

**AUDITED
BASIC FINANCIAL STATEMENTS**

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

A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK

JUNE 30, 2019

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-14
Basic Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19-20
Reconciliation of Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Statement of Net Position - Fiduciary Funds	22
Statement of Changes in Net Position - Fiduciary Fund	23
Notes to Basic Financial Statements	24-47
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	48-49
Schedule of the Board's Proportionate Share of the Net Pension (Asset)/ Liability - Employees' and Teachers' Retirement Systems	50
Schedule of the Board's Pension Contributions – Employees' and Teachers' Retirement Systems	51
Schedule of Change in Total OPEB Liability and Related Ratios	52
Notes to Required Supplementary Information	53
Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	55
Schedule of Change from Adopted Budget to Final Budget - General Fund	56
Schedule of Project Expenditures - Capital Projects Fund	57
Schedule of Net investment in Capital Assets	58

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
TABLE OF CONTENTS (Continued)

	<u>Page</u>
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION	
Information Regarding Joint Schools Construction Board Debt	61-63

FINANCIAL SECTION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****



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, 2019, 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, 2019, 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 21, 2019, 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 21, 2019

Management's Discussion and Analysis
Board of Education, City of Buffalo, New York
Fiscal Year ended June 30, 2019

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, 2019.

Financial Highlights

- The 2018-19 fiscal year ended with an operating surplus of \$28.9 million in the general fund, as overall general fund revenues increased by \$32.47 million from the prior year, while expenditures and other uses of funds increased by \$15.9 million. This follows a 2017-18 surplus of \$12.1 million.
- The \$28.9 million general fund surplus was largely the result of the District's conversion to a traditional model of self-insurance for employee and retiree healthcare costs starting on July 1, 2018. The District recognized \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and recognized the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments. These were one-time events, not expected to be repeated. Meanwhile, the District also had an overall reduction in health insurance expenditures of \$15.4 million, which includes an increase in health insurance contributions from employees and retirees of \$0.8 million. Such reductions in cost, while very favorable in 2018-19, could reverse in future years.
- Total general fund State aid increased \$13.9 million to \$760.4 million in 2018-19 mainly due to increases in State Foundation aid of \$14.5 million and Charter School Transitional and Supplemental aid of 8.7 million. Offsetting these increases. Building aid was down \$8.8 million and all other formula aids were down \$0.6 million. The Building aid decline was the result of the prior year receipt of one-time retroactive adjustments in 2017-18.
- Overall general fund expenditures and other uses of funds increased \$18.6 million in 2018-19 when compared to 2017-18. The increase was a result of increases in instruction of \$19.2 million, which was primarily teacher salaries, while charter schools expenditures increased by \$7.0 million. The increase was offset by a decrease in employee benefits of \$11.1 million.
- Total employee benefit expenditures in the general fund decreased by \$11.1 million to \$175.3 million in 2018-19. This decrease was mainly the result of the aforementioned reduction in health insurance costs, along with a decrease in State Employee Retirement System payments of \$2.5 million as contributions fell to a more normalized level in 2018-19 after the District paid off the remaining balance of previously deferred pension payments under the Chapter 57 Laws of 2013 in 2017-18. Offsetting these increases were increases in Teachers Retirement System pension costs of \$3.8 million, primarily due to higher salaries, and a \$2.2 million increase in termination payments to teachers as there were more retirements in 2018-19 than in 2017-18.
- Tuition payments to charter schools in the general fund increased \$7.0 million in 2018-19 to \$125.4 million. The increase was due mainly to an increase in charter school students during the 2018-19 year of 334 full-time equivalent students to 9,004 coupled with a \$345 per pupil increase in the base tuition rate, offset by a decrease in charter school special education tuition payments of \$0.5 million.
- During 2018-19, the District settled its labor contract with its Transportation Aides, which was ratified on September 19, 2018, with an estimated 2018-19 cost of \$0.2 million.
- Total fund balance for all funds increased \$31.3 million to \$276.9 million, with the most significant factors being the aforementioned \$28.9 million surplus in the general fund along with a \$4.7 million increase in the capital projects fund as receipts of funds exceeded usage. Meanwhile, Food Service and Debt Service funds saw declines of \$1.3 million and \$1.0 million, respectively.
- Total fund balance in the general fund was \$223.7 million at June 30, 2019, up \$28.9 million from the prior year. Nonspendable and restricted fund balance together was \$25.7 million, up \$0.1 million from the prior year, while assigned fund balance was \$111.9 million, for an increase of \$20.5 million, primarily due to new assignment categories related to health insurance and school budget equity. Unassigned fund balance was \$86.1 million, or an increase of \$8.3 million, primarily as a result of the 2018-19 operating surplus.
- Total expenditures in the Special Aid fund decreased by \$7.4 million to \$119.3 million in 2018-19. A significant portion of this increase was the result of grant runoff in 2018-19, including the \$2.8 million Federal Temporary Emergency Impact Aid for Displaced Students program, which was a 2017-18 grant, and a reduction of \$2.1 million for the State funded Community Schools Grant, along with several expiring school improvement grants.
- Debt Service expenditures decreased by \$5.9 million based on scheduled debt payments. There was no refinancing activity or newly issued debt in 2018-19.

- School food service expenditures increased \$3.4 million to \$34.9 million, while revenues increased \$1.8 million to \$33.2 million, which when combined with \$0.5 million in interfund transfers in, resulted in a deficit of \$1.3 million, decreasing fund balance to \$17.7 million.
- Capital project expenditures in 2018-19 decreased \$6.5 million over the prior year, to \$18.7 million, primarily as a result of timing of capital projects as several large projects from the 2017-18 fiscal year wound down in 2018-19. Smart Schools Bond Act expenditures increased \$0.6 million to \$10.6 million.
- Capital assets, net of accumulated depreciation, decreased \$57.8 million to \$859.9 million mainly due to the depreciation of existing assets. Net investment in capital assets (Capital assets less outstanding debt) amounted to \$88.4 million at June 30, 2019.
- Government-wide net position increased by \$70.0 million to negative (\$2,517.9) 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-1

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

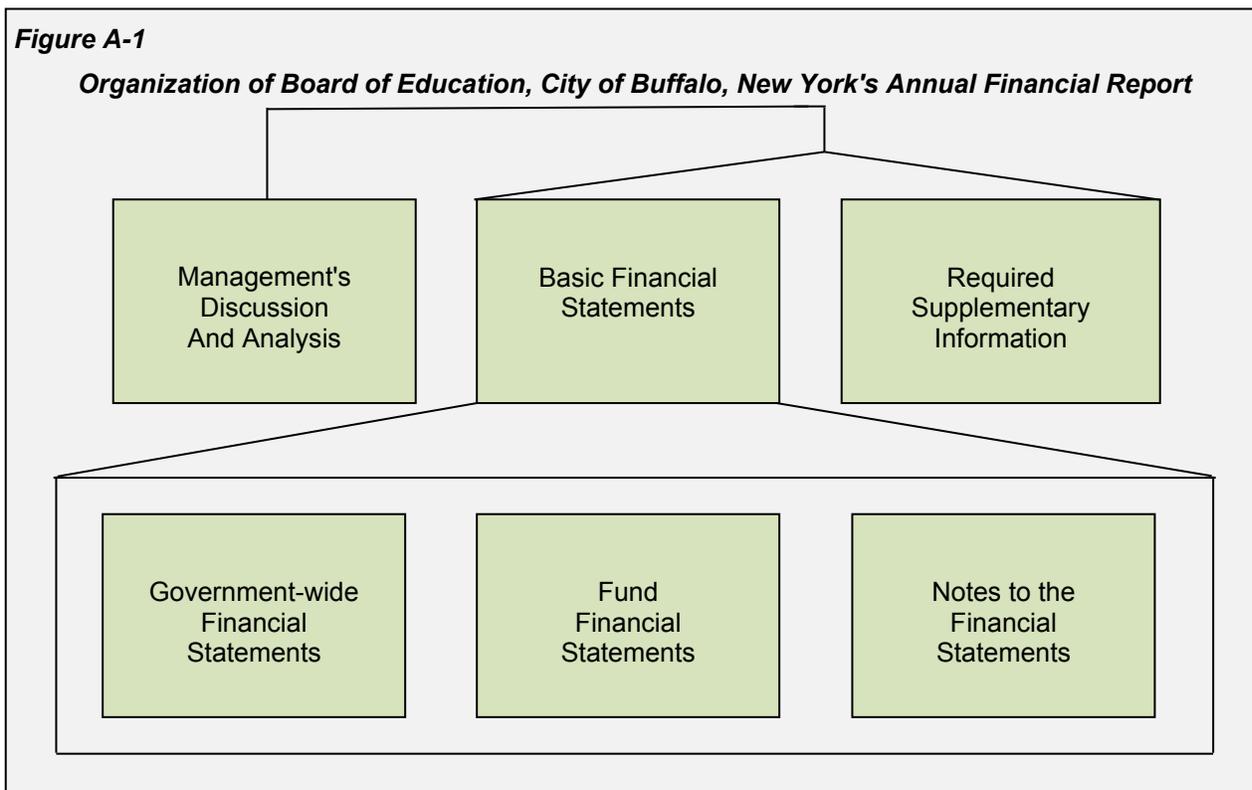


Figure A-2 summarizes the major features of the Board's financial statements, including the portion of the Board's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The Board has two types of funds:

- **Governmental Funds:** All of the Board's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one 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 (\$2,517.9) million at the close of the most recent fiscal year, compared to negative (\$2,587.9) million in the prior year, for an increase of \$70.0 million in the current year.

