



CITY OF BUFFALO



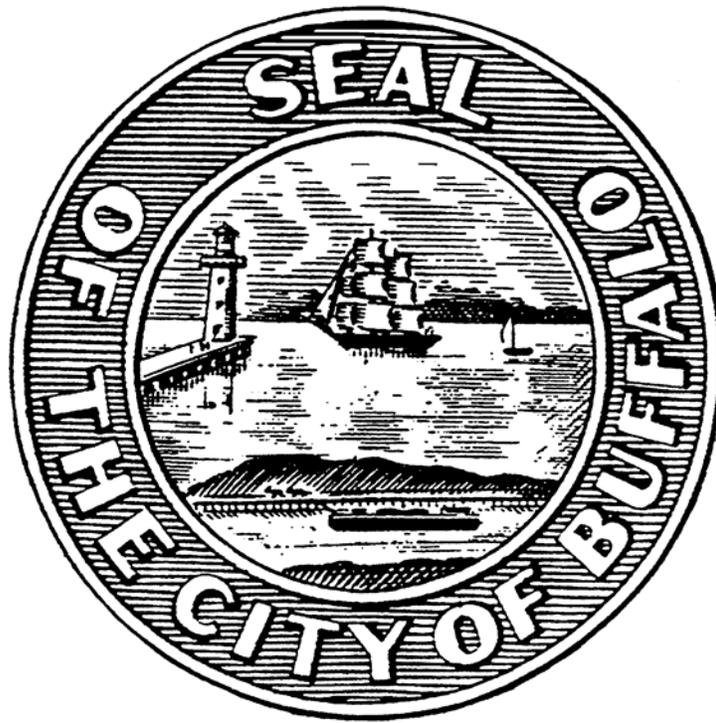
COMPREHENSIVE ANNUAL FINANCIAL REPORT BUFFALO, NEW YORK · FOR FISCAL YEAR ENDED JUNE 30, 2014



City of Buffalo, New York

Comprehensive Annual Financial Report

**For the Fiscal Year Ended June 30, 2014
Mark J.F. Schroeder, Comptroller**



**Department of Audit and Control
65 Niagara Square • 1225 City Hall
Buffalo, New York 14202**

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INTRODUCTORY SECTION



CITY OF BUFFALO

DEPARTMENT OF AUDIT AND CONTROL

1225 CITY HALL
BUFFALO, NEW YORK 14202
716-851-5255

MARK J. F. SCHROEDER

COMPTROLLER

ANNE FORTI-SCIARRINO
FIRST DEPUTY COMPTROLLER

GREGG SZYMANSKI, CPA
DEPUTY COMPTROLLER
INVESTMENT & DEBT MANAGEMENT

WILLIAM FERGUSON, CPA
DEPUTY COMPTROLLER
CITY ACCOUNTANT

KEVIN KAUFMAN, CPA
DEPUTY COMPTROLLER
CITY AUDITOR

November 26, 2014

To the Mayor, Members of the Common Council, and the Citizens of the City of Buffalo:

I am pleased to submit the 182nd Annual Financial Report of the City of Buffalo, New York (the City) for the fiscal year ended June 30, 2014. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Drescher & Malecki LLP have issued an unmodified (“clean”) opinion on the City’s financial statements as of and for the year ended June 30, 2014. The independent auditors’ report is located at the front of the financial section of this report.

The Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Buffalo was incorporated as a village in 1816 and as a city in 1832. It is located on the western border of the State of New York and the eastern shore of Lake Erie. It has a land area of 42 square miles and a population of 261,310 based on the 2010 census. The City of Buffalo is the second largest city in the State and serves as the seat of the Erie County government. The Peace Bridge crossing the Niagara River connects downtown Buffalo with Fort Erie, Canada, and serves as a major link between the United States and Canada.

The City operates under a charter adopted in 1927 and revised in 2001, which provides for a strong Mayor-Council-Comptroller form of government. The Mayor, elected by general election for a four-year term, is the head of the executive department and oversees all administrative functions. He has the power to appoint and remove the non-elected heads of City departments, boards, commissions and agencies, most of which are subject to the approval of the Common Council.

The fiscal affairs of the City are the responsibility of the Comptroller, who is elected to a four-year term. The specific responsibilities of the Comptroller include the audit and control of the financial activities of all departments and agencies of the City, as well as the accounting, debt management and investment functions.

The Common Council, which is the legislative body of the City, consists of nine Council members who are elected in a general election to four year terms for their respective districts. In addition to the legislative power to adopt ordinances and resolutions, the review and approval of the operating and capital budgets, and approval of mayoral appointments, the Common Council has power to investigate City affairs, subpoena records and administer oaths.

In 2003, state law created the Buffalo Fiscal Stability Authority (BFSA). At the end of fiscal year 2011-2012, the BFSA transitioned from a control period to an advisory period. The shift was seen by Moody's Investor Services as a "credit-positive endorsement of the City's improved ability to manage its own finances."

The City provides a full range of services, including police and fire protection, sanitation services, the construction and maintenance of highways, streets, and other infrastructure, and recreation activities and cultural events. Water services are provided through the Buffalo Water Board and Buffalo Municipal Water Finance Authority. Although legally separate entities, they are in substance part of the primary government's operation and are included as an integral part of the City of Buffalo's financial statements. The City is also financially accountable for a legally separate school district and urban renewal agency, both of which are reported separately within the City's financial statements. Additional information on all these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Director of the Budget on or before February 1 each year. On or before May 1, the Mayor submits the proposed executive budget to the Common Council. The City Charter requires that the Mayor submit a balanced budget. The Council may change expenditure items but may not modify the Mayor's estimates on revenue, except for the real property tax levy, which is levied in the amount necessary to balance total appropriations and estimated revenues. The Mayor may veto additions to the proposed budget; however, the Council may override any item veto by a two-thirds vote. If the budget has not been passed by the Council by June 1, the budget as submitted by the Mayor, including all additions which he has not vetoed is adopted. Budget amendments during the fiscal year between functions require approval of the Mayor, the Comptroller and two-thirds of the Council.

Local Economy

Buffalo's economy continues to build momentum, with major construction projects progressing on the waterfront and Buffalo Niagara Medical Campus, as well as a \$5.8 billion solar panel production facility, which broke ground earlier this year.

Since 2011, \$10.4 billion in construction projects are either completed or underway in the City of Buffalo, according to Buffalo Business First, a business newspaper. That figure climbs to \$16.6 billion when including projects from the region as a whole.

The solar panel production facility, known as RiverBend, has grown considerably from the initial plans in just the past year. After one of the original anchor tenants, Silevo, was acquired by industry giant SolarCity, the scope of the project – including the financial investment, the size of the facility, and the number of jobs created – has increased significantly. While Silevo was planning for a \$750 million investment and 475 new jobs, SolarCity will invest \$5 billion, and coupled with the state's \$750 million, the 88-acre site will create 3,000 new jobs. Upon completion, the 1.2 million square-foot facility will be the largest solar manufacturing facility in the western hemisphere, and have the ability to expand five-fold to accommodate future growth.

While RiverBend is the signature project in Governor Andrew Cuomo's pledge to invest \$1 billion in state funds to spur economic development in Buffalo, the "Buffalo Billion" also led to a commitment by IBM, announced in February, to bring 500 jobs to a new, 100,000-square-foot, state-owned computer information technology center in Buffalo to train future and current industry workers and to create cutting-edge software for energy, health, defense and other industries.

The "Buffalo Billion" has also led to critical state investments at the Buffalo Niagara Medical Campus, a consortium of the region's top health care, education, and research institutions. The 120-acre site adjacent to downtown employs more than 12,000 people currently, with 17,000 employees at the BNMC expected by 2016, due to the completion of several major projects at the campus, including the University at Buffalo's \$375 million new medical school and Kaleida Health's \$250 million Women & Children's Hospital, which are both under construction. Conventus, a \$100 million medical office facility, and a \$50 million expansion of Roswell Park Cancer Institute, are also currently under construction. A \$105 million genomic and supercomputing center at the campus was announced in January.

