

**BOARD OF EDUCATION,
CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)**

FINANCIAL STATEMENTS

JUNE 30, 2020

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Board of Education, City of Buffalo, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of 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, 2020, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Board as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Comparative Information

The financial statements of Board of Education, City of Buffalo, New York as of June 30, 2019 were audited by other auditors, whose report dated October 21, 2019 expressed an unmodified opinion on the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary 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 accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 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, grant agreements, and other matters. The purpose of that report is 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.

October 14, 2020

Management’s Discussion and Analysis (unaudited)

June 30, 2020

Introduction

Management’s Discussion and Analysis (MD&A) of Board of Education, City of Buffalo, New York (the Board) provides an overview of the Board’s financial activities and performance for the year ended June 30, 2020. The information contained in the MD&A should be considered in conjunction with the information presented as part of the Board’s financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to a full understanding of the Board’s financial position and results of operations. The Board’s financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) agency fund statements, (5) notes to the financial statements, and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the Board’s finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Board’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between them is reported as net position. The statement of activities presents information showing how the Board’s net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows; thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the Board as a whole. All of the activities of the Board are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the Board’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Board’s near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the Board. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Board’s programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position (in thousands)	2020	2019	Change	
			\$	%
Current and other assets	\$ 513,334	\$ 457,842	\$ 55,492	12.1%
Capital assets	799,996	859,880	(59,884)	(7.0%)
Total assets	1,313,330	1,317,722	(4,392)	(0.3%)
Deferred outflows of resources	620,884	351,323	269,561	76.7%
Long-term liabilities	3,480,424	3,306,545	173,879	5.3%
Other liabilities	148,967	154,508	(5,541)	(3.6%)
Total liabilities	3,629,391	3,461,053	168,338	4.9%
Deferred inflows of resources	795,947	725,908	70,039	9.6%
Net position				
Net investment in capital assets	98,848	88,389	10,459	11.8%
Restricted	59,102	54,727	4,375	8.0%
Unrestricted	(2,649,074)	(2,661,032)	11,958	(0.4%)
Total net position	\$ (2,491,124)	\$ (2,517,916)	\$ 26,792	(1.1%)

Net position amounted to a deficit of (\$2,491,124) and (\$2,571,916) as of June 30, 2020 and 2019, respectively. The net deficit is a result of recognition of the Board's total other postemployment benefits (OPEB) liability, which is an actuarial estimate of amounts the Board will owe for health insurance for its retirees. The largest positive portion of the Board's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The Board uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The Board's net position also includes resources that are subject to external restrictions on how they may be used, which includes reserves set aside for specific purposes governed by statutory law and regulations. Such reserves include funds for judgments, claims, and property loss, which are used for outstanding litigation or uninsured losses on Board property; the unemployment reserve, which is used to pay the cost of reimbursement to the State Unemployment Insurance Fund; and the stabilization reserve, which is used for unanticipated, extraordinary, or capital needs. Other restricted resources include funds restricted for debt service.

Total assets decreased by \$4,392 (\$22,662 increase in 2019). Capital assets decreased \$59,884 due to current year depreciation of \$78,591, while State and Federal aid receivable declined \$16,851 due in part to timing and to a reserve of \$8,753 charged against State aid receivables outstanding at June 30, 2020 to recognize the potential withholding of 20% by the State as it deals with a fiscal crisis as a result of COVID-19. These decreases were offset by an increase in current and other assets of \$55,492 due to an increase of \$59,587 in cash held by the City of Buffalo as a result of the general fund surplus, and a \$13,471 increase in the Board's net pension asset for its proportionate share of the NYS Teachers' Retirement System (TRS) net pension asset.

Long-term liabilities, which include the Board's total OPEB liability of \$2,613,913 (\$2,395,142 in 2019), increased by \$173,879 (\$104,990 increase in 2019), while other liabilities decreased by \$5,541 (\$30,113 increase in 2019). Other liabilities decreased as a result of a decrease in amounts due to retirement systems of \$5,287. A majority of the increase in long-term liabilities relates to an increase in the Board's proportionate share of the NYS and Local Employees' Retirement System (ERS) net pension liability of \$28,422 and an increase in the total OPEB liability of \$218,771, which were offset by payments of \$67,667 made on outstanding bonds while there were no debt refundings or new debt issuances during the year.

Many of the Board's employees participate in TRS and ERS, which are reflected in amounts reported as net pension asset, net pension liability, and deferred outflows and deferred inflows of resources related to pensions. Changes in these balances, along with changes in the total OPEB liability and deferred outflows and deferred inflows related to OPEB, are heavily influenced by actuarial assumptions and investment performance versus expected performance. See the footnotes to the financial statements for further details.

Condensed Statement of Activities (in thousands)	2020	2019	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 4,543	\$ 4,819	\$ (276)	(5.7%)
Operating grants and contributions	135,075	139,389	(4,314)	(3.1%)
Capital grants and contributions	9,368	10,641	(1,273)	(12.0%)
General revenues				
Contributions from the City and school tax relief	70,823	70,823	-	-
State aid	779,271	770,651	8,620	1.1%
Sales tax and other	55,618	75,783	(20,165)	(26.6%)
Total revenues	1,054,698	1,072,106	(17,408)	(1.6%)
Expenses				
Instruction	835,618	797,175	38,443	4.8%
Support services				
General support	89,995	81,924	8,071	9.9%
Pupil transportation	43,205	57,572	(14,367)	(25.0%)
Food service	30,974	34,911	(3,937)	(11.3%)
Interest and other	28,114	30,565	(2,451)	(8.0%)
Total expenses	1,027,906	1,002,147	25,759	2.6%
Change in net position	26,792	69,959	(43,167)	(61.7%)
Net position – beginning	(2,517,916)	(2,587,875)	69,959	(2.7%)
Net position – ending	\$ (2,491,124)	\$ (2,517,916)	\$ 26,792	(1.1%)

Board revenues decreased by \$17,408 or 1.6% (\$30,188 or 2.9% increase in 2019). State aid increased \$8,620 (\$6,474 or 0.8% increase in 2019) primarily as a result of an increase in State Foundation Aid. Offsetting this State aid increase, the Board recorded a \$3,553 reserve against State Aid receivables outstanding at June 30, 2020 in the general fund as a result of the State's announced 20% withholding of aid payments to localities and schools starting in July 2020. During the 2019-20 fiscal year, the State did not withhold or reduce any other State aid payments to the Board. Operating grants and contributions decreased \$4,314 (\$1,577 or 1.1% increase in 2019) primarily as a result of the Board recording a \$5,200 reserve against State grants receivable outstanding at June 30, 2020 to recognize the potential withholding of 20% by the State. Sales tax and other revenues decreased \$20,165 (\$20,517 or 37.1% increase in 2019) due to a decline in one-time revenues of \$15,084 received in 2019 related to prior year premium equivalent overpayments refunded after the Board's conversion to a traditional model of self-insurance for employee and retiree health insurance, while sales tax and other miscellaneous revenues also declined as a result of the COVID-19 crisis, which reduced overall business activity and related tax collections.

Total expenses increased \$25,759 or 2.6% (\$13,707 or 1.3% decrease in 2019). This increase is primarily due to employee-related costs, and the allocation of a \$14,136 increase in OPEB expense and a \$45,784 increase in pension expense among employee groups. Payroll and associated benefits are allocated among instruction and support services categories. Additionally, charter school tuition expenditures increased \$5,765. These increases were offset by a decrease in pupil transportation and food service expenses of \$14,367 and \$3,937 respectively, as a result of closure of District schools related to the COVID-19 crisis, while interest and other expenses was reduced \$2,451 due to continued pay down of the Board's outstanding debt. No new debt was issued in 2020.

Financial Analysis of the Board's Funds

Total fund balances for the governmental funds increased from \$276,886 to \$323,872 as described below:

- Total revenues decreased by \$17,408 or 1.6%, mainly due to the aforementioned reduction in prior year one-time revenues of \$15,084, while Federal aid declined \$4,624 due to lower spending on reimbursement-based federal grants. State aid increased \$4,316 due primarily to State Foundation Aid increases in the general fund as mentioned previously, offset by 20% reserves on outstanding State aid receivables at June 30, 2020 in the general and special aid funds of \$3,553 and \$5,200, respectively.