The largest portion of the Board's net position, an amount totaling \$88.4 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. \$54.7 million of the Board's net position is subject to external restrictions or State law with \$29.4 million of that amount being restricted for debt service. The remaining negative balance for unrestricted net position of \$2,661.1 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 \$2,395.1 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 Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
Current and other assets	\$ 424,895	\$ 363,398	16.92%
Capital assets not being depreciated	37,406	33,877	10.42%
Capital assets, net of accumulated depreciation	822,474	883,824	-6.94%
TRS pension asset	32,947	13,961	100.00%
Total assets	<u>1,317,722</u>	<u>1,295,060</u>	<u>1.75%</u>
Deferred outflow of resources - Pension	180,940	197,865	-8.55%
Deferred outflow of resources - OPEB	146,039	-	100.00%
Deferred charge on refunding	24,344	26,592	-8.45%
	<u>351,323</u>	<u>224,457</u>	<u>56.52%</u>
Current liabilities	154,507	124,394	24.21%
Long term liabilities	3,306,545	3,269,918	1.12%
Total liabilities	<u>3,461,052</u>	<u>3,394,312</u>	<u>1.97%</u>
Deferred inflow of resources - Pension	54,023	63,993	-15.58%
Deferred inflow of resources - OPEB	671,886	649,088	3.51%
	<u>725,909</u>	<u>713,081</u>	<u>1.80%</u>
Invested in capital assets, net of related debt	88,389	80,991	9.13%
Restricted for:			
Capital development fund	-	204	-100.00%
Debt service	29,445	30,444	-3.28%
Endowment	499	503	-0.80%
Joint Schools Construction Board	-	146	-100.00%
Judgments and claims	17,750	17,750	0.00%
Stabilization	3,876	3,835	1.07%
Unemployment insurance	3,156	3,156	0.00%
Unrestricted (deficit)	(2,661,031)	(2,724,905)	-2.34%
Total net assets	<u>\$ (2,517,916)</u>	<u>\$ (2,587,876)</u>	<u>-2.70%</u>

Current and other assets increased \$61.5 million from June 30, 2018 to \$424.9 million at June 30, 2019. The main drivers of the increase were an increase of \$32.2 million in cash held by the City of Buffalo as a result of the general fund surplus and timing differences in pay dates causing the final 2018-19 teacher payroll to be disbursed in July; along with a \$26.6 million increase in state and federal aid receivable, as a result of an increase in state aid during 2018-19.

Capital assets being depreciated decreased \$61.4 million due mainly to current year depreciation of \$78.6 million, while asset additions totaled \$17.3 million. Capital assets not being depreciated increased \$3.6 million as a result of an increase in construction in process in the current year.

The TRS Pension asset increased \$18.9 million to \$32.9 million at June 30, 2019 as a result of changes in the underlying assumptions.

Deferred outflow of resources for the pension decreased by \$16.9 million mainly due changes in underlying assumptions, while the deferred outflow of resources for the OPEB liability increased from zero to \$146.0 million due to changes in the mortality and interest rate assumptions used.

Current liabilities increased \$30.1 million to \$154.5 million at June 30, 2019. The main reason for the increase was an increase in the general fund accrued liabilities of \$9.5 million due to an increase in accrued payroll. General fund accounts payable increased \$7.1 million as a result of timing of payments. The special aid fund had a \$14.6 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 \$2.1 million decrease in accounts payable as a relatively high balance in the prior year was reduced to a more normalized level.

Long-term liabilities increased \$36.6 million in the current year, with the OPEB liability increasing by \$105.0 million to \$2,395.1 million as the result of changes in assumptions, particularly in the mortality assumptions and discount rate. The ERS pension liability, the Board's proportionate share of the total ERS system liability, increased \$5.5 to \$9.9 million at June 30, 2019, as a result of changes in underlying assumptions. Serial bonds and other long-term obligations decreased by \$63.3 million, due mainly to regular payments for bonded and other debt, while there were no debt refundings or new issued debt during the year.

Deferred inflows of resources increased by \$12.8 million to \$725.9 million at June 30, 2019. This was primarily the result of deferred postemployment inflows which increased \$22.8 million as a result of changes in assumptions, particularly differences between expected and actual experience. Deferred pension inflows decreased \$10.0 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 86% of all revenues come from formula-based state and federal aid and state and federal operating and capital grants and contributions, while State aid alone is 83% 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 District		Total Percentage Change
	2019	2018	2018-2019
Revenues:			
Contributions from City of Buffalo	\$ 61,367	\$ 60,348	1.69%
School tax relief reimbursement	9,456	10,475	-9.73%
Non-property taxes	48,767	46,256	5.43%
Charges for services	4,819	3,832	25.76%
Operating grants and contributions	150,030	147,820	1.50%
Use of money and property	1,138	554	105.42%
Other miscellaneous revenues	25,878	8,456	206.03%
State and federal aid, unallocated	770,651	764,177	0.85%
Total revenues	1,072,106	1,041,918	2.90%
Expenses:			
General support	81,924	82,175	-0.31%
Instruction	702,001	719,243	-2.40%
Instruction - charter school payments	128,232	119,591	7.23%
Pupil transportation	57,572	58,434	-1.48%
Community Service	218	294	-25.85%
Interest	30,347	33,411	-9.17%
Capital outlay	1,853	2,706	-31.52%
Total expenses	1,002,147	1,015,854	-1.35%
Changes in net positions	\$ 69,959	\$ 26,064	168.41%

Total revenues of \$1,072.1 million in 2018-19 increased \$30.2 million from \$1,041.2 million in 2017-18. Other miscellaneous revenues increased \$17.8 million due primarily to \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and recognition of the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments. Unallocated state and federal aid of \$770.3 million increased \$6.0 million in 2018-19, mainly due to increases in State sources in the general fund. Total program revenues, which consist of operating grants and revenues along with charges for services, increased \$3.2 million to \$154.9 million in 2018-19.

Total expenses of \$1,002.2 million in 2017-18 decreased \$13.7 million from \$1,015.8 million in 2017-18. Regular instruction decreased \$17.2 million mainly as a result a reduction in allocated costs including depreciation expense, health insurance, and the impact of other postemployment expenses. Charter school tuition increased \$7.0 million due to higher student counts and a higher tuition rate in 2018-19. Transportation decreased \$0.8 million, and interest expense decreased \$3.0 million.

Financial Analysis of The Board's Funds

The General Fund is the chief operating fund of the Board. At the end of 2018-19, the Board had a total fund balance of \$223.7 million. Total fund balance increased \$28.9 million during 2018-19, which is a result of the general fund operating surplus in 2018-19.

As a measure of liquidity, it may be useful to compare the fund balances to the total General Fund expenditures. Unassigned fund balance of \$86.1 million at June 30, 2019, was 11.3% of the current year expenditures and other uses of funds (down 0.2% from the previous year), while the total fund balance was 29.2% of the current year expenditures and other uses of funds (an increase of 0.3% from previous year). As of June 30, 2019, the Board's policies require maintenance of \$37.1 million minimum 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 \$28.9 million in 2018-19.

As of June 30, 2019, non-spendable fund balance was \$0.9 million, an increase of \$0.1 million from 2017-18, while restricted fund balance was \$24.8 million, an increase of \$0.1 million from 2017-18.

As of June 30, 2019, \$10.0 million of assigned fund balance is appropriated for the 2019-20 budget. This is a decrease of \$9.0 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, 2019, 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.

As of June 30, 2019, \$3.6 million is assigned to prior year encumbrances, an increase of \$0.4 million from the prior year. Another \$52.1 million is assigned for OPEB and other employee benefits, an increase of \$4.0 million from the prior year. \$17.1 million is assigned for capital project seed money and un-aidable projects and leases, an increase of \$5.0 million from the prior year.

In 2018-19, two new categories of assigned fund balance were established. The first, Assigned for Health Insurance, may be used to offset future healthcare cost increases. The second, Assigned for School Budget Equity, may be utilized for equity investments in schools identified as underfunded high needs schools under New York State Education Law Section 3614.