The construction of the university's new medical school at the BNMC is part of the "UB2020" plan, a comprehensive growth strategy to increase jobs, enrollment, and research funding at the school, the largest public university in New York State, with more than 28,000 students across 3 campuses. In addition to the University at Buffalo, the area is home to 20 other colleges & universities, for a total of 110,000 students and 32,000 employees in higher education, creating a \$3.2 billion economic impact.

Capitalizing on its Lake Erie shoreline and historic significance as the western terminus of the Erie Canal, Buffalo has recently made great strides in developing its waterfront. The centerpiece of this effort is the Canalside project, which has blended public access with private development to create a destination in the heart of downtown. Construction is currently wrapping up on the latest phase of the Canalside project, which includes the construction of replica canals and bridges at the site of the former Memorial Auditorium. The public investment at Canalside has spurred more than \$250 million in private investment surrounding the site.

Adjacent to Canalside is HarborCenter, where the Buffalo Sabres are nearing completion of a \$172 million hockey-themed project, which includes a 20-story facility with two ice rinks, a 200-room Marriott hotel, retail, and a high-end sports bar. Connected to the Sabres' arena, the First Niagara Center, the rinks and sports bar at HarborCenter opened earlier this month, with the hotel slated to open in 2015. HarborCenter is expected to draw 500,000 visitors annually, and once complete, is expected to create 350 full time jobs and generate \$4.1 million in state and local taxes.

Waterfront development has also spread past downtown, with major public access developments on the Outer Harbor and the Buffalo River. The recent transfer of Outer Harbor land from the Niagara Frontier Transportation Authority to two state entities – the Erie Canal Harbor Development Corporation and the Office of Parks, Recreation, and Historic Preservation – will help to accelerate the waterfront development currently underway.

With the Buffalo Niagara Medical Campus and Canalside being located on the city's Metro Rail subway system, \$91 million is being invested in real estate projects, primarily housing, near the subway stations. The city expects to approve 800 to 900 new housing units along the subway by 2016, with as many as 2,000 to 3,000 more in later years.

Delaware North's headquarters, an \$80 million, 12-story office tower, is currently under construction, and will also include a 120-room hotel.

The long term future of the National Football League's Buffalo Bills was ensured with the purchase of the franchise for \$1.4 billion by Buffalo Sabres owner Terry Pegula, who has committed to keeping the team in the region for the foreseeable future. Pegula has also committed to building a new stadium for the Bills, which could potentially be located in the City of Buffalo.

Long-term Financial Planning

The City's General Fund remains strong at \$146.4 million – over 11 times the \$13 million average fund balance during the 1990s – despite the use of \$19.4 million to balance the budget without a property tax hike. The City's debt management policy has reduced capital indebtedness from \$415.6 million in 2004 to \$275.7 million in 2014. The City has committed \$37.7 million to an Emergency Stabilization fund for non-recurring emergencies.

Major Initiatives

The City plans to overhaul its zoning regulations with the implementation of the Green Code, an update of Buffalo's development framework that aims to promote investment, facilitate job creation, restore the environment, and improve the quality of life for residents.

Construction has begun on the Ohio Street Corridor, an \$11 million conversion of an industrial street into a parkway that will connect attractions at Canalside, the Buffalo River, and the Outer Harbor.

Awards and Acknowledgements

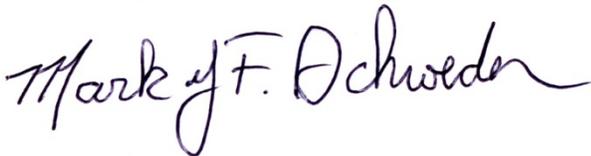
For the eighth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Buffalo for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will submit this report to the GFOA for consideration once again.

The City of Buffalo also earned the Award for Outstanding Achievement in Popular Annual Financial Reporting by the GFOA for the fiscal year ended on June 30, 2013, the first year for which the city issued a popular annual financial report.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Department of Audit and Control. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit is also given to the Mayor and the Common Council for their prudent management of the City's finances.

Respectfully submitted,

A handwritten signature in dark ink, reading "Mark J.F. Schroeder". The signature is written in a cursive, flowing style with a long, sweeping underline that extends to the right.

Mark J.F. Schroeder
Comptroller

**CITY OF BUFFALO, NEW YORK
Elected City Officials
June 30, 2014**

Byron W. Brown, Mayor

Mark J.F. Schroeder, Comptroller

Darius G. Pridgen, President of the Council

**DISTRICT COUNCIL MEMBERS
(as of June 30, 2014)**

Delaware District—Michael J. LoCurto

Ellicott District—Darius G. Pridgen

Fillmore District—David A. Franczyk

Lovejoy District—Richard A. Fontana

Masten District—Demone A. Smith

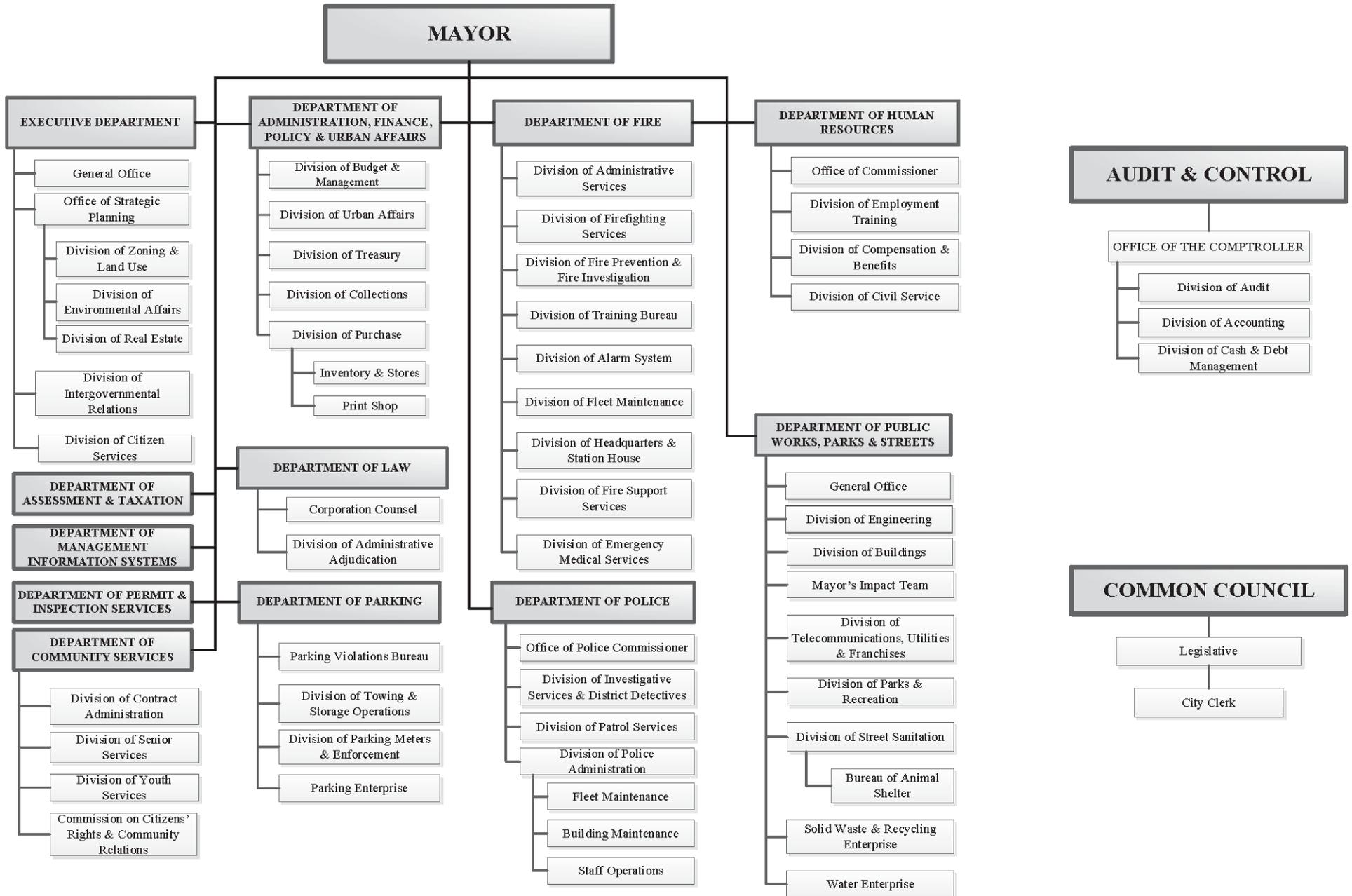
Niagara District—David A. Rivera

North District—Joseph Golombek, Jr.