- Total expenses decreased \$34,397 or 3.3% as a result of reduced spending related to the impact of the COVID-19 closures. This was offset by an increase of \$5,765 in charter school tuition expense, and an increase in debt service principal payments as a result of the repayment of \$1,885 on outstanding bonds that became callable during the fiscal year.
- The general fund experienced an increase in fund balance of \$42,326, to \$265,990, during 2020 compared to a \$28,950 increase for 2019. Significant changes in fund balance include assigned fund balance - designated for next year's budget which increased \$40,000, from \$10,000 to \$50,000, as a result of the \$50,000 deficit budgeted in the 2020-21 fiscal year in response to projected decreases in State aid in 2020-21, and projected cost increases to restart in-person instruction during 2020-21. Additionally, restricted fund balance for unemployment insurance was increased by \$6,000, from \$3,156 to \$9,156 in anticipation of likely unemployment costs in future years resulting from the potential layoffs if State aid increases or Federal disaster relief do not materialize. Unassigned fund balance declined \$1,076, from \$86,131 to \$85,055, with \$38,188 being maintained for the required 4% minimum unassigned fund balance required by Board policy, and \$46,867 being the additional amount in excess of the Board policy minimum.
- The capital projects fund experienced an increase in fund balance of \$4,900 due to reduced capital expenditures as a result of the COVID-19 related closures the fiscal year, which delayed costs projected to be incurred during the fiscal year.

General Fund Budgetary Highlights

The total original revenue budget for 2020 was \$916,050. Actual revenues amounted to \$912,939, an unfavorable difference of \$3,111 or 0.3%. This was primarily caused by \$5,113 less in state funding as a result of the \$3,553 reserve against State aid receivables outstanding at June 30, 2020 in response to the State withholding 20% of aid payments starting in July 2020. Contributions from the City of Buffalo and STAR aid combined were flat with budget at \$70,823. Non-property tax items (Erie County Sales tax) were \$1,519 over budget, even with reductions in the last four months of the fiscal year; however, it was the first annual decline in sales tax revenue in 11 years. Use of money and property was \$477 over budget due to increased interest earnings on certain Board cash balances held by the City of Buffalo. Charges for services were \$1,336 over budget, primarily due to conservative budgeting for tuitions and charges to other school districts. Miscellaneous revenues were \$2,786 under budget, while Federal revenues, primarily Medicaid, exceeded budget.

Actual expenditures and carryover encumbrances were less than the final revised budget by \$54,049. The difference is attributable to many factors and many unknown items when the budget was prepared. As a result of the COVID-19 crisis, schools were closed for in-person education from March 16 through the end of the school year, with all student learning being done remotely. Board staff continued to be paid throughout the closure, with the exception of substitute teachers, who were not utilized. However, many costs related to the Board's vendors or that required in-person service were reduced because services could not be provided. This resulted in significant budgetary savings in many of the functional expenditure categories below.

General support - central services, which includes plant and IT costs was \$3,699 under the revised budget because of savings in salary and hourly pay of \$1,134 due to vacancies and reduced overtime. There were further savings in utilities of \$876, supplies of \$539, and contractual costs of \$1,142 due to the closure of Board facilities. All other general support categories had a combined favorable budgetary variance of \$730.

Instruction, excluding charter school tuition, had budgetary savings of \$16,366 compared to the revised budget. Salaries had a favorable variance of \$14,150 to the revised budget, and \$8,528 to the original budget, with a portion of the difference between the two resulting from increased teaching positions added during the year for reasons of equity or compliance. Most substitute teachers were not utilized after March 16, 2020, resulting in a favorable budgetary variance of \$113 to the revised budget or \$1,272 to the original budget, with unused funds from the original budget being transferred to other lines. Contractual and supplies costs had favorable budgetary variances of \$1,266 and \$759, respectively.

Charter school tuition was flat with the revised budget, but \$2,944 below the original budget. In actual dollars per pupil, charter school tuition increased \$144 from \$13,350 to \$13,494, while charter pupils increased from 9,004 in 2018-19 to 9,213 in 2019-20, continuing the long-term trend of further saturation of charter school seats in Buffalo, which is approximately 23% of total K-12 seats in Buffalo in 2019-20. In response to an audit from the Office of the State Comptroller of New York, during the 2019-20 fiscal year, the Board withheld cash payments to charter schools amounting to \$3,008 related to prior year overpayments of special education tuition. These amounts withheld were recorded as expenditures.

Pupil transportation costs were \$19,133 below the revised budget due to the closure of schools starting on March 16, 2020. Costs of yellow bus and public transportation were \$14,533 and \$2,610 under budget, respectively, while bus aide costs were \$1,539 under budget. The Board did not pay for contracted transportation services during the period of the closure, which resulted in approximately three months of savings.

Employee benefit costs were \$14,120 below revised budget due to several factors. Self-insured employee and retiree health insurance costs during the period of most extreme closures in the region from March through June 2020 declined substantially, and resulted in an \$8,141 favorable variance to the revised budget, while lower salaries, overtime, and extra activity resulted in a \$3,688 favorable variance in pension and social security costs. Workers comp costs were \$1,516 under budget, while termination payments were also \$686 under budget.

Operating transfers out were flat with the revised budget, but \$5,650 over the original budget. This was primarily as a result of a \$5,200 transfer to the special aid fund to cover the State aid revenue shortfall resulting from potential State withholding of 20% of outstanding State aid receivables as of June 30, 2020. Transfers to the City of Buffalo were flat with the revised budget, but \$1,916 over the original budget. This was the result of the repayment of \$1,918 of principal and interest on outstanding bonds that became callable during the fiscal year.

Capital Assets

	2020	2019
Land	\$ 3,012	\$ 3,012
Construction in progress	29,354	34,394
Buildings and improvements	1,787,924	1,774,749
Equipment and vehicles	41,821	31,406
	1,862,111	1,843,561
Accumulated depreciation	(1,062,115)	(983,681)
	\$ 799,996	\$ 859,880

Current year additions of \$18,707 were offset by depreciation of \$78,591.

Debt

At June 30, 2020, the Board had \$668,805 in bonds outstanding, with \$74,320 due within one year (\$735,759 outstanding at June 30, 2019). Amounts due to New York State amounted to \$7,413, with \$713 due within one year (\$8,127 outstanding at June 30, 2019). Outstanding compensated absences payable were \$23,903 with \$9,952 expected to be paid within one year (\$22,809 outstanding at June 30, 2019).

Additional information on the Board’s long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

The extent of the impact of COVID-19 on the Board’s operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on all school districts and their residents, employees, and vendors, none of which can be predicted at this time. The Board has already experienced a 20% holdback of State aid that could become permanent. Significant reductions are expected in 2020-21 State aid, which, at 20% of the Board’s adopted budget, would mean the reduction of approximately \$147.6 million in the general fund, and another \$9.5 million in grant funds. This could force the Board to implement significant budgetary cost reductions during the 2020-21 fiscal year that would also continue or expand further in the 2021-22 fiscal year. Federal revenue sources are expected to increase but the extent of Federal assistance is not yet known.

The Board will continue to mitigate the impact of rising costs of education on the overall budget. These issues and concerns are exacerbated by COVID-19 requiring management to plan carefully and prudently to provide the educational resources necessary to meet student needs and flexibility on how students are taught.

Contacting the Board's Financial Management

This financial report is designed to provide our Board's residents, taxpayers, parents, students, investors, and creditors with a general overview of the Board's finances, and to show the Board's accountability for the money it receives. For more detailed information, questions may be directed to 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
(A Component Unit of the City of Buffalo, New York)

Statement of Net Position

June 30, 2020

(With comparative totals as of June 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 10,543,453	\$ 10,394,862
Cash held by the City of Buffalo	324,211,910	264,626,050
Cash with fiscal agent	16,019,666	17,774,728
Cash and cash equivalents - restricted	12,768,728	11,983,507
Due from other governments, net	4,582,974	5,343,555
Accounts receivable	10,926,011	10,695,674
State and federal aid receivable, net	85,627,080	102,477,677
Inventory and prepaid deposits	2,235,648	1,598,824
Net pension asset	46,418,092	32,947,326
Capital assets (Note 4)	1,862,111,777	1,843,562,019
Accumulated depreciation	(1,062,115,472)	(983,681,837)
Total assets	1,313,329,867	1,317,722,385
Deferred Outflows of Resources		
Defeasance loss	22,095,496	24,343,942
Deferred outflows of resources related to pensions	175,950,271	180,940,003
Deferred outflows of resources related to OPEB	422,838,000	146,039,000
Total deferred outflows of resources	620,883,767	351,322,945
Liabilities		
Accounts payable	32,964,748	39,394,765
Accrued liabilities	43,318,094	37,060,716
Due to other governments	1,401,230	1,674,608
Due to retirement systems	31,489,070	36,776,065
Due to fiduciary fund	503,704	830,310
Due to the City of Buffalo	39,289,914	38,771,582
Long-term liabilities		
Due within one year:		
Bonds	74,320,000	75,133,928
Due to New York State	713,332	713,334
Compensated absences	9,952,000	10,469,016
Workers' compensation	9,623,000	8,426,000
Due beyond one year:		
Bonds and related premiums	674,533,464	750,738,465
Due to New York State	6,700,000	7,413,332
Compensated absences	13,951,228	12,340,148
Workers' compensation	38,383,000	36,256,000
Net pension liability	38,334,713	9,912,527
Total OPEB liability	2,613,913,000	2,395,142,000
Total liabilities	3,629,390,497	3,461,052,796
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	70,532,970	54,022,605
Deferred inflows of resources related to OPEB	725,414,000	671,886,000
Total deferred inflows of resources	795,946,970	725,908,605
Net Position		
Net investment in capital assets	98,848,003	88,389,252
Restricted	59,102,539	54,726,906
Unrestricted	(2,649,074,375)	(2,661,032,229)
Total net position (deficit)	\$ (2,491,123,833)	\$ (2,517,916,071)