The fund balance in the Debt Service Fund declined by \$1.0 million to \$29.5 million as a result of the debt payments and transfers. The fund balance in the Capital Funds increased \$4.7 million to \$5.6 million as revenues and interfund transfers in exceeded capital outlay. The School Lunch fund balance decreased \$1.3 million to \$17.7 million due to a deficit in the fund in 2018-19. 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 Major Funds
(in thousands of dollars)**

	2019		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 911,519	\$ 882,569	\$ 223,663
Special Aid Fund	119,302	119,302	-
Joint Schools Construction			
Board Fund	11	101	-
Debt Service Fund	103,987	104,986	29,446
Capital Projects Fund	23,390	18,738	5,591
School Food Service Fund	33,644	34,911	17,688
Special Activities Fund	5	4	186
Permanent Fund	-	5	313
	2018		
	<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

General Fund Budgetary Highlights

The General Fund ended 2018-19 with a \$28.9 million operating surplus, which follows a \$12.1 million surplus in 2017-18. This surplus was largely the result of the District's conversion to a traditional model of self-insurance for employee and retiree healthcare costs starting on July 1, 2018. The District recognized \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and recognized the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments. These were one-time events, not expected to be repeated. Meanwhile, the District also had an overall reduction in health insurance expenditures of \$15.4 million, which includes an increase in health insurance contributions from employees and retirees of \$0.8 million. Such reductions in cost, while very favorable in 2018-19, could reverse in future years. Total revenues and transfers in were \$911.5 million, while total expenditures and transfers out were \$882.6 million.

Within the General Fund, there was an overall unfavorable revenue budgetary variance of \$7.4 million compared to the original and revised budget. The largest variance, appropriated fund balance, appears as a \$21.5 million unfavorable budget variance, when including the \$2.5 million appropriated for carry over encumbrances. The remaining \$19.0 million was appropriated for 2018-19 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 \$760.4 million was \$4.2 million under budget mainly due to building aid which was \$2.0 million under budget, while several formula based aids were \$2.7 million under budget as a result of underlying reimbursement data coming in below the original estimates. Offsetting these decreases, Charter School Supplemental and Transitional Aid was \$0.6 million over budget.

Federal revenues, consisting of Medicare reimbursements of \$4.5 million were \$1.9 million over budget due to a continuation of successful initiatives undertaken to recoup Medicaid claims from prior years that had not been received. Non-property tax items, consisting of Erie County Sales tax revenues of \$48.8 million were \$4.1 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 an \$11.8 million favorable variance due primarily to \$15.1 million of revenue related to the return of prior year premium equivalent overpayments and the recognition of the 14-day pre-fund requirement of its third-party administrator as a receivable against future insurance payments.

The Board had favorable budgetary variances within the General Fund expenditures of \$30.3 million when compared to the original and \$32.8 million compared to the revised budget. The difference between the original and revised budget was \$2.5 million in carryover encumbrances.

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 million to the original budget and a favorable variance of \$3.0 million to the revised budget. Favorable variances in special items, which include 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 \$0.4 million favorable variance to the original and 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 \$0.2 million to the original budget and \$1.9 million favorable variances to the revised budget. The variance between the original and revised budget was primarily due to equipment and maintenance carry over encumbrances from the prior year of approximately \$1.7 million paid in 2018-19. Additional savings were due to staffing vacancies of \$0.9 million and utilities of approximately \$0.3 million, while contractual expenditures related to the building engineers increased \$1.0 million. There were relatively minor variances in the other general support categories.

Instruction – Administration and Improvement, which is where the majority of District administrators are charged, had a favorable variance to the original budget of \$1.0 million and a favorable variance to the revised budget of \$1.5 million. The change from original to revised budget was primarily related to additional staffing positions added to the revised budget amounting to approximately \$0.3 million, while actual expenditures were favorable to budget as a result of vacant positions and a lower than budgeted average salary, amounting to \$1.4 million.

Regular instruction had an unfavorable variance to the original budget of \$3.1 million and favorable variance to the revised budget of \$4.4 million. The change from original to revised budget was primarily related to additional staffing positions added to the revised budget amounting to approximately \$5.7 million along with \$1.7 million related to textbook adoptions. Actual salary expenditures were favorable to the revised budget as a result of vacant positions and a lower than budgeted average salary, which amounted to \$3.5 million, while non-salary expenditures were \$0.9 million under budget due to contractual services.

Special Education Instruction and Instructional Media had only minor variances from the original and revised budget. Pupil services had a favorable variance to the original budget of \$1.4 million and a favorable variance to the revised budget of \$1.6 million. Approximately \$0.3 million of the favorable variance had to do with vacant positions and positive lower-than-budgeted average salary, while approximately \$1.1 million relates to lower-than-expected costs in the general fund for the District's nursing contract, due to a new vendor that was able to provide comparable services at a lower cost than the previous provider.

Charter school tuition expense was favorable by \$4.2 million to the original budget and favorable to the revised budget by \$0.5 million. Charter school pupil counts declined throughout the year as more students returned to the District and other schools, and budgeted funding is allocated to the regular and special education instruction. Though charter school pupil counts continue to grow year over year, including an addition of 366 FTEs during 2018-19 from 2017-18, 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 recent years and results in significant budget variances.

Transportation had a favorable variance to the original budget of \$3.8 million and a favorable variance to the revised budget of \$3.9 million mainly due to savings in yellow bus transportation contract costs due to more favorable routing.

Employee benefits had a favorable variance of \$22.9 million compared to the original budget and \$17.2 million favorable variance compared to the revised budget. Health insurance costs were \$20.0 million under the original budget and \$13.6 million under the revised budget as a result of the aforementioned cost reductions from the conversion to traditional model of self-insurance for employee and retiree healthcare costs, along with 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. Unemployment expenses were \$1.3 million under the original and revised budget due to very little layoff activity, while workers' compensation costs were \$0.7 million under the original and revised budgets due to cost savings initiatives. Employee Retirement System (ERS) pension expenses, Teachers Retirement System (TRS) pension expenses, and Social Security were under their revised budget by \$1.0 million, \$0.2 million, and \$0.5 million, respectively, mainly as a result of vacant positions during the year. TRS expenditures were flat with the original budget, which was increased due to additional instructional staffing budget positions added during the year. Termination payouts for retirees were relatively flat with the original and revised budget.

Interfund transfers had an unfavorable variance with the original budget of \$0.6 million, but a favorable variance with the revised budget of \$0.6 million. A \$0.6 million transfer was required to fund the transfer to the District's summer handicapped program, which requires a general fund subsidy each year. Transfers to the City of Buffalo for debt service were flat with the original and revised budget.

Capital Asset and Debt Administration

Capital Assets

The Board's investment in capital assets (net of accumulated depreciation) for its governmental funds totaled \$859.9 million as of June 30, 2019. This investment in capital assets includes land, buildings and building improvements, land improvements and equipment. The net decrease from the previous fiscal year was \$57.8 million. This was mainly due to the depreciation expense of \$78.6 million offset by additions of \$20.8 million.

Figure A-6

Capital Assets Net of Depreciation
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Land	\$ 3,012	\$ 3,007	0.17%
Construction work in process	34,394	30,870	11.42%
Land improvements	882	972	-9.26%
Buildings	813,881	878,222	-7.33%
Equipment	7,711	4,631	66.51%
Total	<u>\$ 859,880</u>	<u>\$ 917,702</u>	<u>-6.30%</u>

Long-Term Debt

Total long-term debt outstanding at June 30, 2019, totaled \$3,306.5 million, of which \$735.8 million pertained to bonded debt. There was no refinancing activity in 2018-19. During the year, regular principal payments on bonded debt totaled \$62.7 million. Postemployment benefits increased \$105.0 million to \$2,395.1 million due to changes in actuary assumptions, particularly a change in mortality assumptions and discount rate, which increased the liability, while the difference between expected and actual experience resulted in an offsetting \$170.4 million reduction in the liability.

Additional information on the Board's long-term debt can be found in Note G.4 to the financial statements on pages 41-43 of this report.

Figure A-7

Outstanding Long-Term Debt
(in thousands of dollars)

	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Due to City of Buffalo Debt Service Fund	\$ 35,989	\$ 44,962	-19.96%
Revenue bonds payable	10,255	10,900	-5.92%
JSCB bonds payable	689,515	742,570	-7.14%
Premiums on bonds	90,113	100,702	-10.52%
Pension - ERS	9,913	4,402	125.19%
Post employment benefits	2,395,142	2,290,152	4.58%
Other long-term obligations	75,618	76,230	-0.80%
	<u>\$ 3,306,545</u>	<u>\$ 3,269,918</u>	<u>1.12%</u>

Factors Bearing on the Board's Future

The 2019-20 adopted federal fund budget is \$927.4 million, an increase of \$11.0 million from the 2018-19 budget. The 2019-20 budget year is the fourth 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 2019-20 budgeted expenditures are increasing \$11.0 million from the 2018-19 adopted budget mainly due to increases in salaries of \$9.7 million related to contractual salary increases, and charter school tuition expense of \$4.2 million due to higher pupil counts and tuition rates. Other increases of \$2.4 million include contracts, facilities, utilities, supplies and equipment. Transportation costs are expected to remain flat in 2018-19, increasing only \$0.1 million. Partially offsetting these increases is a \$6.7 million decrease employee and retiree benefits.

Total budgeted revenues in 2019-20 are expected to increase \$11.0 million, including an increase of \$19.7 million in State Aid. To close the 2019-20 deficit, the Board has appropriated \$10.0 million in fund balance, a decrease of \$9.0 million from the 2018-19 budget. A reduction in fund balance usage was projected in the Board's four-year financial plan.