South District—Christopher P. Scanlon

University District—Rasheed Wyatt

CITY OF BUFFALO, NEW YORK
Organizational Chart
June 30, 2014





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Buffalo
New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Comptroller of
the City of Buffalo, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buffalo, New York (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Buffalo Fiscal Stability Authority, which represent 2.7% and 0.2% of the assets and revenues, respectively, of the governmental activities, and 5.2% and 0.1% of the assets and revenues, respectively, of the governmental funds. We also did not audit the financial statements of the Buffalo Board of Education and the City of Buffalo Urban Renewal Agency, which are shown as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Buffalo Fiscal Stability Authority, the Buffalo Board of Education and the City of Buffalo Urban Renewal Agency, is based solely on the reports of such other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America by us and the other auditors. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Handwritten signature in cursive script that reads "Duescher & Malecki LLP".

November 18, 2014

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2014

As management of the City of Buffalo, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. This document should be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. For comparative purposes, certain items relating to the June 30, 2014 presentation have been reclassified. All amounts are expressed in thousands of dollars, unless otherwise indicated.

Financial Highlights

- The assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2014 by \$59,568 (net position). This consists of \$331,674 net investment in capital assets, \$49,832 restricted for specific purposes, and deficit unrestricted net position of \$321,938.
- The City's total primary government net position decreased by \$60,042 during the year ended June 30, 2014. Net position decreased \$58,075 for governmental activities and \$1,967 for business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$219,739.
- At the end of the current fiscal year, the combined committed, assigned and unassigned fund balance for the General Fund was \$110,846, or 22.8 percent, of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization fund is \$37,667, or 7.7 percent of total General Fund expenditures and transfers out, assigned fund balance is \$42,478, or 8.7 percent of total General Fund expenditures and transfers out, and unassigned fund balance is \$30,701, or 6.3 percent of total General Fund expenditures and transfers out.
- The City's total general obligation bonded debt outstanding, including notes that have been refinanced but have not yet matured and bonds issued by the Buffalo Fiscal Stability Authority ("BFSA"), is \$291,622 (\$216,375 net governmental activities general obligation bonds issued by the City, \$63,160 governmental activities general obligation bonds issued by BFSA, and \$12,087 business-type activities general obligation bonds). The City issued \$25,640 of serial bonds during the year ended June 30, 2014.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$152,105.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contained other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government support, public safety, streets and sanitation, economic assistance and opportunity, culture and recreation, health and community services, and education. The business-type activities of the City include a water system, refuse collection services, and parking ramps.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate school district for which the City is financially accountable and the Buffalo Urban Renewal Agency, a public benefit corporation through which Federal urban renewal grants for the City are channeled. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 22-23 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City reports seven individual governmental funds, for which information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund, which are considered major funds. Additionally, the General Fund of the BFSA is reported as a major fund of the City. The City's Special Revenue and Permanent Funds, as well as the Debt Service Fund of the BFSA, are considered to be nonmajor funds and the data from these funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 24-27 of this report.

Proprietary funds—The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water system, parking ramps, and refuse collection operations. The *internal service fund* is used to account for the central print shop. Because the print shop predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste and Recycling Fund, Parking Fund and Water System. In addition, the Internal Service Fund is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 28-32 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 33-34 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-85 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide post-employment benefits to its employees and the City's budgetary comparison for the General Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 86-88 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented along with other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 89-96.

Finally, the Statistical Section can be found on pages 97-120 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,568 at the close of the most recent fiscal year, as compared to \$119,609 at the close of the fiscal year ended June 30, 2014.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government (000s omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 652,931	\$ 707,158	\$ 75,812	\$ 81,057	\$ 728,743	\$ 788,215
Capital assets	449,299	428,621	181,477	183,639	630,776	612,260
Total assets	<u>1,102,230</u>	<u>1,135,779</u>	<u>257,289</u>	<u>264,696</u>	<u>1,359,519</u>	<u>1,400,475</u>
Deferred outflows of resources	<u>2,596</u>	<u>3,433</u>	<u>6,288</u>	<u>8,284</u>	<u>8,884</u>	<u>11,717</u>
Current and other liabilities	338,251	358,612	9,774	9,392	348,025	368,004
Noncurrent liabilities	764,870	720,820	195,734	203,379	960,604	924,199
Total liabilities	<u>1,103,121</u>	<u>1,079,432</u>	<u>205,508</u>	<u>212,771</u>	<u>1,308,629</u>	<u>1,292,203</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>207</u>	<u>380</u>	<u>207</u>	<u>380</u>
Net position:						
Net investment in capital assets	277,507	268,537	54,167	51,827	331,674	320,364
Restricted	49,832	50,102	-	-	49,832	50,102
Unrestricted	<u>(325,634)</u>	<u>(258,859)</u>	<u>3,695</u>	<u>8,002</u>	<u>(321,939)</u>	<u>(250,857)</u>
Total net position	<u>\$ 1,705</u>	<u>\$ 59,780</u>	<u>\$ 57,862</u>	<u>\$ 59,829</u>	<u>\$ 59,567</u>	<u>\$ 119,609</u>

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$49,832, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining component of the City's net position, a deficit of \$321,939, represents unrestricted net position which reflects liabilities not related to the City's capital assets and are not expected to be repaid from current resources. Long-term liabilities are funded annually within the funds. The long-term liability

associated with other post-employment benefits (“OPEB”) obligations totals \$446,280, which is greater than this deficit. As the revenue recognition criteria for the future funding of this liability has not been met, no asset has been recorded to offset this liability.

Total net position decreased \$60,042 as a result of current year activities. Significant changes from 2013 to 2014 in the Statement of Net Position and reasons for such changes are:

- Current and other assets decreased by \$59,472. The primary reason for the decrease is a decrease in cash and cash equivalents of \$58,113 due to a reflection of this year’s combined results of operations.
- Capital assets increased by \$18,516. A significant portion of the increase was due to additions to infrastructure and buildings and building improvements in governmental activities.
- Deferred outflows of resources decreased by \$2,833, due primarily to a decrease in the fair value of hedging derivatives.
- Current and other liabilities decreased \$19,979, due to a \$15,272 decrease in accounts payable and accrued liabilities, a \$10,452 reduction in bond anticipation notes outstanding, offset by a \$7,647 increase in amounts owed to component units. These changes are primarily related to the timing of payments made by the City.
- Noncurrent liabilities increased by \$36,404, primarily due to a \$61,411 increase in other post-employment benefits (“OPEB”) liabilities, offset by a net \$22,636 decrease in bonds payable.
- Deferred inflows of resources decreased \$173, due to current year amortization of refunding gains.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2014 and June 30, 2013.