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Activities

For the year ended June 30, 2020
(With summarized comparative totals for June 30, 2019)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
Governmental activities						
General support	\$ 89,995,086	\$ 29,256	\$ -	\$ -	\$ (89,965,830)	\$ (78,185,190)
Instruction - regular	703,209,507	3,536,185	103,517,465	9,368,199	(586,787,658)	(553,796,145)
Instruction - charter	132,408,194	-	-	-	(132,408,194)	(128,231,817)
Pupil transportation	43,205,284	-	-	-	(43,205,284)	(55,822,180)
Interest expense	27,877,972	-	-	-	(27,877,972)	(30,346,950)
School food service	30,974,132	978,051	31,557,190	-	1,561,109	(697,187)
Home and community services	236,154	-	-	-	(236,154)	(218,306)
	<u>\$ 1,027,906,329</u>	<u>\$ 4,543,492</u>	<u>\$ 135,074,655</u>	<u>\$ 9,368,199</u>	<u>(878,919,983)</u>	<u>(847,297,775)</u>
General revenues						
					62,148,344	61,367,016
Contribution from City of Buffalo					8,674,414	9,455,742
School tax relief reimbursement					48,519,017	48,767,444
Sales taxes					1,014,089	1,138,015
Use of money and property					779,270,635	770,651,072
State aid					6,085,722	25,877,836
Miscellaneous					<u>905,712,221</u>	<u>917,257,125</u>
Total general revenues						
Change in net position					26,792,238	69,959,350
Net position (deficit) - beginning					(2,517,916,071)	(2,587,875,421)
Net position (deficit) - ending					<u>\$ (2,491,123,833)</u>	<u>\$ (2,517,916,071)</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Balance Sheet - Governmental Funds

June 30, 2020

(With comparative totals as of June 30, 2019)

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
					2020	2019
Assets						
Cash and cash equivalents	\$ 10,261,823	\$ 91,720	\$ -	\$ 189,910	\$ 10,543,453	\$ 10,394,862
Cash held by the City of Buffalo	294,503,773	-	12,657,256	17,050,881	324,211,910	264,626,050
Cash with fiscal agent	-	-	-	16,019,666	16,019,666	17,774,728
Cash and cash equivalents - restricted	680,709	-	-	12,088,019	12,768,728	11,983,507
Due from other governments, net	4,582,974	-	-	-	4,582,974	5,343,555
Accounts receivable	10,833,804	35,770	-	56,437	10,926,011	10,695,674
State and federal aid receivable, net	26,151,245	46,784,869	10,095,444	2,595,522	85,627,080	102,477,677
Due from other funds, net	9,999,219	-	-	-	9,999,219	22,320,208
Inventory and prepaid deposits	1,042,941	-	-	1,192,707	2,235,648	1,598,824
Total assets	\$ 358,056,488	\$ 46,912,359	\$ 22,752,700	\$ 49,193,142	\$ 476,914,689	\$ 447,215,085
Liabilities and Fund Balances						
Accounts payable	\$ 24,082,621	\$ 4,927,563	\$ 2,275,353	\$ 1,314,423	\$ 32,599,960	\$ 39,011,931
Accrued liabilities	35,093,885	2,177,621	-	487,588	37,759,094	30,943,932
Due to other governments	1,401,230	-	-	-	1,401,230	1,674,608
Due to retirement systems	31,489,070	-	-	-	31,489,070	36,776,065
Due to other funds, net	-	517,261	9,985,662	-	10,502,923	23,150,518
Due to the City of Buffalo	-	39,289,914	-	-	39,289,914	38,771,582
Total liabilities	92,066,806	46,912,359	12,261,015	1,802,011	153,042,191	170,328,636
Fund Balances						
Nonspendable:						
Inventory and prepaid deposits	1,042,941	-	-	1,192,707	2,235,648	1,598,824
Endowment	-	-	-	312,277	312,277	313,006
Restricted:						
Unemployment insurance	9,156,044	-	-	-	9,156,044	3,156,044
Judgments, property loss, and claims	17,750,000	-	-	-	17,750,000	17,750,000
Stabilization	3,899,200	-	-	-	3,899,200	3,876,337
Debt service	-	-	-	27,795,408	27,795,408	29,445,229
Special activities	-	-	-	189,610	189,610	186,290
Assigned:						
OPEB and other employee benefits	49,146,089	-	-	-	49,146,089	52,146,089
Prior year claims	9,000,000	-	-	-	9,000,000	9,000,000
Capital projects and repairs	16,080,000	-	10,491,685	-	26,571,685	22,671,478
Health Insurance	15,084,559	-	-	-	15,084,559	15,084,559
School budget equity	5,000,000	-	-	-	5,000,000	5,000,000
School food service	-	-	-	17,901,129	17,901,129	16,974,726
Designated for subsequent year's expenditures	50,000,000	-	-	-	50,000,000	10,000,000
Other purposes	4,776,135	-	-	-	4,776,135	3,553,325
Unassigned	85,054,714	-	-	-	85,054,714	86,130,542
Total fund balances	265,989,682	-	10,491,685	47,391,131	323,872,498	276,886,449
Total liabilities and fund balances	\$ 358,056,488	\$ 46,912,359	\$ 22,752,700	\$ 49,193,142	\$ 476,914,689	\$ 447,215,085

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

June 30, 2020

Total fund balances - governmental funds		\$ 323,872,498
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds.		799,996,305
Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements.		22,095,496
The District's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:		
Net pension asset	46,418,092	
Deferred outflows of resources related to pensions	175,950,271	
Net pension liability	(38,334,713)	
Deferred inflows of resources related to pensions	<u>(70,532,970)</u>	113,500,680
The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:		
Deferred outflows of resources related to OPEB	422,838,000	
Total OPEB liability	(2,613,913,000)	
Deferred inflows of resources related to OPEB	<u>(725,414,000)</u>	(2,916,489,000)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:		
Retainages payable	(364,788)	
Accrued interest	(5,559,000)	
Bonds and related premiums	(748,853,464)	
Due to other governments	(7,413,332)	
Compensated absences	(23,903,228)	
Workers' compensation	<u>(48,006,000)</u>	(834,099,812)
Net position - governmental activities		<u>\$ (2,491,123,833)</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2020
(With summarized comparative totals for June 30, 2019)

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
					2020	2019
Revenues						
Contributions from City of Buffalo	\$ 62,148,344	\$ -	\$ -	\$ -	\$ 62,148,344	\$ 61,367,016
School tax relief reimbursement	8,674,414	-	-	-	8,674,414	9,455,742
Nonproperty tax items	48,519,017	-	-	-	48,519,017	48,767,444
Charges for services	3,536,185	-	-	-	3,536,185	3,517,805
Use of money and property	592,474	-	99,365	340,993	1,032,832	1,138,015
Sale of property and compensation for loss	10,513	-	-	-	10,513	34,374
Miscellaneous	6,077,807	3,286,493	-	61,737	9,426,037	25,843,462
State sources	779,270,635	37,997,696	9,368,199	1,400,541	828,037,071	823,720,650
Federal sources	4,109,487	58,123,789	-	30,102,827	92,336,103	96,960,367
Sales	-	-	-	978,051	978,051	1,301,032
Total revenues	912,938,876	99,407,978	9,467,564	32,884,149	1,054,698,567	1,072,105,907
Expenditures						
General support	69,796,805	2,930,992	-	29,066,729	101,794,526	104,275,223
Instruction - regular	336,425,424	78,745,924	-	-	415,171,348	428,911,446
Instruction - charter	130,925,843	1,482,350	-	-	132,408,193	126,642,996
Pupil transportation	39,086,610	1,630,371	-	-	40,716,981	56,533,632
Community service	147,984	-	-	5,770	153,754	154,812
Employee benefits	171,373,714	22,485,693	-	2,299,464	196,158,871	201,976,088
Debt service						
Principal	-	-	-	57,158,334	57,158,334	54,413,334
Interest	-	-	-	35,086,116	35,086,116	37,753,516
Capital outlay	-	-	16,959,621	429,652	17,389,273	19,773,273
Total expenditures	747,756,380	107,275,330	16,959,621	124,046,065	996,037,396	1,030,434,320
Excess revenues (expenditures)	165,182,496	(7,867,352)	(7,492,057)	(91,161,916)	58,661,171	41,671,587
Other financing sources (uses)						
Transfer to City of Buffalo for debt service	(11,675,122)	-	-	-	(11,675,122)	(10,429,505)
Operating transfers, net	(111,180,892)	7,867,352	12,392,264	90,921,276	-	-
Total other financing sources (uses)	(122,856,014)	7,867,352	12,392,264	90,921,276	(11,675,122)	(10,429,505)
Net change in fund balances	42,326,482	-	4,900,207	(240,640)	46,986,049	31,242,082
Fund balances - beginning	223,663,200	-	5,591,478	47,631,771	276,886,449	245,644,367
Fund balances - ending	\$ 265,989,682	\$ -	\$ 10,491,685	\$ 47,391,131	\$ 323,872,498	\$ 276,886,449