On August 21, 2019, the Board ratified a successor contract with the Professional, Clerical and Technical Employee's Association (PCTEA). The cost of this three-year contract is anticipated to be \$2.5 million through 2019-20, \$2.5 million in 2020-21 and \$3.4 million in 2021-22, for a cumulative cost of \$8.4 million over three years. This contract is not anticipated to require any adjustment to the District's 2019-20 budget or four-year financial plan at this time. As part of this contract, new hires after June 30, 2020 to the PCTEA union are ineligible for retiree health insurance.

On August 16, 2019, the Board and the Local 264 Cook Managers tentatively agreed to a contract, which has not been ratified yet, as the Buffalo Fiscal Stability Authority has not yet expressed an opinion on this tentative agreement.

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. However, 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 budgeted increases in employee and retiree health insurance. Progress in reducing health insurance costs has been accomplished through new contracts in 2016-17 with teachers, in 2017-18 with administrators, PCTEA in 2019-20 and has been demonstrated in the savings shown above in 2018-19 as a result of the District's conversion to a traditional model of self-insurance or employee and retiree healthcare costs in 2018-19.

The District is negotiating the elimination of retiree health insurance into its collective bargaining agreements, with the two most recent agreements, PCTEA, and the tentative Local 264 Cook Managers contracts eliminating retiree health insurance for future retirees after June 30, 2020. These initiatives, among others, are expected to continue to favorably impact the District's OPEB liability into the future. However, the long-term trend of health insurance cost growth in the marketplace is increasing, and pressure to control these costs will continue, while self-insurance may lead to significant fluctuations of insurance costs in future years.

Similar to national trends, teacher shortages may impact the District in the future, which makes it important that the Board has a fair and competitive collective bargaining agreement with the teachers to replace the contract that expired after the 2018-19 fiscal year. Further, changes in how students are educated, including the implementation of virtual learning and other advancing technology will likely begin to change how resources are deployed and how students are educated in the coming years.

The Board has little control over revenues, of which 85% in the general fund come from the State, and NYS Education Law Section 3614, related to school budget transparency and equity, may necessitate how funding is allocated to schools. Meanwhile, the District continues to lobby for the full implementation in the State's Foundation Aid formula.

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.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 10,394,862
Cash held by the City of Buffalo	264,626,050
Cash with fiscal agent	17,774,728
Cash and cash equivalents - restricted	11,983,507
Receivables	10,695,674
State and federal aid receivable	102,477,677
Due from other governments	5,343,555
Inventory	1,598,824
Capital assets not being depreciated	37,406,374
Capital assets, net of accumulated depreciation	822,473,808
Net pension asset	32,947,326
Total assets	<u>1,317,722,385</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	180,940,003
Deferred postemployment outflows	146,039,000
Deferred charge on refunding	24,343,942
Total deferred outflows of resources	<u>351,322,945</u>

LIABILITIES

Accounts payable	39,011,931
Accrued liabilities	30,943,932
Retainages payable	382,834
Interest payable	6,116,784
Due to fiduciary fund	830,310
Due to the City of Buffalo	38,771,582
Due to other governments	1,674,608
Due to retirement systems	36,776,065
Long-term liabilities:	
Due and payable within one year	94,742,278
Due and payable after one year	3,211,802,472
Total liabilities	<u>3,461,052,796</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	54,022,605
Deferred postemployment inflows	671,886,000
Total deferred inflows of resources	<u>725,908,605</u>

NET POSITION

Net investment in capital assets	88,389,252
Restricted for:	
Debt service	29,445,229
Endowments	499,296
Judgment and claims	17,750,000
Stabilization	3,876,337
Unemployment insurance	3,156,044
Unrestricted (deficit)	(2,661,032,229)
Total net position	<u>\$ (2,517,916,071)</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs:				
Governmental activities:				
General support	\$ 81,923,829	\$ -	\$ 3,738,639	\$ (78,185,190)
Instruction - regular	702,001,243	4,818,837	144,541,873	(552,640,533)
Instruction - charter school	128,231,817	-	-	(128,231,817)
Pupil transportation	57,571,613	-	1,749,433	(55,822,180)
Interest	30,346,950	-	-	(30,346,950)
Home and community services	218,306	-	-	(218,306)
Capital outlay	1,852,799	-	-	(1,852,799)
	<u>1,002,146,557</u>	<u>4,818,837</u>	<u>150,029,945</u>	<u>(847,297,775)</u>
Total governmental activities	\$ <u>1,002,146,557</u>	\$ <u>4,818,837</u>	\$ <u>150,029,945</u>	<u>(847,297,775)</u>
General revenues:				
Contribution from City of Buffalo				61,367,016
School tax relief reimbursement				9,455,742
Non-property taxes				48,767,444
Use of money and property				1,138,015
State aid - basic formula				682,192,116
State aid - lottery				88,458,956
Miscellaneous local sources				25,877,836
Total general revenues				<u>917,257,125</u>
Change in net position				69,959,350
Net position - beginning of year				<u>(2,587,875,421)</u>
Net position - end of year				\$ <u><u>(2,517,916,071)</u></u>

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 10,115,283	\$ 92,989	\$ -	\$ 186,590	\$ 10,394,862
Cash held by the City of Buffalo	246,396,936	-	2,007,793	16,221,321	264,626,050
Cash with fiscal agent	-	-	-	17,774,728	17,774,728
Cash and cash equivalents - restricted	-	-	-	11,983,507	11,983,507
Receivables	10,251,826	246,093	-	197,755	10,695,674
Due from other funds	12,690,548	-	9,629,660	-	22,320,208
State and federal aid receivable	45,568,131	46,458,188	8,206,686	2,244,672	102,477,677
Due from other governments	5,343,555	-	-	-	5,343,555
Inventory	886,304	-	-	712,520	1,598,824
	<u>331,252,583</u>	<u>46,797,270</u>	<u>19,844,139</u>	<u>49,321,093</u>	<u>447,215,085</u>
Total assets	\$	\$	\$	\$	\$
LIABILITIES					
Accounts payable	\$ 31,247,547	\$ 4,417,859	\$ 2,106,218	\$ 1,240,307	\$ 39,011,931
Accrued liabilities	27,404,348	3,090,569	-	449,015	30,943,932
Due to other funds	10,486,815	517,260	12,146,443	-	23,150,518
Due to the City of Buffalo	-	38,771,582	-	-	38,771,582
Due to other governments	1,674,608	-	-	-	1,674,608
Due to retirement systems	36,776,065	-	-	-	36,776,065
	<u>107,589,383</u>	<u>46,797,270</u>	<u>14,252,661</u>	<u>1,689,322</u>	<u>170,328,636</u>
Total liabilities	107,589,383	46,797,270	14,252,661	1,689,322	170,328,636
FUND BALANCES					
Nonspendable	886,304	-	-	1,025,526	1,911,830
Restricted	24,782,381	-	-	29,631,519	54,413,900
Assigned	111,863,973	-	5,591,478	16,974,726	134,430,177
Unassigned	86,130,542	-	-	-	86,130,542
Total fund balances	<u>223,663,200</u>	<u>-</u>	<u>5,591,478</u>	<u>47,631,771</u>	<u>276,886,449</u>
Total liabilities and fund balances	\$	\$	\$	\$	\$
	<u>331,252,583</u>	<u>46,797,270</u>	<u>19,844,139</u>	<u>49,321,093</u>	<u>447,215,085</u>

See notes to basic financial statements.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position (page 15) are different because:

Total fund balances - governmental funds (page 18)	\$	276,886,449
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets are \$1,843,562,019 and the accumulated depreciation is \$983,681,837.		859,880,182
Pension assets (TRS) used in governmental activities are not financial resources and therefore are not reported in the funds		32,947,326
Long-term liabilities not due and payable in the current period and therefore are not reported in the funds.		
Retainages payable	\$	(382,834)
Bonds payable		(699,770,000)
Compensated absences		(22,809,164)
Judgements and claims		(44,682,000)
Due to the City of Buffalo debt service fund		(35,989,000)
Due to other governments		(8,126,666)
ERS pension liability		(9,912,527)
Net postemployment obligations		<u>(2,395,142,000)</u>
		(3,216,814,191)
To recognize interest accrual on long-term debt.		(6,116,784)
Deferred outflows of resources associated with advance refunding are reported as expenditures in the governmental funds.		24,343,942
Bond premiums are recorded as revenues in the governmental funds. The premium amount is \$258,894,978 and the accumulated amortization is \$168,781,585.		(90,113,393)
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 resouces		(525,847,000)
Net pension deferred outflows and inflows of resouces		<u>126,917,398</u>
Net position of governmental activities	\$	<u><u>(2,517,916,071)</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, 2019