Table 2—Condensed Statements of Changes in Net Position—Primary Government (000s omitted)

	Governmental Activities		Business-Type Activities		Total	
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 26,338	\$ 28,318	\$ 70,869	\$ 70,335	\$ 97,207	\$ 98,653
Operating grants and contributions	38,272	23,053	-	-	38,272	23,053
Capital grants and contributions	18,582	16,633	-	-	18,582	16,633
General revenues:						
Property taxes	123,989	123,612	-	-	123,989	123,612
Other taxes	21,748	23,314	-	-	21,748	23,314
Intergovernmental	95,447	93,004	955	695	96,402	93,699
Grants and contributions	252	197	-	-	252	197
Investment earnings	2,099	2,454	213	292	2,312	2,746
State aid	179,423	198,322	-	-	179,423	198,322
Miscellaneous	3,210	37,275	-	-	3,210	37,275
Total revenues	<u>509,360</u>	<u>546,182</u>	<u>72,037</u>	<u>71,322</u>	<u>581,397</u>	<u>617,504</u>
Expenses:						
General government support	103,880	96,480	-	-	103,880	96,480
Public safety	327,213	309,014	-	-	327,213	309,014
Streets and sanitation	26,763	34,240	-	-	26,763	34,240
Economic assist. and opportunity	9,368	12,086	-	-	9,368	12,086
Culture and recreation	13,310	16,906	-	-	13,310	16,906
Health and community services	17,094	6,563	-	-	17,094	6,563
Education	70,323	70,323	-	-	70,323	70,323
Interest and fiscal charges	11,385	16,615	-	-	11,385	16,615
Solid Waste and Recycling	-	-	27,073	24,723	27,073	24,723
Parking	-	-	2,096	2,196	2,096	2,196
Water System	-	-	32,934	32,945	32,934	32,945
Total expenses	<u>579,336</u>	<u>562,227</u>	<u>62,103</u>	<u>59,864</u>	<u>641,439</u>	<u>622,091</u>
Excess (deficiency) of revenues over expenses	(69,976)	(16,045)	9,934	11,458	(60,042)	(4,587)
Transfers	<u>11,901</u>	<u>7,399</u>	<u>(11,901)</u>	<u>(7,399)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(58,075)</u>	<u>(8,646)</u>	<u>(1,967)</u>	<u>4,059</u>	<u>(60,042)</u>	<u>(4,587)</u>
Net position—beginning, as previously stated	60,934	69,850	59,829	58,474	120,763	128,324
Restatement	<u>(1,154)</u>	<u>-</u>	<u>-</u>	<u>(2,704)</u>	<u>(1,154)</u>	<u>(2,704)</u>
Net position—beginning, as restated	<u>59,780</u>	<u>69,850</u>	<u>59,829</u>	<u>55,770</u>	<u>119,609</u>	<u>125,350</u>
Net position — ending	<u>\$ 1,705</u>	<u>\$ 60,934</u>	<u>\$ 57,862</u>	<u>\$ 59,829</u>	<u>\$ 59,567</u>	<u>\$ 120,763</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are state aid (35.2%), property taxes (24.3%) and intergovernmental (18.7%).

The largest expense categories for the City’s governmental activities are public safety (56.5%), general government support (17.9%) and education (12.1%). The education category represents the City allocation to the Board.

Significant changes from 2013 to 2014 in revenues and expenses for the City include the following:

- Total revenues decreased by \$36,822 in the current year as compared to last year, primarily due to the absence of the following factors which were present in 2013: \$10,834 of state aid resulting from a spin-up of Aid to Municipalities, \$7,817 of previously unearned revenue which was recognized in 2013 as a result of a spin-up of Aid to Municipalities, and miscellaneous revenue of \$32,638 which was recognized in 2013 resulting from a refund of previous years’ accrued expenses. These factors were not repeated in 2014. This decrease was partially offset by operating grants and contributions, which increased \$15,219 in 2014 primarily from increased draws of U.S. Department of Housing and Urban Development funds.
- General government support, public safety and health and community services expenses were greater by \$7,400, \$18,199 and \$10,531, respectively, than 2013 primarily due to expenditures related to the increased draws of US Department of Housing and Urban Development funds discussed above.

Business-type activities—Business-type activities decreased the City’s net position by \$1,967. Overall, revenues and expenses remained relatively consistent from 2013 to 2014. The overall increase in net position is due to the following:

- The Solid Waste and Recycling Fund recorded a decrease in net position of \$4,548, which was the result of an increase in fringe benefits as well as an increase in OPEB expenses.
- The net position of the Parking Fund decreased \$4,652, which was a result of an increase in transfers out of excess reserves to the General Fund.
- The Water System’s net position increased by \$7,233 as revenues and transfers in continue to grow in excess of expenses.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Common Council.

At June 30, 2014, the City’s governmental funds reported combined ending fund balances of \$219,739, a decrease of \$22,571 from the prior year. Approximately 13.9 percent of this amount (\$30,702) constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form (\$26,857), (2) restricted for particular purposes (\$81,098), (3) committed to particular purposes (\$37,667), or (4) assigned for particular purposes (\$43,415).

Nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance totaling \$26,857 consists of \$8,758 of real estate held for sale, \$30 for Permanent Fund principal, \$1,082 for prepaid items, and \$16,987 to cover the deficit in the Solid Waste and Recycling Fund.

Restricted fund balance in the amount of \$81,098 are amounts constrained to specific purposes and consist of \$36,997 to finance specific capital projects, \$4,385 for future capital outlay, \$33,503 to pay debt service, \$4,624 for federal and state programs, \$243 for state mandated initiatives, \$1,235 for emergency medical services and \$111 for compliance with the Permanent Fund.

Commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City's highest level of decision-making authority. \$37,667 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$43,416 consists of \$4,717 to liquidate contracts and purchase orders, \$584 for motor vehicle self-insurance, \$27,477 for the subsequent year's budget, \$9,700 for judgments and claims, and \$938 in funds held by the BFSAs. These assignments indicate management's intention to utilize these funds for the state purposes. Unassigned fund balance totals \$30,701.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$30,701, while total fund balance decreased to \$146,373. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 6.8 percent of total General fund expenditures, while total fund balance represents approximately 32.4 percent of that same amount. The total fund balance of the City's General Fund decreased by \$19,424 during the current fiscal year, of this \$12,000 was planned use of fund balance through budgeted appropriations, and the additional decrease was a result of increased expenditures related to fringe benefits and general government support.

The Debt Service Fund has a total fund balance of \$15,398, which is restricted solely for the purpose of payment of debt service. The increase in fund balance during the current year in the Debt Service Fund of \$9,099 is due to revenues continuing to exceed expenditures, combined with the recognition of bond premiums in the current year.

The Capital Projects Fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for in the appropriate proprietary fund. At the end of the current fiscal year, the fund balance was \$37,115, of which \$36,997 is restricted for encumbrances and future projects. The remaining \$118 is considered to not be in spendable form for prepaid items. The decrease in fund balance of \$3,301 is related to the capital projects spending in excess of revenues and other financing sources from the issuance of serial bonds.

The BFSAs Special Revenue Fund is used to account for the General Fund of the BFSAs and, therefore, is their chief operating fund. Total fund balance at the end of the current fiscal year was \$1,198. Of this amount, \$244 is restricted by enabling legislation for state aid received on behalf of the City, \$16 is nonspendable for prepaid items and \$938 represents BFSAs' assigned fund balance for operations. The decrease in fund balance is related to the transfer of restricted State aid held by BFSAs to the City.

Other governmental funds consist of the Special Revenue Fund, the BFSAs Debt Service Fund, and the Permanent Fund. The Special Revenue Fund is used to account for programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, fund balance of the Special Revenue Fund was \$4,624. This balance is restricted for use in accordance with federal and state grant regulations. The fund balance of the Special Revenue Fund increased by \$2,939 over the prior year, and is attributable to heightened revenues related to federal grant funding in excess of

related expenditures. The BFSAs Debt Service Fund has a total fund balance of \$14,890, which is restricted to pay debt service. The fund balance of the BFSAs Debt Service Fund increased by \$638 as a result of a decrease in scheduled debt service principal payments. The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings and not principal may be used for the purposes for which they were established. The balance at the end of the current fiscal year was \$141. The increase of \$1 was the result of investment income.