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the year ended June 30, 2020

Total net change in fund balances - governmental funds		\$ 46,986,049
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays (net of retainages).		(59,865,831)
Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:		
2020 TRS and ERS contributions	33,345,115	
2020 ERS accrued contribution	1,538,198	
2019 ERS accrued contribution	(1,499,509)	
2020 TRS net pension expense	(56,190,033)	
2020 ERS net pension expense	<u>(13,645,288)</u>	(36,451,517)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities.		4,500,000
Payments of long-term liabilities, including bonds and amounts due to New York State, are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position.		67,667,334
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:		
Amortization of defeasance loss	(2,248,446)	
Amortization of bond premiums	10,064,929	
Interest	557,784	
Worker's compensation	(3,324,000)	
Compensated absences	<u>(1,094,064)</u>	3,956,203
Change in net position - governmental activities		\$ 26,792,238

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Local sources					
Contributions from City of Buffalo	\$ 60,348,132	\$ 60,348,132	\$ 62,148,344		\$ 1,800,212
School tax relief reimbursement	10,474,626	10,474,626	8,674,414		(1,800,212)
Nonproperty tax items	47,000,000	47,000,000	48,519,017		1,519,017
Charges for services	2,200,000	2,200,000	3,536,185		1,336,185
Use of money and property	115,000	115,000	592,474		477,474
Sale of property and compensation for loss	64,939	64,939	10,513		(54,426)
Miscellaneous	8,863,927	8,863,927	6,077,807		(2,786,120)
State sources	784,383,376	784,383,376	779,270,635		(5,112,741)
Federal sources	2,600,000	2,600,000	4,109,487		1,509,487
Total revenues	916,050,000	916,050,000	912,938,876		(3,111,124)
Expenditures					
General support					
Board of education	248,623	290,022	268,632	7,940	(13,450)
Central administration	1,231,592	1,303,438	1,258,819	24,645	(19,974)
Finance	3,570,022	3,597,241	3,310,496	67,471	(219,274)
Staff	3,820,431	3,718,096	3,244,708	33,060	(440,328)
Central services	66,411,158	65,968,121	59,750,260	2,519,214	(3,698,647)
Special items	2,455,338	2,003,667	1,963,890	2,728	(37,049)
Instruction					
Instruction, administration, and improvement	36,365,150	36,735,984	33,768,827	24,550	(2,942,607)
Teaching - regular school	149,409,185	150,554,212	143,368,134	1,051,723	(6,134,355)
Programs for children with handicapping conditions	113,337,900	115,178,644	110,265,530	99,195	(4,813,919)
Occupational education	21,184,620	21,592,293	21,358,933	1,693	(231,667)
Teaching - special schools	2,523,370	2,426,052	2,254,875	10,110	(161,067)
Charter school payments	133,880,073	130,936,516	130,925,844	-	(10,672)
Instructional media	5,509,556	5,444,447	4,552,409	799,472	(92,566)
Pupil services	23,025,227	22,942,380	20,856,715	105,797	(1,979,868)
Pupil transportation	58,866,452	58,248,116	39,086,610	28,537	(19,132,969)
Community service	139,589	149,185	147,984	-	(1,201)
Employee benefits	193,104,719	185,493,577	171,373,714	-	(14,119,863)
Total expenditures	815,083,005	806,581,991	747,756,380	4,776,135	(54,049,476)
Excess revenues (expenditures)	100,966,995	109,468,009	165,182,496	(4,776,135)	50,938,352
Other financing sources (uses)					
Transfers to City of Buffalo for debt service	(9,759,044)	(11,709,044)	(11,675,122)		(33,922)
Operating transfers in	1,350,000	1,350,000	580,693		(769,307)
Operating transfers out	(106,111,276)	(111,819,687)	(111,761,585)		(58,102)
Appropriated fund balance, reserves, and carryover encumbrances	13,553,325	12,710,722	-		(12,710,722)
Total other financing sources (uses)	(100,966,995)	(109,468,009)	(122,856,014)		(13,388,005)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 42,326,482	\$ (4,776,135)	\$ 37,550,347

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Fiduciary Net Position

June 30, 2020

	Private-Purpose	
	Trusts	Agency
	<hr/>	<hr/>
Assets		
Cash and cash equivalents	\$ 6,007	\$ 1,151,699
Due from governmental funds, net	-	503,704
Total assets	<hr/> 6,007	<hr/> \$ 1,655,403
Liabilities		
Extraclassroom activities balances	-	\$ 1,121,722
Agency liabilities	-	533,681
Total liabilities	<hr/> -	<hr/> \$ 1,655,403
Net Position		
Restricted for scholarships	<hr/> \$ 6,007	

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2020

	Private-Purpose
	Trusts
	<hr/>
Additions	
Interest earnings	\$ 9
Net position - beginning	5,998
Net position - ending	<hr/> \$ 6,007

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Board of Education, City of Buffalo, New York (the Board) is governed by Education and other laws of the State of New York (the State). The Board of Education has responsibility and control over all activities related to public school education within the Board. The Board's Superintendent is the chief executive officer. Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The Board provides education and support services such as administration, transportation, and plant maintenance. The Board receives funding from local, state, and federal sources and must comply with requirements of these funding sources. The Board is financially dependent upon the City of Buffalo (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 (Note 5). The Board's reporting entity does not contain any component units as defined by accounting standards.

The financial statements of the Board, a component unit of the City, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

Joint Schools Construction Board

The Buffalo Joint Schools Construction Board (the JSCB) is an inter-municipal joint cooperative board created by resolutions of the Board and the City of Buffalo Common Council (the Council) and by 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.

As further explained in the Joint Schools Construction Board Information section of these financial statements, although the Buffalo Schools Act conferred extensive powers upon the JSCB in relation to the construction of new educational facilities, it assigned to the JSCB only limited functions in relation to the reconstruction of existing schools, which the act authorized the Board to finance and implement as projects of the Erie County Industrial Development Agency (ECIDA). Phases I, II, III, IV, and V of the project were authorized by amendments to the Buffalo Schools Act as ECIDA reconstruction projects. The JSCB's role was principally to assist and advise the Board in developing projects up to the point when plans and specifications had been approved by the State Education Department, financing was completed and available, and construction began. The JSCB was also assigned to monitor implementation of the project's workforce and business diversification plan and to compare the financing available through ECIDA with financing available through the municipal bond agency, and to employ the financing that resulted in the lowest cost to the taxpayers. 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.

As a result of the completion of the projects overseen by JSCB, it is not anticipated that any more activity or business will be conducted and the JSCB special-revenue fund is no longer presented within the governmental funds. On a government-wide basis, all related capital assets and long-term debt are included within the Board's financial statements.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall Board, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the Board. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Board does not maintain any business-type activities.

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 a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the Board's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets. Revenues that are not classified as program revenues, including the City's contribution, sales taxes, and state aid, are presented as general revenues.

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 the 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.

The Board reports the following major funds:

- *General fund.* This is the Board's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.

The Board also elected to present the following as a major fund:

- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

- *Debt service fund.* This fund is used to account for resources that are restricted to expenditure for principal and interest on the Board's long-term debt, except for amounts held by the City, which are recorded in the general and capital funds as transfers to the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.
- *School food service fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the Board's breakfast, lunch, summer food, and Root Culinary programs.
- *Special activities fund.* This fund is used to account for transactions that support miscellaneous local grants and donations. 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 earnings, and not principal, may be used for the purposes that support the Board's programs.