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Contribution from City of Buffalo	\$ 61,367,016	\$ -	\$ -	\$ -	\$ 61,367,016
School tax relief reimbursement	9,455,742	-	-	-	9,455,742
Non-property taxes	48,767,444	-	-	-	48,767,444
Charges for services	3,517,805	-	-	1,301,032	4,818,837
Use of money and property	326,408	-	39,780	771,827	1,138,015
Sale of property and compensation for loss	34,374	-	-	-	34,374
Miscellaneous local sources	22,761,223	3,005,014	-	77,225	25,843,462
State sources	760,408,033	51,694,162	10,640,884	977,571	823,720,650
Federal sources	4,469,862	61,662,289	-	30,828,216	96,960,367
	<u>911,107,907</u>	<u>116,361,465</u>	<u>10,680,664</u>	<u>33,955,871</u>	<u>1,072,105,907</u>
EXPENDITURES					
Current:					
General support	69,489,775	3,027,638	-	1,276,205	73,793,618
Instruction - regular schools	340,096,412	89,055,701	-	31,276,476	460,428,589
Instruction - charter school	125,419,915	1,223,081	-	-	126,642,996
Pupil transportation	54,868,459	1,665,173	-	-	56,533,632
Home and community services	145,300	-	-	9,512	154,812
Employee benefits	175,286,497	24,330,843	-	2,358,748	201,976,088
Debt service:					
Principal	-	-	-	54,413,334	54,413,334
Interest	-	-	-	37,753,516	37,753,516
Capital outlay:					
General support	-	-	8,023,760	-	8,023,760
Instruction	-	-	10,713,975	-	10,713,975
	<u>765,306,358</u>	<u>119,302,436</u>	<u>18,737,735</u>	<u>127,087,791</u>	<u>1,030,434,320</u>

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	145,801,549	(2,940,971)	(8,057,071)	(93,131,920)	41,671,587
OTHER FINANCING SOURCES (USES)					
Transfer to City of Buffalo debt service fund	(10,429,505)	-	-	-	(10,429,505)
Interfund transfers in	411,262	2,940,971	12,709,558	103,692,000	119,753,791
Interfund transfers out	<u>(106,832,971)</u>	<u>-</u>	<u>-</u>	<u>(12,920,820)</u>	<u>(119,753,791)</u>
Total other financing sources (uses)	<u>(116,851,214)</u>	<u>2,940,971</u>	<u>12,709,558</u>	<u>90,771,180</u>	<u>(10,429,505)</u>
Net change in fund balances	28,950,335	-	4,652,487	(2,360,740)	31,242,082
Fund balances - beginning	<u>194,712,865</u>	<u>-</u>	<u>938,991</u>	<u>49,992,511</u>	<u>245,644,367</u>
Fund balances - ending	<u>\$ 223,663,200</u>	<u>\$ -</u>	<u>\$ 5,591,478</u>	<u>\$ 47,631,771</u>	<u>\$ 276,886,449</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, 2019**

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

Net change in fund balances - total governmental funds (page 20)	\$	31,242,082	
<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	\$	20,785,871	
Depreciation expense		<u>(78,600,321)</u>	(57,814,450)
<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		18,986,514	
Net pension - proportionate share - ERS		(5,510,433)	
Other postemployment benefits		<u>(104,990,000)</u>	(91,513,919)
<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>			
Net pension - proportionate share - TRS	\$	(11,341,438)	
Net pension - proportionate share - ERS		4,386,853	
Other postemployment benefits		<u>123,241,000</u>	116,286,415
<p>The net effect of various transactions involving capital assets (i.e. sales, trades, donations) is to decrease net position.</p>			
			(6,622)
<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)	\$	8,973,000	
Repayment of due to other governments		713,334	
Repayment of revenue bonds payable		645,000	
Repayment of Joint School Construction Board debt		53,055,000	
Interest expense - general obligation bonds		523,333	
Amortization of deferred outflow		(2,248,446)	
Amortization of bond premium		<u>10,588,184</u>	72,249,405
<p>In the Statement of Activities, certain operating expenses - compensated absences (vacation & sick leave), amounts due to retirement systems, judgment and claims, and workers' compensation - are measured by the amounts accrued or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:</p>			
Retainages	\$	(382,834)	
Worker's compensation		(919,000)	
Compensated absences		<u>818,273</u>	(483,561)
Change in net position of governmental activities	\$		<u><u>69,959,350</u></u>

See notes to basic financial statements.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS:		
Cash and cash equivalents	\$ -	\$ 700
Cash and cash equivalents - restricted	5,998	984,262
Due from other funds	-	857,155
	<u>5,998</u>	<u>1,842,117</u>
LIABILITIES:		
Employee benefits	-	857,154
Extraclassroom activity balances	-	984,262
Due to other funds	-	26,845
	<u>-</u>	<u>1,868,261</u>
NET POSITION:		
Restricted for agency	-	(26,144)
Restricted for scholarships	5,998	-
	<u>5,998</u>	<u>-</u>
Total net position	<u>\$ 5,998</u>	<u>\$ (26,144)</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, 2019**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest	\$ <u>10</u>
Change in net position	10
Net position - beginning	<u>5,988</u>
Net position - ending	<u>\$ 5,998</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

The Statement of Net Position presents the financial position of the District at fiscal year-end. 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.

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

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 complete as of June 30, 2019.

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.

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

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 year are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. 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

The Agency Fund has no measurement focus but utilizes 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 and the Statement of Net Position 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 government-wide 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

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 and 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 three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions 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, 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.F. The third item is related to Other Postemployment Benefits (OPEB) reported in the government-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 3.G.

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 government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component 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.

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

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

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, 2019, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The Board has evaluated Statements No. 83 and 88 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. 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. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending June 30, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2022.

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

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 City Council a complete operating plan which includes the Board's estimated revenues and proposed expenditures. The City 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 City 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.

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

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, 2019.

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 - 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 \$264,626,050. 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 \$38,771,582 of certain Board funds, as discussed in Note 8.

Extraclassroom Activity Cash

Deposits totaled \$984,262 and were fully collateralized at June 30, 2019.

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.

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

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 100% 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.

B. RECEIVABLES

Significant revenues accrued by the Board include the following:

Receivables consist of the following at June 30, 2019:

General Fund:	
Health Services	\$ 1,614,959
Tuition billing	1,633,567
Health insurance advances	6,693,900
Miscellaneous receivables	309,400
	<u>\$ 10,251,826</u>

State and federal aid receivable, consist of the following at June 30, 2019:

General Fund:	
State aid - basic aid	\$ 29,609,427
State aid - excess cost aid	15,411,948
State aid - medicaid	546,756
	<u>45,568,131</u>
Special Aid Fund:	
Federal awards	46,458,188 *
Capital Fund:	
State awards	8,206,686
School Food Service:	
Federal and State Reimbursements	<u>2,244,672</u>
Total	<u>\$ 102,477,677</u>

*Amount reported net of unearned revenue.

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

Due from other governments which represents amounts due primarily from Erie County consist of the following at June 30, 2019:

General Fund:	
Erie County Sales Tax	\$ <u><u>5,343,555</u></u>

C. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 3,006,700	\$ 5,200	\$ -	\$ 3,011,900
Construction work in progress	30,869,989	15,516,249	11,991,764	34,394,474
Capital assets, not being depreciated	<u>33,876,689</u>	<u>15,521,449</u>	<u>11,991,764</u>	<u>37,406,374</u>
Capital assets that are depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvements	1,756,583,589	12,623,084	-	1,769,206,673
Equipment	26,779,806	4,633,102	6,622	31,406,286
Capital assets, being depreciated	<u>1,788,906,081</u>	<u>17,256,186</u>	<u>6,622</u>	<u>1,806,155,645</u>
Less accumulated depreciation:				
Land improvement	4,570,639	89,717	-	4,660,356
Buildings and building improvements	878,361,912	76,964,260	-	955,326,172
Equipment	22,148,965	1,546,344	-	23,695,309
Total accumulated depreciation	<u>905,081,516</u>	<u>78,600,321</u>	<u>-</u>	<u>983,681,837</u>
Total capital assets being depreciated, net	<u>883,824,565</u>	<u>(61,344,135)</u>	<u>6,622</u>	<u>822,473,808</u>
Governmental activities capital assets, net	<u>\$ 917,701,254</u>	<u>\$ (45,822,686)</u>	<u>\$ 11,998,386</u>	<u>\$ 859,880,182</u>

D. ACCRUED LIABILITIES

Accrued liabilities reported by the Board at June 30, 2019, were as follows:

	General Fund	Special Aid Fund	School Food Service	Total
Accrued payroll and benefits	\$ 11,624,175	\$ 3,090,569	\$ 449,015	\$ 15,163,759
Self-funded insurance	10,225,210	-	-	10,225,210
Termination accrual	2,499,493	-	-	2,499,493
Miscellaneous	3,055,470	-	-	3,055,470
	<u>\$ 27,404,348</u>	<u>\$ 3,090,569</u>	<u>\$ 449,015</u>	<u>\$ 30,943,932</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.