Enterprise funds—Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The net position of the enterprise funds at the end of the current fiscal year totaled \$57,862. The balance includes a deficit balance of \$30,429 for the Solid Waste and Recycling Fund, \$41,841 for the Parking Fund, and \$46,450 for the Water System. The underlying reasons for any changes were described under the aforementioned heading Business-type activities.

The Internal Service Fund is used to account for the central print shop. The total net position at the end of the fiscal year was \$73. This represents a decrease of \$148, which is due to a transfer of excess reserves made to the General Fund.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General Fund. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the fund was allocated under the previous year’s budget, and the City has appropriately assigned an equal amount of fund balance at year-end for this purpose. The budgetary comparison schedule for the General Fund, a major fund, is provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended June 30, 2014 is presented below in Table 3.

Table 3—General Fund Budget

	Budgeted Amounts		Actual	Variance with
	Adopted	Final		Final Budget
Revenues and other financing sources	\$ 470,535	\$ 470,535	\$ 467,760	\$ (2,775)
Expenditures and other financing uses	482,535	498,027	491,901	6,126
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (12,000)	\$ (27,492)	\$ (24,141)	\$ 3,351

Original budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$6.2 million related to fire salaries and disabilities payments, while an increase of \$2.5 was related to judgments and claims to pay for unsettled claims.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations indicate that several expenditures exceed the budget. Primarily these were caused by police personal service expenditures, primarily payments for longevity due to a settled contract. Additionally, expenditures increased as the city increase their allowances for receivables that hadn’t been collected.

Capital Assets and Debt Administration

Capital assets—The City’s capital assets for its governmental activities and business-type activities as of June 30, 2014 amounted to \$630,776 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the City’s capital asset policy.

Capital assets, net of depreciation for governmental activities and business-type activities at the years ended June 30, 2014 and June 30, 2013 are presented in Table 4 below.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Land	\$ 10,168	\$ 10,170	\$ 3,362	\$ 3,362	\$ 13,530	\$ 13,532
Buildings and improvements	173,292	172,833	119,992	121,529	293,284	294,362
Improvements other than buildings	19,734	17,808	141	154	19,875	17,962
Machinery and equipment	19,127	18,894	2,666	3,061	21,793	21,955
Infrastructure	225,019	207,257	54,299	54,547	279,318	261,804
Construction in progress	1,959	1,659	1,017	986	2,976	2,645
Total	<u>\$ 449,299</u>	<u>\$ 428,621</u>	<u>\$ 181,477</u>	<u>\$ 183,639</u>	<u>\$ 630,776</u>	<u>\$ 612,260</u>

Significant changes from 2013 to 2014 in capital assets include:

- Improvements other than buildings increased by \$1,913 due to ongoing projects at the Colonel Ward Pumping Station, the Water Filtration Plant and the Massachusetts Pumping Station.
- Infrastructure increased \$17,514 largely due to completion of various road projects.

Additional information on the City’s capital assets can be found in Note 5 of the financial statements.

Long-term debt—At June 30, 2014, the City had total bonded debt outstanding for governmental activities of \$279,535, including bonds issued by BFSA, as compared to \$292,415 in the prior year. During the year ended June 30, 2014, the City issued \$25,640 of serial bonds.

The BFSA’s total bonded debt outstanding at the end of the current fiscal year is \$63,160.

The bonds outstanding for business-type activities at June 30, 2014 consisted of \$12,087 in general obligation bonds issued by the City and \$152,105 of revenue bonds issued by the Water Authority reported within the Water System.

A summary of the City’s long-term liabilities at June 30, 2014 and June 30, 2013 is presented in Table 5 on the following page.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Bonds payable	\$ 292,620	\$ 303,620	\$ 164,744	\$ 174,735	\$ 457,364	\$ 478,355
Notes payable	802	1,060	-	-	802	1,060
Capital leases	475	934	955	1,656	1,430	2,590
Compensated absences	29,584	27,991	1,473	1,495	31,057	29,486
Workers' compensation	8,564	7,883	2,610	1,777	11,174	9,660
Landfill post-closure monitoring	980	1,050	-	-	980	1,050
OPEB	421,673	363,954	24,135	20,487	445,808	384,441
OPEB - BFSFA	472	428	-	-	472	428
Judgments and claims	9,700	13,900	-	-	9,700	13,900
Accrued derivative liability	-	-	1,816	3,229	1,816	3,229
Total	\$ 764,870	\$ 720,820	\$ 195,733	\$ 203,379	\$ 960,603	\$ 924,199

The New York State Constitution restricts the annual real property tax levy for operating expenses to two percent of average full value of taxable City property over the last five years. This limitation does not apply to taxes for debt service. The Constitution also provides that the City may not contract indebtedness in an amount greater than 9% of the average full value of taxable real property for the most recent five years. Water debt, self-sustaining debt and revenue anticipation notes are excluded from the debt limit. This limit as of fiscal year end was \$597,620. The City had a debt-contracting margin of \$350,586 on July 1, 2014.

Additional information on the City's long-term debt can be found in Note 12 to the financial statements.

Next Year's Budget

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2015 budget. The total budgeted appropriations for the City's General Fund operations are \$402,605. This budget is relatively consistent with the fiscal year 2014 total budgeted appropriations. This budget was approved by the BFSFA.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Buffalo, Office of the Comptroller, 1225 City Hall, Buffalo, New York 14202, Buffalo Board of Education, Finance, 708 City Hall, Buffalo, New York 14202, and Buffalo Urban Renewal Agency, 214 City Hall, Buffalo, New York 14202.

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, NEW YORK
Statement of Net Position
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 334,870,248	\$ 48,346,542	\$ 383,216,790	\$ 270,701	\$ -
Restricted cash and cash equivalents	109,892,210	34,124,073	144,016,283	82,315,558	747,452
Investments	44,971,966	-	44,971,966	-	-
Receivables (net of allowances for estimated uncollectible amounts)	17,759,053	11,457,404	29,216,457	2,095,597	4,189,774
Intergovernmental receivables	27,370,589	349,021	27,719,610	72,320,678	7,182,684
Due from component units/					
primary government	89,761,444	-	89,761,444	248,754,214	2,081,183
Internal balances	18,464,970	(18,464,970)	-	-	-
Prepaid items and other assets	1,082,412	-	1,082,412	1,469,579	-
Real estate acquired for resale	8,757,825	-	8,757,825	-	821,517
Capital assets not being depreciated	12,126,825	4,379,402	16,506,227	13,656,001	247,561
Capital assets, net of accumulated depreciation	437,172,354	177,097,378	614,269,732	1,138,748,795	3,164,246
Total assets	<u>1,102,229,896</u>	<u>257,288,850</u>	<u>1,359,518,746</u>	<u>1,559,631,123</u>	<u>18,434,417</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	2,596,119	4,471,636	7,067,755	850,181	-
Deferred outflows of resources - swap agreement	-	1,816,216	1,816,216	-	-
Total deferred outflows of resources	<u>2,596,119</u>	<u>6,287,852</u>	<u>8,883,971</u>	<u>850,181</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued liabilities	79,756,169	9,589,360	89,345,529	58,047,856	6,599,749
Intergovernmental payables	82,727	-	82,727	46,449,246	95,520
Due to component units/primary government	250,835,397	-	250,835,397	89,761,444	-
Bond anticipation notes payable	7,367,399	-	7,367,399	-	-
Unearned revenue	209,305	184,630	393,935	-	10,982
Noncurrent liabilities:					
Due within one year	54,891,275	12,099,964	66,991,239	62,524,660	2,155,000
Due in more than one year	709,978,563	183,633,497	893,612,060	1,801,368,476	15,884,340
Total liabilities	<u>1,103,120,835</u>	<u>205,507,451</u>	<u>1,308,628,286</u>	<u>2,058,151,682</u>	<u>24,745,591</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	206,853	206,853	-	-
Total deferred inflows of resources	<u>-</u>	<u>206,853</u>	<u>206,853</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	277,507,359	54,166,785	331,674,144	156,982,022	3,164,246
Restricted for:					
Capital outlay	4,384,782	-	4,384,782	202,346	-
Debt service	30,446,334	-	30,446,334	76,891,155	-
Grants	4,623,917	-	4,623,917	-	747,452
State mandated initiatives	243,427	-	243,427	-	-
Real estate held for sale	8,757,825	-	8,757,825	-	-
Judgments and claims	-	-	-	21,250,000	-
Unemployment insurance	-	-	-	3,156,044	-
Joint Schools Construction Board projects	-	-	-	3,965,375	-
Perpetual care:					
Expendable	110,773	-	110,773	519,570	-
Unexpendable	30,000	-	30,000	-	-
Other purposes	1,234,734	-	1,234,734	3,819,739	-
Unrestricted	(325,633,971)	3,695,613	(321,938,358)	(764,456,629)	(10,222,872)
Total net position	<u>\$ 1,705,180</u>	<u>\$ 57,862,398</u>	<u>\$ 59,567,578</u>	<u>\$ (497,670,378)</u>	<u>\$ (6,311,174)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK

Statement of Activities

Year Ended June 30, 2014

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	BOE	BURA
Primary government:									
Governmental activities:									
General government support	\$ 103,880,483	\$ 9,173,614	\$ 2,881,448	\$ 2,288,748	\$ (89,536,673)	\$ -	\$ (89,536,673)	\$ -	\$ -
Public safety	327,212,627	11,722,585	7,731,189	198,292	(307,560,561)	-	(307,560,561)	-	-
Streets and sanitation	26,762,877	1,863,360	214,586	11,978,059	(12,706,872)	-	(12,706,872)	-	-
Economic assistance and opportunity	9,368,614	3,353,542	8,404,606	1,837,578	4,227,112	-	4,227,112	-	-
Culture and recreation	13,309,913	13,179	-	2,278,864	(11,017,870)	-	(11,017,870)	-	-
Health and community services	17,093,892	211,619	19,039,982	-	2,157,709	-	2,157,709	-	-
Education	70,322,758	-	-	-	(70,322,758)	-	(70,322,758)	-	-
Interest and fiscal charges	11,384,852	-	-	-	(11,384,852)	-	(11,384,852)	-	-
Total governmental activities	<u>579,336,016</u>	<u>26,337,899</u>	<u>38,271,811</u>	<u>18,581,541</u>	<u>(496,144,765)</u>	<u>-</u>	<u>(496,144,765)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Solid Waste and Recycling	27,072,973	19,289,788	-	-	-	(7,783,185)	(7,783,185)	-	-
Parking	2,096,031	7,165,354	-	-	-	5,069,323	5,069,323	-	-
Water System	32,933,936	44,413,422	-	-	-	11,479,486	11,479,486	-	-
Total business-type activities	<u>62,102,940</u>	<u>70,868,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,765,624</u>	<u>8,765,624</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 641,438,956</u>	<u>\$ 97,206,463</u>	<u>\$ 38,271,811</u>	<u>\$ 18,581,541</u>	<u>(496,144,765)</u>	<u>8,765,624</u>	<u>(487,379,141)</u>	<u>-</u>	<u>-</u>
Component units:									
BOE	\$ 1,022,618,010	\$ 2,466,529	\$ 150,760,912	\$ -				(869,390,569)	-
BURA	49,876,707	-	49,024,535	-				-	(852,172)
Total component units	<u>\$ 1,072,494,717</u>	<u>\$ 2,466,529</u>	<u>\$ 199,785,447</u>	<u>\$ -</u>				<u>(869,390,569)</u>	<u>(852,172)</u>
General revenues:									
Taxes:									
Property taxes					123,989,023	-	123,989,023	-	-
Interest and penalties					3,038,306	-	3,038,306	-	-
Mortgage taxes					2,075,913	-	2,075,913	-	-
Payments in lieu of taxes					5,283,080	-	5,283,080	-	-
Gross utility tax					11,350,820	-	11,350,820	-	-
Intergovernmental—unrestricted					95,447,265	955,344	96,402,609	40,104,319	-
Grants and contributions not restricted to specific programs					252,138	-	252,138	-	-
Investment earnings					2,099,269	213,342	2,312,611	968,048	-
Contribution from City of Buffalo					-	-	-	70,322,758	-
State aid—unrestricted					179,422,435	-	179,422,435	639,464,086	-
Miscellaneous					3,210,349	-	3,210,349	10,981,044	-
Transfers					11,901,185	(11,901,185)	-	-	-
Total general revenues and transfers					<u>438,069,783</u>	<u>(10,732,499)</u>	<u>427,337,284</u>	<u>761,840,255</u>	<u>-</u>
Change in net position					(58,074,982)	(1,966,875)	(60,041,857)	(107,550,314)	(852,172)
Net position—beginning, as restated (see note 2)					<u>59,780,162</u>	<u>59,829,273</u>	<u>119,609,435</u>	<u>(390,120,064)</u>	<u>(5,459,002)</u>
Net position—ending					<u>\$ 1,705,180</u>	<u>\$ 57,862,398</u>	<u>\$ 59,567,578</u>	<u>\$ (497,670,378)</u>	<u>\$ (6,311,174)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	BFSA Special Revenue	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 333,142,950	\$ -	\$ -	\$ 53,108	\$ 1,608,298	\$ 334,804,356
Restricted cash and cash equivalents	17,655,665	15,186,201	71,941,471	243,427	4,865,446	109,892,210
Investments	29,100,000	-	-	-	15,871,966	44,971,966
Receivables:						
Delinquent taxes and assessments	16,383,831	-	-	-	-	16,383,831
Accounts receivable	15,423,524	-	3,175	-	-	15,426,699
Other receivables	20	780	-	-	4,123	4,923
Due from other agencies	896,015	-	-	-	-	896,015
Intergovernmental receivables	4,922,469	-	4,367,698	13,708,112	3,476,295	26,474,574
Due from other funds	35,469,027	213,200	1,925	-	255,128	35,939,280
Allowances for estimated uncollectible amounts	(14,078,975)	-	-	-	-	(14,078,975)
Net receivables	59,015,911	213,980	4,372,798	13,708,112	3,735,546	81,046,347
Prepaid items	948,069	-	117,902	16,441	-	1,082,412
Real estate acquired for resale	8,757,825	-	-	-	-	8,757,825
Total assets	<u>\$ 448,620,420</u>	<u>\$ 15,400,181</u>	<u>\$ 76,432,171</u>	<u>\$ 14,021,088</u>	<u>\$ 26,081,256</u>	<u>\$ 580,555,116</u>
LIABILITIES						
Accounts payable	\$ 7,939,947	\$ -	\$ 5,606,741	\$ 13,258	\$ 801,565	\$ 14,361,511
Accrued liabilities	43,582,874	-	-	26,244	1,012,428	44,621,546
Intergovernmental payables	55,205	-	27,522	-	-	82,727
Due to other funds	255,127	1,998	6,851,758	7,939,748	2,410,330	17,458,961
Due to component units	226,135,405	-	17,653,299	4,843,967	2,202,726	250,835,397
Accrued pension	15,894,153	-	-	-	-	15,894,153
Bond anticipation notes payable	-	-	7,367,399	-	-	7,367,399
Retainages payable	12,097	-	1,810,099	-	-	1,822,196
Unearned revenue	209,305	-	-	-	-	209,305
Total liabilities	<u>294,084,113</u>	<u>1,998</u>	<u>39,316,818</u>	<u>12,823,217</u>	<u>6,427,049</u>	<u>352,653,195</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	8,162,883	-	-	-	-	8,162,883
Total deferred inflows of resources	<u>8,162,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,162,883</u>
FUND BALANCES						
Nonspendable	26,692,926	-	117,902	16,441	30,000	26,857,269
Restricted	8,834,516	15,398,183	36,997,451	243,427	19,624,207	81,097,784
Committed	37,666,783	-	-	-	-	37,666,783
Assigned	42,477,617	-	-	938,003	-	43,415,620
Unassigned	30,701,582	-	-	-	-	30,701,582
Total fund balances	<u>146,373,424</u>	<u>15,398,183</u>	<u>37,115,353</u>	<u>1,197,871</u>	<u>19,654,207</u>	<u>219,739,038</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 448,620,420</u>	<u>\$ 15,400,181</u>	<u>\$ 76,432,171</u>	<u>\$ 14,021,088</u>	<u>\$ 26,081,256</u>	<u>\$ 580,555,116</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2014