The Board reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the Board as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Such statements were audited by other auditors, whose report dated October 21, 2019 expressed an unmodified opinion on those financial statements.

Basis of Accounting and Measurement Focus

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 when the related cash flows take place. Nonexchange transactions, in which the Board receives value directly without giving equal value in exchange, include contributions from the City, sales taxes, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if they are collected within one year after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budget Process, Amendments, and Encumbrances

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.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

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.

Inventory and Prepaid Expenses

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. Donated commodities are stated at values which approximate market. Certain payments to vendors reflect expenditures applicable to future periods and are reflected as prepaid expenses.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	7

Bond Defeasances

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 the retired debt, and are recorded as either a deferred outflow or deferred 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.

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds 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.

Pensions

The Board participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the Board recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the Board's defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for the payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, and defeasance losses, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the Board's bonds. Restricted net position is consistent with restricted fund balance at June 30, 2020, plus nonspendable net position in the permanent fund.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the Board.

Governmental Fund Statements

The Board considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the Board allows the Chief Financial Officer or his designee to determine the order in which to use committed, assigned, and unassigned resources when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law or State Education Law as authorized for use by the Board of Education. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the Board's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end.

Fund balance restrictions consist of the following reserves:

- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the Board has elected to use the benefit reimbursement method.
- *Judgments, property loss, and claims* – is used to cover self-insured property loss retention or liability claims that are not insured.
- *Fiscal stabilization* – created by the State Laws of 2000, Chapter 88, for the purpose of maintaining the fiscal stability of the Board, this reserve can be used to support the Board's educational programs and any liability incurred by the Board in carrying out its functions and responsibilities under Education Law.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required under §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Special activities* – is used to account for activity from miscellaneous local grants and donations.

The Board of Education has given the Chief Financial Officer the authority to assign fund balances for specific purposes that are neither restricted nor committed. Assigned fund balances include amounts designated for OPEB, health insurance, capital projects and repairs, and other purposes. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory, prepaid deposits, and endowment balances.

Interfund Balances

The operations of the Board include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the Board's practice to settle these amounts at the net balances due between funds.

2. Cash and Cash Equivalents

Cash management is governed by State laws and as established in the Board's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Board's banking policies permit the Chief Financial Officer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and 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.

Custodial credit risk is the risk that in the event of a bank failure the Board's deposits may not be returned to it. At June 30, 2020, the Board's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the Board's name.

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 Held by the City of Buffalo

Amounts on deposit with the City on behalf of the Board total \$324,211,910. Such amounts represent 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 \$39,289,914 to the Board for purposes of providing cash flow to the special aid fund.

Cash and Cash Equivalents with Fiscal Agent

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 and amounted to \$16,019,666 as of June 30, 2020.

Restricted Cash and Cash Equivalents

Cash and cash equivalents in the amount of \$680,709 are restricted in the general fund to support obligations related to workers’ compensation claims, along with an account held in trust with the Buffalo Teacher’s Federation in relation to a previous teachers’ settlement agreement.

In accordance with the Local Share Trust and Depository Agreement, the local share contribution of the JSCB projects is to be held in trust and can only be disbursed as specified by the aforementioned agreement. Such amounts total \$11,775,742 and are restricted within the debt service fund until completion of the related projects.

3. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 9,999,219	\$ -	\$ 580,693	\$ 111,761,585
Capital projects	-	9,985,662	12,392,264	-
Debt service	-	-	103,227,039	12,972,957
Special aid	202,934	720,195	7,867,352	-
School food service	-	-	667,194	-
Fiduciary	535,531	31,827	-	-
	<u>\$ 10,737,684</u>	<u>\$ 10,737,684</u>	<u>\$ 124,734,542</u>	<u>\$ 124,734,542</u>

The general fund provides cash flow to the various other funds; these amounts are repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program, to the school food service program for operations, and to the debt service fund for principal and interest payments on serial bonds. In accordance with the State’s requirement, the debt service fund also transferred the difference between amounts received from building aid and amounts paid under refinanced JSCB debt agreements to the capital projects fund for capital expenditures.

4. Capital Assets

	July 1, 2019	Increases	Retirements/ Reclassifications	June 30, 2020
Non-depreciable capital assets:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	34,394,474	17,306,714	(22,346,843)	29,354,345
Total non-depreciable assets	37,406,374	17,306,714	(22,346,843)	32,366,245
Depreciable capital assets:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and improvements	1,769,206,673	188,802	12,986,138	1,782,381,613
Equipment and vehicles	31,406,286	1,211,947	9,203,000	41,821,233
Total depreciable assets	1,806,155,645	1,400,749	22,189,138	1,829,745,532
Less accumulated depreciation:				
Land improvement	4,660,356	88,087	-	4,748,443
Buildings and improvements	955,326,172	76,863,295	-	1,032,189,467
Equipment and vehicles	23,695,309	1,639,958	(157,705)	25,177,562
Total accumulated depreciation	983,681,837	78,591,340	(157,705)	1,062,115,472
Total depreciable assets, net	822,473,808	(77,190,591)	22,346,843	767,630,060
	\$ 859,880,182	\$ (59,883,877)	\$ -	\$ 799,996,305

Depreciation expense has been allocated to the following functions: general support \$4,881,739, instruction \$70,592,229, pupil transportation \$1,181,409, and food service \$1,935,963.

As of June 30, 2020, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 799,996,305
Defeasance loss	22,095,496
Bonds payable and related premiums, net of unspent proceeds	(723,243,798)
Net investment in capital assets	\$ 98,848,003

5. Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Amount Due in One Year
Due to City for bonds payable	\$ 35,989,000	\$ -	\$ 10,509,000	\$ 25,480,000	\$ 8,345,000
JSCB bonds payable	689,515,000	-	55,780,000	633,735,000	65,280,000
Revenue bonds payable	10,255,000	-	665,000	9,590,000	695,000
Premium on bonds	90,113,393	-	10,064,929	80,048,464	10,064,928
Due to New York State	8,126,666	-	713,334	7,413,332	713,332
Compensated absences	22,809,164	1,094,064	-	23,903,228	9,952,000
Workers' compensation	44,682,000	11,477,000	8,153,000	48,006,000	9,623,000
	\$ 901,490,223	\$ 12,571,064	\$ 85,885,263	\$ 828,176,024	\$ 104,673,260

Due to City for Bonds Payable

Amounts due to the City are for bonds payable issued on behalf of the Board. Payments made to the City for purposes of principal and interest on bonds totaled \$11,675,112 for the year ended June 30, 2020.

Revenue Bonds Payable

These bonds represent amounts due for Municipal Bond Agency Revenue Bonds issued pursuant to the State of New York Municipal Bond Agency (the Agency) Act and a General Resolution and a Series Resolution to provide funds to finance a portion of the cost of settling litigation between the Board and the Buffalo Teachers Federation, fund the debt service reserve fund to at least the debt service reserve fund requirement, and to pay legal, accounting, financing, and other fees and expenses related to the issuance of the bonds.

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

Due to New York State

In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid, interest-free, to help pay a litigation settlement with the Buffalo Teachers' Federation. In June 2006, the Board received an additional lottery aid advance of \$1,400,000.

Existing Obligations

Description	Maturity	Rate	Balance
Due to New York State	June 2036	0.0%	\$ 7,413,332
2012 Revenue bonds	May 2031	3.0%-5.0%	9,590,000
2011-2016 JSCB revenue and refunding bonds	May 2031	0.75%-5.25%	633,735,000
2010-2016 City of Buffalo serial and refunding bonds	April 2026	3.0%-5.0%	25,480,000
			<u>\$ 676,218,332</u>

Debt Service Requirements

Years ending June 30,	Bonds Payable		Due to New York State
	Principal	Interest	Principal
2021	\$ 74,320,000	\$ 33,008,941	\$ 713,332
2022	80,640,000	29,485,823	713,334
2023	84,460,000	25,545,566	713,334
2024	80,780,000	21,430,541	713,332
2025	74,450,000	17,491,016	713,334
2026-2030	247,410,000	40,543,922	3,566,666
2031-2035	26,745,000	1,688,376	233,334
2036	-	-	46,666
	<u>\$ 668,805,000</u>	<u>\$ 169,194,185</u>	<u>\$ 7,413,332</u>

Leases

The Board leases property and equipment under the terms of various operating leases. Rental expense for all of such leases amounted to \$5,457,734 for the year ended June 30, 2020. Future minimum rentals to be paid for all noncancelable operating leases are:

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

6. Pension Plans

Plan Descriptions

The Board participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 8.86% for 2020. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Board to the pension accumulation fund. For 2020, these rates ranged from 9.4% - 21.4%.