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

Provisions and Administration

The TRS System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

The ERS System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Board also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policies

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

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

At June 30, 2019, the Board reported the following amounts for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2018, for TRS and March 31, 2019, for ERS. The total pension amount used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The Board's proportion of the net pension (asset)/liability was based on a projection of the Board's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the Board.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Net pension (asset)/liability	\$ (32,947,326)	\$ 9,912,527
Board's portion of the Plan's total		
Net pension (asset)/liability	1.822042%	0.139903%
Change in proportion since the prior measurement date	(0.014667)	0.003507

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

For the year ended June 30, 2019, the Board recognized pension expense of \$24,051,707 for TRS and \$7,071,159 for ERS, respectively. At June 30, 2019, 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	\$ 24,621,271	\$ 1,951,984	\$ 4,459,873	\$ 665,409
Change of assumptions	115,172,522	2,491,604	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	36,574,042	2,544,102
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	2,101,233	1,430,267	9,627,007	152,172
Board's contributions subsequent to the measurement date	<u>31,671,613</u>	<u>1,499,509</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 173,566,639</u>	<u>\$ 7,373,364</u>	<u>\$ 50,660,922</u>	<u>\$ 3,361,683</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30th:	TRS	ERS
2020	\$ 31,505,614	\$ 2,558,219
2021	20,902,923	(1,598,954)
2022	845,989	85,140
2023	20,825,299	1,467,767
2024	13,573,179	-
Thereafter	3,581,100	-

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Interest rate	7.25%	7.00%
Salary scale	1.90% - 4.72%	4.20%
Decrement tables	July 1, 2009 June 30, 2014 System's Experience	April 1, 2010 March 31, 2015 System's Experience
Inflation rate	2.25%	2.50%
Cost of living adjustments	1.50%	1.30%

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

For TRS, the actuarial assumptions used in the June 30, 2017, 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, 2018 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:

Measurement Date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2018	March 31, 2019
	TRS	ERS	TRS	ERS
Asset Class:				
Domestic equity	33.0 %	36.0 %	5.8 %	4.6 %
International equity	16.0	14.0	7.3	6.4
Private equity	8.0	10.0	8.9	7.5
Real estate	11.0	10.0	4.9	5.6
Global equities	4.0	-	6.7	-
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	7.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.3	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.3	-
Global fixed income securities	2.0	-	0.9	-
Private debt	1.0	-	6.8	-
High yield income securities	1.0	-	3.5	-
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 amount 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) and or 1-percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

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

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 226,353,512	\$ (32,947,326)	\$ (250,169,370)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 43,339,150	\$ 9,912,527	\$ (18,168,207)

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)	
	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ 118,107,254	\$ 189,803,429
Plan net position	119,915,518	182,718,124
Employers' net pension (asset)/ liability	<u>\$ (1,808,264)</u>	<u>\$ 7,085,305</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-101.5%	96.3%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employee and employer contributions for the fiscal year ended June 30, 2019, 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, 2019, amounted to \$35,276,557.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019, through June 30, 2019, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019, amounted to \$1,499,508.

F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)

Plan Description

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

Funding Policy

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

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

Employees Covered by Benefit Terms

As of June 30, 2019, the following employees were covered by the benefit terms:

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

The Board's total OPEB liability of \$2,395,142,000 was measured as of June 30, 2019, using updated procedures to roll forward the total OPEB actuarial valuation from June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	1.30%
Salary Increases	4.70%, average, including inflation
Discount Rate	3.51%
Healthcare Cost Trend Rates	8.00% in 2019, with an ultimate rate of 4.50% in 2027
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 SOA Pubc-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2018.

The actuarial assumptions used in the June 30, 2019, valuation follow those used in the TRS and ERS actuarial valuations.

Changes in the Total OPEB Liability

	(in thousands)
Balance at July 1, 2018	\$ 2,290,152
<u>Changes for the year:</u>	
Service cost	71,543
Interest	90,227
Changes of benefit terms	-
Differences between expected and actual experience	(166,075)
Changes in assumptions or other inputs	170,379
Benefit payments	<u>(61,084)</u>
Net changes	104,990
Balance at June 30, 2019	<u><u>\$ 2,395,142</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.51 percent in 2019.

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 (2.51%) or 1 percentage point higher (4.51%) than the current discount rate (amounts in thousands):

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

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$ 2,848,796	\$ 2,395,142	\$ 2,037,864

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 (7.00%) or 1 percentage point higher (9.00%) than the current healthcare cost trend rate (amount in thousands):

	1% Decrease (7.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
Total OPEB Liability	\$ 2,003,413	\$ 2,395,142	\$ 2,908,074

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

For the year ended June 30, 2019, the Board recognized OPEB expense of \$42,833,000. At June 30, 2019, 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	\$ -	\$ 457,545
Changes of assumptions	146,039	214,341
Total	\$ 146,039	\$ 671,886

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</u> (in thousands)
2020	\$ (118,937)
2021	(118,937)
2022	(118,937)
2023	(118,936)
2024	(50,714)
Thereafter	615

G. LONG-TERM LIABILITIES

1. 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.

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

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.

2. SERIAL BONDS

The Board borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the City of Buffalo. The provisions will be in the General Fund's future budgets for capital indebtedness.

3. OTHER LONG-TERM LIABILITIES

In addition to the above long-term debt, the Board had a non-current liability for compensated absences, workers' compensation, net pension liability (Note 3.E) and other postemployment benefits. (Note 3.F.)

4. CHANGES IN LONG-TERM LIABILITIES

Changes in the Board's long-term liabilities for the year ended June 30, 2019 are as follows:

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Government activities:					
Due to other governments	\$ 8,840,000	\$ -	\$ 713,334	\$ 8,126,666	\$ 713,334
Due to City of Buffalo					
Debt Service Fund	44,962,000	-	8,973,000	35,989,000	8,624,000
Revenue bonds payable	10,900,000	-	645,000	10,255,000	665,000
JSCB bonds payable	742,570,000	-	53,055,000	689,515,000	55,780,000
Premium on bonds	100,701,577	-	10,588,184	90,113,393	10,064,928
Compensated absences	23,627,437	10,026,316	10,844,589	22,809,164	10,469,016
Net pension liability (ERS) - proportionate share*	4,402,094	5,510,433	-	9,912,527	-
Total OPEB liability	2,290,152,000	166,074,000	61,084,000	2,395,142,000	-
Workers' compensation	43,763,000	10,480,000	9,561,000	44,682,000	8,426,000
Total long-term liabilities	<u>\$ 3,269,918,108</u>	<u>\$ 192,090,749</u>	<u>\$ 155,464,107</u>	<u>\$ 3,306,544,750</u>	<u>\$ 94,742,278</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:

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

<u>Fiscal Year</u>	<u>Principal</u>
2020	\$ 713,334
2021	713,332
2022	713,334
2023	713,334
2024	713,332
2025-2029	3,566,668
2030-2034	899,999
2035-2036	93,333
Total	\$ <u>8,126,666</u>

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

The remaining annual maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,630,000	219,400	4,849,400
2025-2027	2,865,000	147,188	3,012,188
Total	\$ <u>35,989,000</u>	\$ <u>3,269,288</u>	\$ <u>39,258,288</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>
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	805,000	298,341	1,103,341
2025-2029	4,535,000	958,671	5,493,671
2030-2031	2,060,000	155,750	2,215,750
Total	\$ <u>10,255,000</u>	\$ <u>2,915,801</u>	\$ <u>13,170,801</u>

JSCB Bonds Payable - Represents bond payments due for the design, construction, and financing of public educational facilities in the City (see Note 5).

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>
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	75,735,000	20,964,725	96,699,725
2025-2029	279,335,000	53,858,563	333,193,563
2030-2032	60,215,000	4,748,388	64,963,388
Total	\$ <u>689,515,000</u>	\$ <u>199,619,126</u>	\$ <u>889,134,126</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. As of June 30, 2019 there was no defeased bonds from prior years are outstanding.

Compensated Absences - As described in Note 1.D.10, compensated absences, which total \$22,809,164 at June 30, 2019, 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 \$10,469,016 will be paid in the next fiscal year.

Workers' Compensation - Workers' compensation obligations total \$44,682,000 at June 30, 2019, 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 \$3,376,198. The future minimum lease payments required for noncancellable operating leases are as follows:

<u>Fiscal Year</u>	
2020	\$ 5,443,651
2021	6,655,287
2022	6,492,927
2023	6,327,235
2024	6,357,133
2025-2029	29,045,692
2030-2034	16,901,057
2035	1,704,917
Total	\$ <u>78,927,899</u>

H. INTERFUND ACTIVITY

Interfund activity at June 30, 2019, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 12,690,548	\$ 10,486,815	\$ 411,262	\$ 106,832,971
Capital Projects Fund	9,629,660	12,146,443	12,709,558	-
Special Aid Fund	-	517,260	2,940,971	-
Debt Service Fund	-	-	103,226,733	12,819,220
School Lunch Fund	-	-	465,267	-
Joint Schools Construction Board Fund	-	-	-	101,600
Agency Fund	857,155	26,845	-	-
Total	\$ <u>23,177,363</u>	\$ <u>23,177,363</u>	\$ <u>119,753,791</u>	\$ <u>119,753,791</u>

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

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, 2019, plus nonspendable net position in the permanent fund.

Unrestricted net position - This category represents net position of the Board 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, 2019, 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, 2019, the Board had no committed fund balances.

