	<u>\$ 2,535,305</u>	<u>\$ 2,290,152</u>
Covered payroll	\$ 344,791	\$ 345,602
Total OPEB liability as a percentage of covered payroll	735.3%	662.7%

\*Information prior to the year ended June 30, 2017 not available.

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

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**NOTE 1 - BUDGETARY INFORMATION**

**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 is the only fund with legally approved budget for the fiscal year ended June 30, 2018, and therefore, is the only fund presented on the Budgetary Comparison Schedule.

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 private purpose trust 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.

**NOTE 2 – FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS**

The Board has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The Board currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. The Board's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. In addition, the discount factor has varied from 7.5% to 7.0% over the past four years.

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

## **SUPPLEMENTARY INFORMATION**

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**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK  
 COMBINING BALANCE SHEET – GOVERNMENTAL FUNDS  
 JUNE 30, 2018**

	<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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 300	\$ -	\$ 185,115	\$ -	\$ 185,415
Cash held by the City of Buffalo	2,784,571	17,021,903	-	-	-	19,806,474
Cash and cash equivalents - restricted	-	-	3,207,852	-	317,823	3,525,675
Receivables	-	124,580	-	-	-	124,580
Due from other funds	75,802	-	-	-	-	75,802
State and federal aid receivable	10,007,636	1,808,207	-	-	-	11,815,843
Inventory	-	871,592	-	-	-	871,592
	<u>-</u>	<u>871,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>871,592</u>
Total assets	<u>\$ 12,868,009</u>	<u>\$ 19,826,582</u>	<u>\$ 3,207,852</u>	<u>\$ 185,115</u>	<u>\$ 317,823</u>	<u>\$ 36,405,381</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 4,174,761	\$ 840,083	\$ 3,117,678	\$ -	\$ -	\$ 8,132,522
Accrued liabilities	295,891	31,795	-	-	-	327,686
Due to other funds	7,458,366	-	-	-	-	7,458,366
Total liabilities	<u>11,929,018</u>	<u>871,878</u>	<u>3,117,678</u>	<u>-</u>	<u>-</u>	<u>15,918,574</u>
<b>FUND BALANCES</b>						
Nonspendable	-	871,593	-	-	317,823	1,189,416
Restricted	259,245	-	90,174	185,115	-	534,534
Assigned	679,746	18,083,111	-	-	-	18,762,857
Total fund balances	<u>938,991</u>	<u>18,954,704</u>	<u>90,174</u>	<u>185,115</u>	<u>317,823</u>	<u>20,486,807</u>
Total liabilities and fund balances	<u>\$ 12,868,009</u>	<u>\$ 19,826,582</u>	<u>\$ 3,207,852</u>	<u>\$ 185,115</u>	<u>\$ 317,823</u>	<u>\$ 36,405,381</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, 2018**

	<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>
<b>REVENUES</b>						
Charges for services	\$ -	\$ 1,262,441	\$ -	\$ -	\$ -	\$ 1,262,441
Use of money and property	7,488	-	14,218	-	173	21,879
Miscellaneous local sources	82,251	54,498	-	6,369	-	143,118
State sources	10,007,636	762,411	-	-	-	10,770,047
Federal sources	-	29,284,844	-	-	-	29,284,844
	<u>10,097,375</u>	<u>31,364,194</u>	<u>14,218</u>	<u>6,369</u>	<u>173</u>	<u>41,482,329</u>
Total revenues						
<b>EXPENDITURES</b>						
Current:						
General support	-	1,250,243	-	-	-	1,250,243
Instruction - regular schools	-	28,127,234	-	-	-	28,127,234
Home and community services	-	-	-	2,600	4,319	6,919
Employee benefits	-	2,128,864	-	-	-	2,128,864
Capital outlay:						
General support	<u>25,268,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,268,962</u>
	<u>25,268,962</u>	<u>31,506,341</u>	<u>-</u>	<u>2,600</u>	<u>4,319</u>	<u>56,782,222</u>
Total expenditures						
Excess (deficit) of revenues over expenditures	(15,171,587)	(142,147)	14,218	3,769	(4,146)	(15,299,893)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	8,379,077	415,553	-	-	-	8,794,630
Interfund transfers out	<u>-</u>	<u>(25,096)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,096)</u>
	<u>8,379,077</u>	<u>390,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,769,534</u>
Total other financing sources						
Net change in fund balances	(6,792,510)	248,310	14,218	3,769	(4,146)	(6,530,359)
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 938,991</u>	<u>\$ 18,954,704</u>	<u>\$ 90,174</u>	<u>\$ 185,115</u>	<u>\$ 317,823</u>	<u>\$ 20,486,807</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, 2018**