The amount outstanding and payable to TRS for the year ended June 30, 2020 was \$27,347,081. A liability to ERS of \$1,538,198 is accrued based on the Board's legally required contribution for employee services rendered from April 1 through June 30, 2020.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2020, the Board reported an asset of \$46,418,092 for its proportionate share of the TRS net pension position and a liability of \$38,334,713 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures applied to roll forward the net pension position to June 30, 2019. The Board's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2019, the Board's proportion was 1.786681%, a decrease of 0.035361 from its proportion measured as of June 30, 2018.

The ERS net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The Board's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the Board's proportion was 0.1447654%, an increase of 0.0048624 from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, the Board recognized net pension expense of \$69,835,321 on the government-wide statements (TRS expense of \$56,190,033 and ERS expense of \$13,645,288). At June 30, 2020, the Board reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,456,356	\$ 3,451,740	\$ 2,256,153	\$ -
Changes of assumptions	87,689,986	21,381,299	771,880	666,505
Net difference between projected and actual earnings on pension plan investments	-	37,224,916	19,652,237	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,891,761	7,735,230	1,346,619	73,280
Board contributions subsequent to the measurement date	27,347,081	-	1,538,198	-
	<u>\$ 150,385,184</u>	<u>\$ 69,793,185</u>	<u>\$ 25,565,087</u>	<u>\$ 739,785</u>

Board contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2021	\$ 19,821,926	\$ 4,173,461
2022	154,239	5,918,905
2023	19,745,809	7,354,341
2024	12,632,296	5,840,397
2025	2,006,506	-
Thereafter	(1,115,858)	-
	<u>\$ 53,244,918</u>	<u>\$ 23,287,104</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2018 valuation, with update procedures used to roll forward the total pension liability to June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.2%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 7.1% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis

Discount rate – 7.1%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%
Salary increases – 4.2%
COLA – 1.3% annually
Investment rate of return – 6.8% compounded annually, net of investment expense, including inflation
Mortality – Society of Actuaries’ Scale MP-2018
Discount rate – 6.8%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems’ target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.3%	36%	4.1%
Global and international equities	20%	7.2%-7.8%	14%	6.2%
Private equities	8%	9.9%	10%	6.8%
Real estate	11%	4.6%	10%	5.0%
Inflation-indexed bonds	-	-	4%	0.5%
Domestic fixed income securities	16%	1.3%	-	-
Global fixed income securities	2%	0.9%	-	-
Bonds and mortgages	7%	2.9%	17%	0.8%
Short-term	1%	0.3%	1%	-
Other	2%	3.6%-6.5%	8%	3.3%-6.0%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those 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.

The following presents the Board’s proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 6.8% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	At Current		
	1.0% Decrease	Discount Rate	1.0% Increase
Board’s proportionate share of the TRS net pension asset (liability)	<u>\$ (209,526,423)</u>	<u>\$ 46,418,092</u>	<u>\$ 261,126,659</u>
Board’s proportionate share of the ERS net pension asset (liability)	<u>\$ (70,355,022)</u>	<u>\$ (38,334,713)</u>	<u>\$ (8,843,873)</u>

7. OPEB

Plan Description

The Board maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical, prescription, vision, and dental insurance for virtually all Board retirees and their spouses. Benefit provisions are based on individual contracts with the Board, as negotiated from time to time. Eligibility is based on covered employees who retire from the Board over the age of 55 and have met vesting requirements. Retirees have various contribution requirements based on the bargaining agreement terms in effect at the time of retirement. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2019, employees covered by the Plan include:

Active employees	5,061
Inactive employees or beneficiaries currently receiving benefits	3,978
Inactive employees entitled to but not yet receiving benefits	-
	<u>9,039</u>

Total OPEB Liability

The Board's total OPEB liability of \$2,613,913,000 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019, rolled forward through an interim valuation to June 30, 2020.

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

Healthcare cost trend rate – based on a combination of employer history, national trend surveys, and professional judgment, initially 7.5% and reduced to an ultimate rate of 4.5% after 2026

Salary increases – 1.76% to 10.3%

Mortality – MP-2018 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees

Discount rate – 2.66% based on a range of indices of 20-year bonds with an average rating of AA/Aa or higher as of the measurement date

Inflation rate – 1.3%

Changes in the Total OPEB Liability

	Total OPEB Liability (In thousands)
Balance at June 30, 2019	<u>\$ 2,395,142</u>
Changes for the year:	
Service cost	72,956
Interest	85,561
Changes of benefit terms	-
Differences between expected and actual experience	(229,606)
Changes of assumptions or other inputs	351,329
Benefit payments	<u>(61,469)</u>
Net changes	218,771
Balance at June 30, 2020	<u>\$ 2,613,913</u>

The following presents the sensitivity of the Board's total OPEB liability to changes in the discount rate, including what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate (amounts in thousands):

	1.0% Decrease (1.66%)	Discount Rate (2.66%)	1.0% Increase (3.66%)
Total OPEB liability	<u>\$ (3,117,105)</u>	<u>\$ (2,613,913)</u>	<u>\$ (2,218,889)</u>

The following presents the sensitivity of the Board’s total OPEB liability to changes in the healthcare cost trend rates, including what the Board’s total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates (amounts in thousands):

	Healthcare Cost		
	1.0% Decrease (6.50% to 3.50%)	Trend Rate (7.50% to 4.50%)	1.0% Increase (8.50% to 5.50%)
Total OPEB liability	\$ (2,156,484)	\$ (2,613,913)	\$ (3,219,440)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2020, the Board recognized OPEB expense of \$56,969,000. At June 30, 2020, the Board reported deferred outflows and deferred inflows 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	\$ -	\$ (560,204)
Changes of assumptions or other inputs	422,838	(165,210)
	\$ 422,838	\$ (725,414)

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

Years ending June 30,	Amount (in thousands)
2021	\$ (101,548)
2022	(101,548)
2023	(101,547)
2024	(33,325)
2025	18,003
Thereafter	17,389
	\$ (302,576)

8. Risk Management

General Liability

The Board is self-insured for most liabilities, but has purchased commercial insurance for various risks including property damage, automobiles, and theft. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Health Insurance

The Board maintains a self-funded health insurance plan and the program is managed by a third party administrator. The Board makes weekly payments based on employee claims as well as payments for fees charged for administering the program and for excess insurance coverage. The Board has recorded an estimate for claim liabilities incurred but not paid based on an actuarial valuation. The Board maintains excess insurance coverage that limits their self-funded exposure to \$600,000 per individual occurrence in a given plan year in the aggregate.

At the end of the year, the Board records the liability for claims paid subsequent to year end as an accrued liability and a 21-day pre-funded escrow requirement held on deposit by the third party administrator as a receivable.

Claims activity is as follows:

	2020	2019
Estimated claims liability, beginning of year	\$ 10,235,122	\$ 10,235,122
Current year claims and changes in estimates	127,332,000	132,970,000
Claim payments	<u>(127,332,000)</u>	<u>(132,970,000)</u>
Estimated claims liability, end of year	<u>\$ 10,235,122</u>	<u>\$ 10,235,122</u>

Workers' Compensation

The Board is self-insured for workers' compensation and has accrued its best estimate of workers' compensation losses based on an actuarial valuation dated August 17, 2020. The estimate represents 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 as well as anticipated future payouts based on prior experience with actual payments of claims. Management believes the estimated liability is reasonable based upon historical experience and the opinions of internal risk management administrators and legal counsel.

Changes in the reported liability claims for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Estimated claims liability, beginning of year	\$ 44,682,000	\$ 43,763,000
Current year claims	11,477,000	10,480,000
Claim payments	<u>(8,153,000)</u>	<u>(9,561,000)</u>
Estimated claims liability, end of year	<u>\$ 48,006,000</u>	<u>\$ 44,682,000</u>

9. Commitments and Contingencies

Grants

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

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

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2020 include \$302,000 for equipment, \$1,683,000 for supplies, and \$2,791,000 for contractual services.