Assigned – represents amounts that are constrained by the Board'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 for 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 2020 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, 2019, fund balances were classified as follows:

	General	Capital Projects	Nonmajor Funds	Total
<u>Nonspendable</u>				
Inventory	\$ 886,304	\$ -	\$ 712,520	\$ 1,598,824
Endowment	-	-	313,006	313,006
<u>Restricted:</u>				
Unemployment insurance	3,156,044	-	-	3,156,044
Judgments, property loss and claims	17,750,000	-	-	17,750,000
Stabilization	3,876,337	-	-	3,876,337
Debt service	-	-	29,445,229	29,445,229
Special activities fund	-	-	186,290	186,290
<u>Assigned:</u>				
Subsequent years' expenditures	10,000,000	-	-	10,000,000
OPEB and other employee benefits	52,146,089	-	-	52,146,089
Prior year claims	9,000,000	-	-	9,000,000
Capital projects and repairs	17,080,000	5,591,478	-	22,671,478
Health insurance	15,084,559	-	-	15,084,559
School budget equity	5,000,000	-	-	5,000,000
School food service	-	-	16,974,726	16,974,726
<u>Encumbrances:</u>				
General support	2,255,043	-	-	2,255,043
Instruction	1,288,472	-	-	1,288,472
Transportation	2,320	-	-	2,320
Other	7,490	-	-	7,490
<u>Unassigned:</u>				
General	86,130,542	-	-	86,130,542
Total	\$ 223,663,200	\$ 5,591,478	\$ 47,631,771	\$ 276,886,449

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, 2019.

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Cash	\$ 2,304	\$ 119,120,805	\$ 119,122,409	\$ 700
Extraclassroom activity cash	941,908	1,776,769	1,734,415	984,262
Due from other funds	317,123	14,612,127	14,072,095	857,155
	<u>\$ 1,261,335</u>	<u>\$ 135,509,701</u>	<u>\$ 134,928,919</u>	<u>\$ 1,842,117</u>
Employee liabilities	\$ 317,123	\$ 48,042,969	\$ 47,502,938	\$ 857,154
Extraclassroom activity balance	941,908	1,776,769	1,734,415	984,262
Due to other funds	1,162	29,919	4,236	26,845
Agency reserve	1,142	14,920,939	14,948,225	(26,144)
	<u>\$ 1,261,335</u>	<u>\$ 64,770,596</u>	<u>\$ 64,189,814</u>	<u>\$ 1,842,117</u>

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

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.

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, 2019, are subject to potential revision.

B. CONSTRUCTION COMMITMENTS

As of June 30, 2019, the Board has approximately \$14,355,175 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 \$3,553,325 in the General Fund.

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

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, 2017. 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 has recorded an estimate for claim liabilities incurred but not paid based on an actuarial valuation. 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.

	Workers' Compensation
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	43,763,000
Claims incurred during the year	10,480,000
Payments made during the year, net	<u>(9,561,000)</u>
Estimated claims as of June 30, 2019	<u><u>\$ 44,682,000</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 \$38,771,582.

Additionally, the Board transferred \$10,429,505 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 21, 2019, which is the date these financial statements were available to be issued.

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

REQUIRED SUPPLEMENTARY INFORMATION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET
(NON-GAAP BASIS) AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Adopted Budget*</u>	<u>Final Budget</u>	<u>Actual Revenues</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources:				
Contribution from City of Buffalo	\$ 60,348,132	\$ 60,348,132	\$ 61,367,016	\$ 1,018,884
School tax relief reimbursement	10,474,626	10,474,626	9,455,742	(1,018,884)
Nonproperty tax items	44,642,049	44,642,049	48,767,444	4,125,395
Charges for services	2,200,000	2,200,000	3,517,805	1,317,805
Use of money and property	115,000	115,000	326,408	211,408
Sale of property and compensation for loss	64,939	64,939	34,374	(30,565)
Miscellaneous local sources	10,951,368	10,951,368	22,761,223	11,809,855
State sources:				
Basic formula	656,115,984	656,115,984	655,553,578	(562,406)
Lottery aid	91,000,000	91,000,000	88,458,956	(2,541,044)
Other aid	17,537,902	17,537,902	16,395,499	(1,142,403)
Federal sources	<u>2,600,000</u>	<u>2,600,000</u>	<u>4,469,862</u>	<u>1,869,862</u>
 Total revenues	 896,050,000	 896,050,000	 911,107,907	 15,057,907
Other sources:				
Interfund transfers in	1,350,000	1,350,000	411,262	(938,738)
Appropriated fund balance	<u>19,000,000</u>	<u>21,531,165</u>	<u>-</u>	<u>(21,531,165)</u>
 Total revenues and other sources	 <u>\$ 916,400,000</u>	 <u>\$ 918,931,165</u>	 <u>\$ 911,519,169</u>	 <u>\$ (7,411,996)</u>

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

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET
(NON-GAAP BASIS) AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019 (Continued)

	<u>Adopted Budget*</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
EXPENDITURES					
General support:					
Board of education	\$ 238,147	\$ 238,490	\$ 212,834	\$ 10,151	\$ 15,505
Central administration	1,102,429	1,086,188	964,490	-	121,698
Finance	3,469,038	3,588,903	3,299,741	27,756	261,406
Staff	3,721,571	3,840,150	3,560,484	95,948	183,718
Central services	61,958,991	63,703,117	59,672,331	2,099,641	1,931,145
Special items	2,164,775	2,230,453	1,779,896	10,200	440,357
Instruction:					
Instruction, administration, and improvements	33,126,950	33,576,922	31,975,946	120,414	1,480,562
Teaching - regular school	169,451,283	176,912,706	171,743,658	812,394	4,356,654
Teaching - special education	110,936,250	111,295,931	111,131,335	20,023	144,573
Charter school payments	129,650,714	125,891,600	125,419,915	-	471,685
Instructional media	5,525,172	5,538,745	5,334,246	133,755	70,744
Pupil services	21,503,033	21,726,709	19,911,228	177,543	1,637,938
Pupil transportation	58,656,690	58,782,628	54,868,459	38,010	3,876,159
Home and community services	135,989	145,989	145,300	-	689
Employee benefits	198,145,101	192,477,326	175,286,495	7,490	17,183,341
Total expenditures	799,786,133	801,035,857	765,306,358	3,553,325	32,176,174
Other uses:					
Interfund transfers out	116,613,867	117,895,308	117,262,476	-	632,832
Total expenditures and other uses	<u>\$ 916,400,000</u>	<u>\$ 918,931,165</u>	<u>\$ 882,568,834</u>	<u>\$ 3,553,325</u>	<u>\$ 32,809,006</u>
Net change in fund balance			<u>\$ 28,950,335</u>		

* See Schedule of Change from Original Budget to Final Budget on page 59 for reconciliation of GAAP to budgetary basis.

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

	Year Ended June 30,				
	2015	2016	2017	2018	2019
Teachers' Retirement System (TRS)					
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
District's proportion of the net pension (asset)/liability	1.695591%	1.668248%	1.651498%	1.836709%	1.822042%
District's proportionate share of the net pension (asset)/liability	\$ <u>(188,878,283)</u>	\$ <u>(173,277,759)</u>	\$ <u>17,688,235</u>	\$ <u>(13,960,812)</u>	\$ <u>(32,947,326)</u>
District's covered payroll	\$ 248,023,907	\$ 258,505,177	\$ 259,159,687	\$ 308,322,717	\$ 307,737,480
District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	-76.2%	-67.0%	6.8%	-4.5%	-10.7%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.0%	-100.7%	-101.5%
Employees' Retirement System (ERS)					
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
District's proportion of the net pension liability	0.142493%	0.141447%	0.132444%	0.136396%	0.139903%
District's proportionate share of the net pension liability	\$ <u>(4,813,758)</u>	\$ <u>22,702,665</u>	\$ <u>12,444,723</u>	\$ <u>4,402,094</u>	\$ <u>9,912,527</u>
District's covered payroll	\$ 39,110,981	\$ 41,408,099	\$ 40,206,979	\$ 42,572,064	\$ 44,405,569
District's proportionate share of the net pension liability as a percentage of its covered payroll	-12.3%	54.8%	31.0%	10.3%	22.3%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	97.9%	98.2%	96.3%

* This schedule is intended to show information for ten years. Since 2015 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become 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 CONTRIBUTIONS
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED JUNE 30,

TEACHERS' RETIREMENT SYSTEM										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 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	\$ 31,671,613
Contributions in relation to the contractually required contribution	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	31,671,613
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	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	319,875,090
Contributions as a percentage of covered payroll	6%	8%	11%	12%	16%	17%	13%	11%	11%	10%
EMPLOYEES' RETIREMENT SYSTEM										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 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	\$ 5,947,217
Contributions in relation to the contractually required contribution	2,391,143	4,440,936	7,065,431	8,436,183	5,070,646	7,695,528	7,283,149	6,363,848	6,266,223	5,947,217
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 3,423,927	\$ (359,765)	\$ (359,764)	\$ (359,764)	\$ -	\$ -
Board's covered payroll	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	57,124,503
Contributions as a percentage of covered payroll	6%	11%	21%	21%	12%	15%	14%	12%	11%	10%

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	2018		2019	
	June 30, 2018		June 30, 2019	
	(In Thousands)		(In Thousands)	
Total OPEB Liability				
Service cost	\$	82,946	\$	71,543
Interest		92,126		90,227
Changes in benefit terms		509		-
Differences between expected and actual experience in the measurement of the total OPEB liability		(234,596)		(166,075)
Changes of assumptions or other inputs		(124,707)		170,379
Benefit payments		<u>(61,431)</u>		<u>(61,084)</u>
Net change in total OPEB liability		(245,153)		104,990
Total OPEB liability - beginning		<u>2,535,305</u>		<u>2,290,152</u>
Total OPEB liability - ending	\$	<u>2,290,152</u>	\$	<u>2,395,142</u>
Covered-employee payroll	\$	345,602	\$	377,000
Total OPEB liability as a percentage of covered-employee payroll		662.7%		635.3%

* This schedule is intended to show information for ten years. Since 2018 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

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

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, 2019, 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. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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. Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.51 percent in 2019 and changes in the inflation rate from 2.50 percent in 2018 to 1.30 percent in 2019.