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Adopted Budget	\$	894,200,000
Additions:		
Prior year encumbrances		3,360,611
Budget Revisions:		
Cancelled encumbrances		<u>(644,796)</u>
Final Budget	\$	<u>896,915,815</u>

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK**  
**SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures/Reclassifications To Date</u>			<u>Outstanding Encum- brances</u>	<u>Over (Under) Budget</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		
Computers & Technology	\$ 1,200,000	\$ 1,236,462	\$ 1,062,664	\$ 22,403	\$ 1,085,067	\$ 4,466	\$ 146,929
Refunding Savings Phase II	27,917,363	27,942,156	26,078,105	1,506,487	27,584,592	223,636	133,928
Partial Refunding Savings Phase IV	11,063,175	11,075,971	9,070,732	1,595,869	10,666,601	272,458	136,912
JSCB Local Share	-	2,572,506	2,020,836	551,670	2,572,506	-	-
Refunding Savings Phase III A&B	25,936,750	25,939,411	5,694,838	11,505,397	17,200,235	6,727,205	2,011,971
Emergency Generator - School 84	-	79,500	-	79,500	79,500	-	-
PA System Upgrades	145,584	145,584	-	-	-	20,450	125,134
Consolidated Capital Funds	-	1,194,088	-	-	-	-	1,194,088
Transfer of Debt Service Costs	468,434	34,723,154	34,723,154	-	34,723,154	-	-
Design / Consultants for Capital Projects	500,000	-	-	-	-	-	-
JSCB ECIDA Funds Phase II	612,111	1,419,840	1,419,840	-	1,419,840	-	-
Smart Schools Bond Act	10,000,000	15,000,000	-	10,007,636	10,007,636	-	4,992,364
<b>Total Capital Project Expenditures and Other Financing Uses</b>	<b>\$ 77,843,417</b>	<b>\$ 121,328,672</b>	<b>\$ 80,070,169</b>	<b>\$ 25,268,962</b>	<b>\$ 105,339,131</b>	<b>\$ 7,248,215</b>	<b>\$ 8,741,326</b>

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018**

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Capital assets, net	\$	917,701,254
Add:		
Cash held by City of Buffalo		2,784,571
Cash with fiscal agents		18,938,160
Cash - restricted		3,207,852
Deferred charge on refunding		26,592,388
Total additions		<u>51,522,971</u>
Deduct:		
Joint School Construction Boards bonds payable		742,570,000
Due to City of Buffalo debt service fund		44,962,000
Premium on bonds		100,701,577
Total deductions		<u>888,233,577</u>
Net investment in capital assets	\$	<u><u>80,990,648</u></u>

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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, 2018, 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 12, 2018.

**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 12, 2018

**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, 2018**

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**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 Erie County Industrial Development Agency (the Agency) 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 Agency 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 Agency 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 Agency 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 complete. 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, 2018  
 (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 complete. 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 complete.

**THE BUFFALO CITY SCHOOL DISTRICT 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 21 secondary schools, 38 elementary and intermediate schools, and 2 special schools. There are 19 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>	<u>2018</u>	<u>2019<sup>(4)</sup></u>
Enrollment	32,765	33,938	34,402	34,174	33,834	33,512	34,018
Schools <sup>(1)</sup>	68	65	62	61	61	61	61
Instructional Staff <sup>(2)</sup>	3,403	3,489	3,416	3,489	3,542	3,624	3,587
Administrative Personnel <sup>(2)</sup>	208	240	241	243	240	257	266
Non-Certified Personnel <sup>(2)(3)</sup>	1,454	1,517	1,521	1,525	1,545	1,531	1,554

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) Projected as of August 31, 2018.

**STATE AID**

State Aid (All Funds)  
Buffalo CSD  
Fiscal Years  
2011 through 2019

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	811.8
2019 <sup>(1)</sup>	810.2

<sup>(1)</sup> Projected as of September 30, 2018.

Source: City of Buffalo Board of Education