Litigation

The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss, if any, has been made in the accompanying financial statements. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

Commitments

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

10. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools, resulting in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts, including its residents, employees, and vendors, none of which can be predicted.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014
District's proportion of the net pension position	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%
District's proportionate share of the net pension asset (liability)	\$ 46,418,092	\$ 32,947,326	\$ 13,960,812	\$ (17,688,235)	\$ 173,277,759	\$ 188,878,283
District's covered payroll	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
District's proportionate share of the net pension position as a percentage of its covered payroll	15.56%	9.47%	4.80%	6.94%	69.15%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
The following is a summary of changes of assumptions:						
Inflation	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%
Investment rate of return	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Discount rate	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA

Data prior to 2014 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597	\$ 28,341,558	\$ 26,491,441	\$ 20,465,737
Contribution in relation to the contractually required contribution	(27,347,081)	(31,671,613)	(34,111,928)	(34,062,426)	(33,792,412)	(43,929,324)	(40,700,597)	(28,341,558)	(26,491,441)	(20,465,737)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 239,371,267	\$ 238,446,814	\$ 237,421,543
Contributions as a percentage of covered payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.62%

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System**

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%
District's proportionate share of the net pension liability	\$ (38,334,713)	\$ (9,912,527)	\$ (4,402,094)	\$ (12,444,723)	\$ (22,702,665)	\$ (4,813,758)
District's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,110,981
District's proportionate share of the net pension position as a percentage of its covered payroll	86.33%	23.28%	10.95%	30.05%	58.05%	12.31%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:						
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System**

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573	\$ 8,436,183	\$ 7,065,431	\$ 4,440,936
Contribution in relation to the contractually required contribution	(5,998,034)	(5,947,217)	(8,970,690)	(6,252,808)	(7,163,096)	(7,566,788)	(5,070,646)	(8,436,183)	(7,065,431)	(4,440,936)
Contribution deficiency (excess)*	\$ -	\$ -	\$ (2,704,467)	\$ (248,724)	\$ (239,711)	\$ (231,025)	\$ 3,423,927	\$ -	\$ -	\$ -
District's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043	\$ 39,735,784	\$ 34,302,213	\$ 38,838,292
Contributions as a percentage of covered payroll	13.51%	13.97%	15.58%	14.50%	17.70%	18.53%	20.90%	21.23%	20.60%	11.43%

**In 2014, the District elected to participate in the Contribution Stabilization Program. As a result, the District's 2014 payment was reduced by \$3,423,927, which was deferred and paid in installments over the next four years until fully repaid during 2018.*

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of Changes in the District's Total
OPEB Liability and Related Ratios (In thousands)

June 30,	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305	\$ 2,852,359
Changes for the year:				
Service cost	72,956	71,543	82,946	105,405
Interest	85,561	90,227	92,126	82,361
Changes of benefit terms	-	-	509	-
Differences between expected and actual experience	(229,606)	(166,075)	(234,596)	(202,349)
Changes of assumptions or other inputs	351,329	170,379	(124,707)	(238,475)
Benefit payments	(61,469)	(61,084)	(61,431)	(63,996)
Net change in total OPEB liability	218,771	104,990	(245,153)	(317,054)
Total OPEB liability - ending	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305
Covered-employee payroll	\$ 373,087	\$ 377,000	\$ 345,602	\$ 344,791
Total OPEB liability as a percentage of covered-employee payroll	700.6%	635.3%	662.7%	735.3%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	7.5%-4.5%	8.0%-4.5%	8.5%-5.5%	9.0%-5.0%
Salary increases	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%
Discount rate	2.66%	3.51%	3.87%	3.56%
Inflation	1.30%	1.30%	2.50%	1.30%
Society of Actuaries' mortality scale	MP-2018	MP-2018	MP-2017	MP-2015

Data prior to 2017 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2020

	Debt Service	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 300	\$ 189,610	\$ -	\$ 189,910
Cash held by the City of Buffalo	-	17,050,881	-	-	17,050,881
Cash with fiscal agent	16,019,666	-	-	-	16,019,666
Cash and cash equivalents - restricted	11,775,742	-	-	312,277	12,088,019
Accounts receivable	-	56,437	-	-	56,437
State and federal aid receivable	-	2,595,522	-	-	2,595,522
Inventory	-	1,192,707	-	-	1,192,707
Total assets	\$ 27,795,408	\$ 20,895,847	\$ 189,610	\$ 312,277	\$ 49,193,142
Liabilities and Fund Balances					
Accounts payable	\$ -	\$ 1,314,423	\$ -	\$ -	\$ 1,314,423
Accrued liabilities	-	487,588	-	-	487,588
Total liabilities	-	1,802,011	-	-	1,802,011
Fund Balances					
Nonspendable:					
Inventory	-	1,192,707	-	-	1,192,707
Endowment	-	-	-	312,277	312,277
Restricted:					
Debt service	27,795,408	-	-	-	27,795,408
Special activities fund	-	-	189,610	-	189,610
Assigned:					
School food service	-	17,901,129	-	-	17,901,129
Total fund balances	27,795,408	19,093,836	189,610	312,277	47,391,131
Total liabilities and fund balances	\$ 27,795,408	\$ 20,895,847	\$ 189,610	\$ 312,277	\$ 49,193,142

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds

For the year ended June 30, 2020

	Debt Service	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Revenues					
Use of money and property	\$ 340,547	\$ -	\$ -	\$ 446	\$ 340,993
Miscellaneous	-	53,822	7,915	-	61,737
State sources	-	1,400,541	-	-	1,400,541
Federal sources	-	30,102,827	-	-	30,102,827
Sales	-	978,051	-	-	978,051
Total revenues	340,547	32,535,241	7,915	446	32,884,149
Expenditures					
General support	-	29,066,729	-	-	29,066,729
Community service	-	-	4,595	1,175	5,770
Employee benefits	-	2,299,464	-	-	2,299,464
Debt service					
Principal	57,158,334	-	-	-	57,158,334
Interest	35,086,116	-	-	-	35,086,116
Capital outlay	-	429,652	-	-	429,652
Total expenditures	92,244,450	31,795,845	4,595	1,175	124,046,065
Excess revenues (expenditures)	(91,903,903)	739,396	3,320	(729)	(91,161,916)
Other financing sources					
Operating transfers, net	90,254,082	667,194	-	-	90,921,276
Net change in fund balances	(1,649,821)	1,406,590	3,320	(729)	(240,640)
Fund balances - beginning	29,445,229	17,687,246	186,290	313,006	47,631,771
Fund balances - ending	\$ 27,795,408	\$ 19,093,836	\$ 189,610	\$ 312,277	\$ 47,391,131

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Change from Original to Final Budget

For the year ended June 30, 2020

Original expenditure budget	\$ 927,400,000
Encumbrances carried over from prior year	3,553,325
Budget amendments:	
Cancelled enbumbrances	<u>(842,603)</u>
Revised expenditure budget	<u>\$ 930,110,722</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2020

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Computers & Technology	\$ 1,200,000	\$ 1,236,462	\$ 1,189,882	\$ 2,490	\$ 1,192,372	\$ 44,090
Refunding Savings Phase II	27,917,363	27,944,206	27,768,848	-	27,768,848	175,358
Partial Refunding Savings Phase IV	11,063,175	11,079,507	10,733,082	49,189	10,782,271	297,236
Joint Schools Construction Board Local Share	-	2,613,256	2,596,756	16,500	2,613,256	-
Refunding Savings Phase III A&B	25,936,750	25,944,908	23,856,088	1,132,223	24,988,311	956,597
PA System Upgrades	145,584	315,584	224,789	89,339	314,128	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	6,301,681	7,146,463	10,558,335
Pool Heater Replacement - School 84	30,000	30,000	23,350	-	23,350	6,650
Smart Schools Bond Act	10,000,000	33,321,161	20,616,795	9,368,199	29,984,994	3,336,167
Total	\$ 93,968,985	\$ 124,436,649	\$ 87,854,372	\$ 16,959,621	\$ 104,813,993	\$ 19,622,656

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through New York State Education Department			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 5,680,964
National School Lunch Program	10.555	N/A	12,098,541
Summer Food Service Program for Children	10.559	N/A	1,114,517
COVID-19 - Summer Food Service Program for Children	10.559	N/A	<u>7,535,563</u>
			26,429,585 ¹
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	TDA01-C00252GG-34100	61,743
Passed Through New York State Department of Health			
Child and Adult Care Food Program	10.558	N/A	851,943
Passed Through New York State Office of General Services			
National School Lunch Program	10.555	N/A	1,797,860 ¹
Fresh Fruit and Vegetable Program	10.582	N/A	<u>1,023,439</u>
Total U.S. Department of Agriculture			<u>30,164,570</u>
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	N/A	<u>254,901</u>
U.S. Department of Labor			
YouthBuild	17.274	YC-25402-14-60-A-36	(42,388)
WIOA Dislocated Worker Formula Grants	17.278	C015445	<u>154</u>
Total U.S. Department of Labor			<u>(42,234)</u>
U.S. Department of Education			
Direct programs			
Title I Grants to Local Educational Agencies	84.010	N/A	18,885
Indian Education Grants to Local Educational Agencies	84.060	S060A181033	6,327
Indian Education Grants to Local Educational Agencies	84.060	S060A191033	202,676
School Safety National Activities	84.184	S184G140241	36,290
Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods	84.215	S215F160281	350,569
School Improvement Grants	84.377	S377B150004	4,167