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 invest in. In addition, the discount factor has varied from 7.5 percent to 7.0 percent over the past four years.

SUPPLEMENTARY INFORMATION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
COMBINING STATEMENT BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Debt Service	School Food Service	Joint Schools Construction Board	Special Activities	Permanent Fund	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 300	\$ -	\$ 186,290	\$ -	\$ 186,590
Cash held by the City of Buffalo	-	16,221,321	-	-	-	16,221,321
Cash with fiscal agent	17,774,728	-	-	-	-	17,774,728
Cash and cash equivalents - restricted	11,670,501	-	-	-	313,006	11,983,507
Receivables	-	197,755	-	-	-	197,755
State and federal aid receivable	-	2,244,672	-	-	-	2,244,672
Inventory	-	712,520	-	-	-	712,520
Total assets	\$ 29,445,229	\$ 19,376,568	\$ -	\$ 186,290	\$ 313,006	\$ 49,321,093
LIABILITIES						
Accounts payable	\$ -	\$ 1,240,307	\$ -	\$ -	\$ -	\$ 1,240,307
Accrued liabilities	-	449,015	-	-	-	449,015
Total liabilities	-	1,689,322	-	-	-	1,689,322
FUND BALANCES						
Nonspendable	-	712,520	-	-	313,006	1,025,526
Restricted	29,445,229	-	-	186,290	-	29,631,519
Assigned	-	16,974,726	-	-	-	16,974,726
Total fund balances	\$ 29,445,229	\$ 17,687,246	\$ -	\$ 186,290	\$ 313,006	\$ 47,631,771
Total liabilities and fund balances	\$ 29,445,229	\$ 19,376,568	\$ -	\$ 186,290	\$ 313,006	\$ 49,321,093

**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, 2019**

	<u>Debt Service</u>	<u>School Food Service</u>	<u>Joint Schools Construction Board</u>	<u>Special Activities</u>	<u>Permanent Fund</u>	<u>Total</u>
REVENUES						
Charges for services	\$ -	\$ 1,301,032	\$ -	\$ -	\$ -	\$ 1,301,032
Use of money and property	759,871	-	11,426	-	530	771,827
Miscellaneous local sources	-	71,885	-	5,340	-	77,225
State sources	-	977,571	-	-	-	977,571
Federal sources	-	30,828,216	-	-	-	30,828,216
	<u>759,871</u>	<u>33,178,704</u>	<u>11,426</u>	<u>5,340</u>	<u>530</u>	<u>33,955,871</u>
Total revenues						
EXPENDITURES						
Current:						
General support	-	1,276,205	-	-	-	1,276,205
Instruction - regular schools	-	31,276,476	-	-	-	31,276,476
Home and community services	-	-	-	4,165	5,347	9,512
Employee benefits	-	2,358,748	-	-	-	2,358,748
Debt service:						
Principal	54,413,334	-	-	-	-	54,413,334
Interest	37,753,516	-	-	-	-	37,753,516
	<u>92,166,850</u>	<u>34,911,429</u>	<u>-</u>	<u>4,165</u>	<u>5,347</u>	<u>127,087,791</u>
Total expenditures						
Excess (deficit) of revenues over expenditures	(91,406,979)	(1,732,725)	11,426	1,175	(4,817)	(93,131,920)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	103,226,733	465,267	-	-	-	103,692,000
Interfund transfers out	(12,819,220)	-	(101,600)	-	-	(12,920,820)
	<u>90,407,513</u>	<u>465,267</u>	<u>(101,600)</u>	<u>-</u>	<u>-</u>	<u>90,771,180</u>
Total other financing sources						
Net change in fund balances	(999,466)	(1,267,458)	(90,174)	1,175	(4,817)	(2,360,740)
Fund balances - beginning	30,444,695	18,954,704	90,174	185,115	317,823	49,992,511
Fund balances - ending	<u>\$ 29,445,229</u>	<u>\$ 17,687,246</u>	<u>\$ -</u>	<u>\$ 186,290</u>	<u>\$ 313,006</u>	<u>\$ 47,631,771</u>

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2019**

Adopted Budget	\$	916,400,000
Additions:		
Prior year encumbrances		3,168,105
Budget Revisions:		
Cancelled encumbrances		<u>(636,940)</u>
Final Budget	\$	<u><u>918,931,165</u></u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

Project Title	Original Appropriation	Revised Appropriation	Expenditures/Reclassifications To Date			Outstanding Encumbrances	Over (Under) Budget
			Prior Years	Current Year	Total		
Computers & Technology	\$ 1,200,000	\$ 1,236,462	\$ 1,085,067	\$ 104,815	\$ 1,189,882	\$ 2,490	\$ 44,090
Refunding Savings Phase II	27,917,363	27,944,206	27,584,592	184,256	27,768,848	-	175,358
Partial Refunding Savings Phase IV	11,063,175	11,079,507	10,666,601	66,481	10,733,082	200,820	145,605
JSCB Local Share	-	2,596,756	2,572,506	24,250	2,596,756	-	-
Refunding Savings Phase III A&B	25,936,750	25,944,908	17,200,235	6,655,853	23,856,088	1,443,810	645,010
PA System Upgrades	145,584	315,584	-	224,789	224,789	89,339	1,456
Consolidated Capital Funds	-	4,246,767	-	-	-	-	4,246,767
Partial Refunding 2 Savings Phase IV	17,676,113	17,704,798	-	844,782	844,782	8,042,818	8,817,198
Pool Heater Replacement - School 84	30,000	30,000	-	23,350	23,350	-	6,650.00
Smart Schools Bond Act	10,000,000	26,360,170	10,007,636	10,609,159	20,616,795	4,575,898	1,167,477
Total Capital Project Expenditures and Other Financing Uses	\$ 93,968,985	\$ 117,459,158	\$ 69,116,637	\$ 18,737,735	\$ 87,854,372	\$ 14,355,175	\$ 15,249,611

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

Capital assets, net	\$	859,880,182
Add:		
Cash held by City of Buffalo		2,007,793
Cash with fiscal agents		17,774,728
Deferred charge on refunding		<u>24,343,942</u>
Total additions		44,126,463
Deduct:		
Joint School Construction Boards bonds payable		689,515,000
Due to City of Buffalo debt service fund		35,989,000
Premium on bonds		<u>90,113,393</u>
Total deductions		<u>815,617,393</u>
Net investment in capital assets	\$	<u><u>88,389,252</u></u>

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

INTERNAL CONTROL AND COMPLIANCE

*****THIS PAGE INTENTIONALLY LEFT BLANK*****



**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, 2019, 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 21, 2019.

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 21, 2019

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

*****THIS PAGE INTENTIONALLY LEFT BLANK*****

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
INFORMATION REGARDING JOINT SCHOOLS CONSTRUCTION BOARD DEBT
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019 (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 in part from proceeds of the sale of the Series 2013A 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 20 secondary schools, 38 elementary and intermediate schools, and 3 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</u>	<u>2020⁽⁴⁾</u>
Enrollment	32,765	33,938	34,402	34,174	33,834	33,512	33,286	33,290
Schools ⁽¹⁾	68	65	62	61	61	61	61	61
Instructional Staff ⁽²⁾	3,403	3,489	3,416	3,489	3,542	3,624	3,631	3,626
Administrative Personnel ⁽²⁾	208	240	241	243	240	257	262	258
Non-Certified Personnel ⁽²⁾⁽³⁾	1,454	1,517	1,521	1,525	1,545	1,531	1,561	1,523

Source: Buffalo CSD, Finance Office.

⁽¹⁾ Includes active schools (with student 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 September 30, 2019.

**BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
 INFORMATION REGARDING JOINT SCHOOLS CONSTRUCTION BOARD DEBT
 FOR THE YEAR ENDED JUNE 30, 2019 (Continued)**

STATE AID

State Aid (All Funds)
 Buffalo CSD
 Fiscal Years
 2011 through 2020

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	822.1
2020 ⁽¹⁾	829.4

⁽¹⁾ Projected as of October 7, 2019.

Source: City of Buffalo Board of Education