¹ total Child Nutrition Cluster totals \$28,227,445

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-19-0202	\$ 103,322
Special Education Grants to States	84.027	0032-20-0202	12,811,632
Special Education Grants to States	84.027	C012213	(16,382)
Special Education Preschool Grants	84.173	0033-19-0202	1,684
Special Education Preschool Grants	84.173	0033-20-0202	575,217
Total Special Education Cluster			13,475,473
Adult Education - Basic Grants to States	84.002	0040-19-2096	4,002
Adult Education - Basic Grants to States	84.002	0040-20-2096	147,946
Adult Education - Basic Grants to States	84.002	0138-19-2059	3,235
Adult Education - Basic Grants to States	84.002	0138-20-2059	119,316
Adult Education - Basic Grants to States	84.002	2338-19-3132	(20,340)
Adult Education - Basic Grants to States	84.002	2338-20-3132	498,384
Adult Education - Basic Grants to States	84.002	2338-19-3224	(14,456)
Adult Education - Basic Grants to States	84.002	2338-20-3224	98,179
Adult Education - Basic Grants to States	84.002	2338-19-3225	(5,363)
Adult Education - Basic Grants to States	84.002	2338-20-3225	128,790
Adult Education - Basic Grants to States	84.002	2338-19-3223	324
Adult Education - Basic Grants to States	84.002	2338-20-3223	90,454
Title I Grants to Local Educational Agencies	84.010	0011-18-2002	246,039
Title I Grants to Local Educational Agencies	84.010	0011-19-2002	57,042
Title I Grants to Local Educational Agencies	84.010	0011-20-2002	397,015
Title I Grants to Local Educational Agencies	84.010	0011-20-2702	172,290
Title I Grants to Local Educational Agencies	84.010	0011-20-3002	6,087
Title I Grants to Local Educational Agencies	84.010	0011-20-5030	173,897
Title I Grants to Local Educational Agencies	84.010	0011-20-5031	222,682
Title I Grants to Local Educational Agencies	84.010	0011-20-5032	158,144
Title I Grants to Local Educational Agencies	84.010	0011-20-5050	460,181
Title I Grants to Local Educational Agencies	84.010	0011-20-5051	450,418
Title I Grants to Local Educational Agencies	84.010	0011-20-5052	392,994
Title I Grants to Local Educational Agencies	84.010	0011-20-5053	467,233
Title I Grants to Local Educational Agencies	84.010	0011-20-5054	380,557
Title I Grants to Local Educational Agencies	84.010	0011-20-5055	434,930
Title I Grants to Local Educational Agencies	84.010	0011-18-7120	324
Title I Grants to Local Educational Agencies	84.010	0011-19-7120	4,279
Title I Grants to Local Educational Agencies	84.010	0016-19-0740	92,448
Title I Grants to Local Educational Agencies	84.010	0016-20-0740	333,808
Title I Grants to Local Educational Agencies	84.010	0021-18-0740	453
Title I Grants to Local Educational Agencies	84.010	0021-19-0740	1,280,805
Title I Grants to Local Educational Agencies	84.010	0021-20-0740	27,874,362

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department, continued			
School Improvement Grants	84.377	0123-19-6101	\$ 663
School Improvement Grants	84.377	0123-19-6102	14,684
School Improvement Grants	84.377	0123-19-6103	(1,955)
School Improvement Grants	84.377	0123-19-6104	(853)
School Improvement Grants	84.377	0123-19-6105	(610)
School Improvement Grants	84.377	0123-19-6106	4,001
School Improvement Grants	84.377	0123-19-7000	137
School Improvement Grants	84.377	0123-19-7002	353
School Improvement Grants	84.377	0123-19-7507	219
School Improvement Grants	84.377	0123-19-7508	3,954
School Improvement Grants	84.377	0123-19-7509	(19,937)
School Improvement Grants	84.377	0123-19-7510	835
School Improvement Grants	84.377	0123-19-7511	2,861
School Improvement Grants	84.377	0123-19-7512	4,876
Career and Technical Education - Basic Grants to States	84.048	8000-19-0075	6,342
Career and Technical Education - Basic Grants to States	84.048	8000-20-0075	419,483
Career and Technical Education - Basic Grants to States	84.048	8000-19-9002	20,264
Career and Technical Education - Basic Grants to States	84.048	8000-20-9002	457,857
English Language Acquisition State Grants	84.365	0293-19-0740	309,102
English Language Acquisition State Grants	84.365	0293-20-0740	468,573
English Language Acquisition State Grants	84.365	0014-19-0740	34,754
Mathematics and Science Partnerships	84.366	0294-19-0305	59,868
Supporting Effective Instruction State Grants	84.367	0145-19-1005	219,710
Supporting Effective Instruction State Grants	84.367	0145-20-1005	557,835
Supporting Effective Instruction State Grants	84.367	0147-19-0740	3,017,308
Student Support and Academic Enrichment Program	84.424	0196-19-1124	795,543
Student Support and Academic Enrichment Program	84.424	0196-19-2124	940,054
Student Support and Academic Enrichment Program	84.424	0204-19-0740	74,241
Student Support and Academic Enrichment Program	84.424	0204-20-0740	1,680,906
Disaster Recovery Assistance for Education	84.938	0084-19-0740	27,630
Total U.S. Department of Education			57,849,544
U.S. Department of Health and Human Services			
Teenage Pregnancy Prevention Program	93.297	N/A	41,464
Title V Sexual Risk Avoidance Education Program	93.787	90TS002-01-00	(197)
Total U.S. Department of Health and Human Services			41,267
Total Expenditures of Federal Awards			\$ 88,268,048

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, an entity as defined in Note 1 to the Board’s basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The Board uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Board’s financial reporting system.

Indirect Costs

The Board does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The Board is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a “non-monetary program.” During the year ended June 30, 2020, the Board used \$1,797,860 worth of commodities under the National School Lunch Program (CFDA Number 10.555).

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

The Board of Education
Board of Education, 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 remaining fund information of 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, 2020, 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 14, 2020.

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 on 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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.

October 14, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Board of Education, City of Buffalo, New York

Report on Compliance for Each Major Federal Program

We have audited Board of Education, City of Buffalo, New York's (the Board), a component unit of the City of Buffalo, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2020. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

October 14, 2020

Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Title I Grants to Local Educational Agencies	84.010	\$ 33,624,873
School Improvement Grants	84.377	13,395
Student Support and Academic Enrichment Program	84.424	3,490,744
Special Education Grants to States	84.027	12,898,571
Special Education Preschool Grants	84.173	576,901
		<u>\$ 50,604,484</u>

Dollar threshold used to distinguish between type A and type B programs: \$2,647,859

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2020

Finding 2019-001:

Title I Grants to Local Education Agencies (CFDA Number 84.010)
Student Support and Academic Enrichment Program (CFDA Number 84.424)
Special Education Grants to States (CFDA Number 84.027)
Special Education Preschool Grants (CFDA Number 84.173)

Condition: The Board’s control process to ensure that payroll expenditures are properly allocated to each applicable grant program includes the preparation, maintenance, and review of time and effort certifications. During the 2019 audit, there were instances of certifications not completed and reviewed timely, and, in some cases, not completed at all.

Current Status: This finding has been corrected.

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

Information Regarding Joint Schools Construction Board Debt

For the year ended June 30, 2020

The Program

Authorization

The Program was developed by the Joint Schools Construction Board (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 City School District (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 provided for 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 ultimately fully refunded 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 fully refunded from proceeds of the sale of the Series 2015A Bonds on June 24, 2015.

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 21 secondary schools, 38 elementary and intermediate schools, and 3 special schools. There are 20 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:

Years ended June 30,	Size of Buffalo School System								
	2021 ⁽⁴⁾	2020	2019	2018	2017	2016	2015	2014	2013
Enrollment	32,507	33,290	33,286	33,512	33,834	34,174	34,402	33,938	32,765
Schools ⁽¹⁾	61	61	61	61	61	61	62	65	68
Instructional staff ⁽²⁾	3,654	3,626	3,631	3,624	3,542	3,489	3,416	3,489	3,403
Administrative personnel ⁽²⁾	257	258	262	257	240	243	241	240	208
Non-certified personnel ⁽²⁾⁽³⁾	1,549	1,523	1,561	1,531	1,545	1,525	1,521	1,517	1,454

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, 2020

State Aid

State Aid (All Funds)	
Buffalo CSD	
Years ended June 30,	(in Millions)
2021 ⁽¹⁾	\$ 789.4
2020	830.2
2019	822.1
2018	811.8
2017	764.7
2016	721.9
2015	697.9
2014	679.8
2013	661.8
2012	624.4

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of September 30, 2020