Amounts reported for governmental activities in the statement of net position (page 22) are different because:

Total fund balances—governmental funds (page 24)	\$ 219,739,038
City capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$839,440,446 and the accumulated depreciation is \$390,147,271.	449,293,175
Buffalo Fiscal Stability Authority capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$70,399 and the accumulated depreciation is \$64,395.	6,004
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.	2,596,119
Deferred property taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,162,883
Internal service funds are used by management to charge the costs of internal print services. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	72,721
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	89,761,444
Net accrued interest expense for serial bonds is not reported in the funds.	(3,056,366)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:	
Bonds payable—City	\$ (216,374,769)
Bonds payable—BFSA	(63,160,000)
Unamortized bond premiums—City	(9,407,153)
Unamortized bond premiums—BFSA	(3,677,856)
Notes payable	(802,632)
Capital leases	(474,927)
Compensated absences	(29,583,948)
Workers' compensation	(8,563,791)
Landfill post-closure monitoring	(980,000)
Other post-employment benefits obligation—City	(421,673,000)
Other post-employment benefits obligation—BFSA	(471,762)
Judgments and claims	(9,700,000)
	<u>(764,869,838)</u>
Net position of governmental activities	<u>\$ 1,705,180</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>BFSA Special Revenue</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes, assessments, and other tax items	\$ 133,819,076	\$ -	\$ -	\$ -	\$ -	\$ 133,819,076
Utility and other nonproperty tax items	15,542,056	-	-	-	-	15,542,056
Intergovernmental	275,349,715	15,631,216	16,009,304	-	34,788,144	341,778,379
Investment interest	890,430	108,507	-	-	387,172	1,386,109
License, permit, rentals, fines, and other service charges	22,697,726	58,276	-	-	-	22,756,002
Miscellaneous	3,641,755	4,887	1,610,315	-	153,265	5,410,222
Total revenues	<u>451,940,758</u>	<u>15,802,886</u>	<u>17,619,619</u>	<u>-</u>	<u>35,328,581</u>	<u>520,691,844</u>
EXPENDITURES						
Current:						
General government support	54,412,282	-	-	8,974,076	6,198,669	69,585,027
Public safety	149,302,248	-	-	-	4,055,907	153,358,155
Streets and sanitation	11,648,683	-	-	-	2,594,885	14,243,568
Economic assistance and opportunity	1,449,186	-	-	-	15,241,953	16,691,139
Culture and recreation	6,656,117	-	-	-	154,635	6,810,752
Health and community services	1,921,283	-	-	-	3,998,909	5,920,192
Education	70,322,758	-	-	-	-	70,322,758
Fringe benefits	148,368,070	-	-	164,701	-	148,532,771
Other	7,108,770	-	-	-	-	7,108,770
Debt service:						
Principal	-	24,980,000	-	-	13,540,000	38,520,000
Interest and fiscal charges	812,005	8,068,497	-	-	3,152,355	12,032,857
Capital outlay:						
General government support	-	-	6,146,930	-	-	6,146,930
Public safety	-	-	1,249,187	-	-	1,249,187
Streets and sanitation	-	-	24,424,618	-	-	24,424,618
Economic assistance and opportunity	-	-	3,497,515	-	-	3,497,515
Culture and recreation	-	-	6,150,924	-	-	6,150,924
Total expenditures	<u>452,001,402</u>	<u>33,048,497</u>	<u>41,469,174</u>	<u>9,138,777</u>	<u>48,937,313</u>	<u>584,595,163</u>
Excess (deficiency) of revenues over expenditures	<u>(60,644)</u>	<u>(17,245,611)</u>	<u>(23,849,555)</u>	<u>(9,138,777)</u>	<u>(13,608,732)</u>	<u>(63,903,319)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	15,818,584	37,889,837	2,000,000	-	17,186,388	72,894,809
Transfers out	(35,182,062)	(15,161,586)	(7,091,188)	(3,383,788)	-	(60,818,624)
Serial bonds issued	-	-	25,639,769	-	-	25,639,769
Premium on serial bonds	-	3,616,825	-	-	-	3,616,825
Total other financing sources (uses)	<u>(19,363,478)</u>	<u>26,345,076</u>	<u>20,548,581</u>	<u>(3,383,788)</u>	<u>17,186,388</u>	<u>41,332,779</u>
Net change in fund balances	(19,424,122)	9,099,465	(3,300,974)	(12,522,565)	3,577,656	(22,570,540)
Fund balances—beginning	165,797,546	6,298,718	40,416,327	13,720,436	16,076,551	242,309,578
Fund balances—ending	<u>\$ 146,373,424</u>	<u>\$ 15,398,183</u>	<u>\$ 37,115,353</u>	<u>\$ 1,197,871</u>	<u>\$ 19,654,207</u>	<u>\$ 219,739,038</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities (page 23) are different because:

Net change in fund balances—total governmental funds (page 26)		\$ (22,570,540)
City governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, net of disposals, exceeded depreciation expense in the current period.		20,681,218
Buffalo Fiscal Stability Authority governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(2,815)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(837,105)
Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.		(11,352,125)
The internal service funds are used by management to charge the costs of internal print services. The net expense of certain activities of internal service funds is reported with governmental activities.		(147,753)
In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		204,330
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Proceeds from general obligations—City	\$ (25,639,769)	
Repayment of general obligations—City	24,980,000	
Repayment of general obligations—BFSA	13,540,000	
Premium on general obligations—City	(3,616,825)	
Amortization of bond premiums—City	1,023,659	
Amortization of bond premiums—BFSA	713,163	
Repayment of notes payable	257,121	
Payment of capital leases	459,798	
Change in compensated absences	(1,593,611)	
Change in workers' compensation	(680,883)	
Change in landfill post-closure monitoring	70,000	
Change in other post-employment benefits plan—City	(57,719,000)	
Change in other post-employment benefits plan—BFSA	(43,845)	
Change in judgments and claims	4,200,000	(44,050,192)
Change in net position of governmental activities		<u>\$ (58,074,982)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 854,253	\$ 1,878,135	\$ 45,614,154	\$ 48,346,542	\$ 65,892
Restricted cash and cash equivalents	-	40,871	34,083,202	34,124,073	-
Receivables:					
Accounts receivable	11,786,557	4,066,255	20,803,630	36,656,442	22,575
Other receivables	126,359	4	933,887	1,060,250	-
Due from other agencies	-	-	127,425	127,425	-
Intergovernmental receivables	-	-	221,596	221,596	-
Due from other funds	-	73	-	73	-
Allowances for estimated uncollectible amounts	(11,157,071)	-	(15,102,217)	(26,259,288)	-
Net receivables	755,845	4,066,332	6,984,321	11,806,498	22,575
Total current assets	<u>1,610,098</u>	<u>5,985,338</u>	<u>86,681,677</u>	<u>94,277,113</u>	<u>88,467</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,217,093	145,116	3,362,210	-
Construction in progress	-	-	1,017,192	1,017,192	-
Total capital assets not being depreciated	<u>1</u>	<u>3,217,093</u>	<u>1,162,308</u>	<u>4,379,402</u>	<u>-</u>
Capital assets being depreciated:					
Buildings and infrastructure	4,088,220	74,085,332	197,619,461	275,793,013	-
Improvements other than buildings	175,071	77,117	252,393	504,581	-
Machinery and equipment	8,677,301	109,762	140,411	8,927,474	-
Accumulated depreciation	(8,272,430)	(30,639,751)	(69,215,509)	(108,127,690)	-
Total capital assets being depreciated	<u>4,668,162</u>	<u>43,632,460</u>	<u>128,796,756</u>	<u>177,097,378</u>	<u>-</u>
Total noncurrent assets	<u>4,668,163</u>	<u>46,849,553</u>	<u>129,959,064</u>	<u>181,476,780</u>	<u>-</u>
Total assets	<u>6,278,261</u>	<u>52,834,891</u>	<u>216,640,741</u>	<u>275,753,893</u>	<u>88,467</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	522,063	3,949,573	4,471,636	-
Deferred outflows of resources - swap	-	-	1,816,216	1,816,216	-
Total deferred outflows of resources	<u>-</u>	<u>522,063</u>	<u>5,765,789</u>	<u>6,287,852</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	867,129	1,520	2,563,649	3,432,298	397
Other accrued liabilities	1,199,873	41,665	4,063,111	5,304,649	-
Due to other funds	-	184,124	1,293,887	1,478,011	15,349
Retainages payable	-	-	399,253	399,253	-
Unearned revenue	184,630	-	-	184,630	-
Due to retirement systems	218,710	-	234,450	453,160	-
Capital lease	713,938	-	-	713,938	-
Accrued compensated absences	28,089	-	62,991	91,080	-
Accrued workers' compensation	761,654	-	122,549	884,203	-
General obligation and revenue bonds payable within one year	<u>-</u>	<u>2,299,628</u>	<u>8,111,115</u>	<u>10,410,743</u>	<u>-</u>
Total current liabilities	<u>3,974,023</u>	<u>2,526,937</u>	<u>16,851,005</u>	<u>23,351,965</u>	<u>15,746</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Noncurrent liabilities:					
Due to other funds	16,987,032	-	-	16,987,032	-
Capital lease	240,698	-	-	240,698	-
Accrued compensated absences	702,928	-	679,381	1,382,309	-
Accrued workers' compensation	1,097,524	-	628,278	1,725,802	-
Accrued other post-employment benefits plan	13,705,000	29,000	10,401,000	24,135,000	-
Accrued derivative liability	-	-	1,816,216	1,816,216	-
General obligation and revenue bonds payable, net	-	8,859,428	145,474,044	154,333,472	-
Total noncurrent liabilities	<u>32,733,182</u>	<u>8,888,428</u>	<u>158,998,919</u>	<u>200,620,529</u>	<u>-</u>
Total liabilities	<u>36,707,205</u>	<u>11,415,365</u>	<u>175,849,924</u>	<u>223,972,494</u>	<u>15,746</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	100,606	106,247	206,853	-
Total deferred inflows of resources	<u>-</u>	<u>100,606</u>	<u>106,247</u>	<u>206,853</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	3,713,527	36,152,825	14,300,433	54,166,785	-
Unrestricted	<u>(34,142,471)</u>	<u>5,688,158</u>	<u>32,149,926</u>	<u>3,695,613</u>	<u>72,721</u>
Total net position	<u>\$ (30,428,944)</u>	<u>\$ 41,840,983</u>	<u>\$ 46,450,359</u>	<u>\$ 57,862,398</u>	<u>\$ 72,721</u>

(concluded)

The notes to the financial statements are an integral part of this statement.

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CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Operating revenues:					
Charges for services	\$ 18,997,888	\$ -	\$ 44,162,233	\$ 63,160,121	\$ 79,554
Rent	-	7,165,354	-	7,165,354	-
Other	291,900	-	251,189	543,089	-
Total operating revenues	<u>19,289,788</u>	<u>7,165,354</u>	<u>44,413,422</u>	<u>70,868,564</u>	<u>79,554</u>
Operating expenses:					
Services and supplies	17,587,792	127,011	15,076,426	32,791,229	52,307
Fringe benefits	8,243,725	14,258	5,752,321	14,010,304	-
Depreciation	1,212,745	1,613,510	4,949,048	7,775,303	-
Other	-	-	396,330	396,330	-
Total operating expenses	<u>27,044,262</u>	<u>1,754,779</u>	<u>26,174,125</u>	<u>54,973,166</u>	<u>52,307</u>
Operating income (loss)	<u>(7,754,474)</u>	<u>5,410,575</u>	<u>18,239,297</u>	<u>15,895,398</u>	<u>27,247</u>
Nonoperating revenues (expenses):					
Interest earnings	584	6,664	206,094	213,342	-
Interest expense	(28,711)	(341,252)	(6,759,811)	(7,129,774)	-
Other	-	-	955,344	955,344	-
Total nonoperating revenues (expenses)	<u>(28,127)</u>	<u>(334,588)</u>	<u>(5,598,373)</u>	<u>(5,961,088)</u>	<u>-</u>
Income (loss) before transfers	(7,782,601)	5,075,987	12,640,924	9,934,310	27,247
Transfers in	3,908,052	-	-	3,908,052	-
Transfers out	<u>(673,048)</u>	<u>(9,727,563)</u>	<u>(5,408,626)</u>	<u>(15,809,237)</u>	<u>(175,000)</u>
Change in net position	(4,547,597)	(4,651,576)	7,232,298	(1,966,875)	(147,753)
Total net position—beginning	<u>(25,881,347)</u>	<u>46,492,559</u>	<u>39,218,061</u>	<u>59,829,273</u>	<u>220,474</u>
Total net position—ending	<u>\$ (30,428,944)</u>	<u>\$ 41,840,983</u>	<u>\$ 46,450,359</u>	<u>\$ 57,862,398</u>	<u>\$ 72,721</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 19,210,538	\$ 7,653,681	\$ 43,409,525	\$ 70,273,744	\$ 64,134
Payments to suppliers for goods and services	(10,836,953)	(100,898)	(14,209,225)	(25,147,076)	(54,290)
Payments to employees for services	(11,617,950)	(38,527)	(4,863,987)	(16,520,464)	-
Net cash provided by (used for) operating activities	<u>(3,244,365)</u>	<u>7,514,256</u>	<u>24,336,313</u>	<u>28,606,204</u>	<u>9,844</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	3,908,053	-	11,622,980	15,531,033	-
Transfers to other funds	(673,048)	(9,727,563)	(17,031,603)	(27,432,214)	(175,000)
Advances from (to) other funds	926,690	60,324	1,494,990	2,482,004	13,424
Net cash provided by (used for) noncapital financing activities	<u>4,161,695</u>	<u>(9,667,239)</u>	<u>(3,913,633)</u>	<u>(9,419,177)</u>	<u>(161,576)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(708,053)	(45,778)	(5,390,523)	(6,144,354)	-
Principal payments on bonds	(701,865)	(2,090,000)	(7,666,137)	(10,458,002)	-
Interest payments	(22,799)	(385,235)	(5,865,187)	(6,273,221)	-
Net cash used for capital and related financing activities	<u>(1,432,717)</u>	<u>(2,521,013)</u>	<u>(18,921,847)</u>	<u>(22,875,577)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on short-term investments	606	6,707	187,751	195,064	-
Net cash provided by investing activities	<u>606</u>	<u>6,707</u>	<u>187,751</u>	<u>195,064</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(514,781)	(4,667,289)	1,688,584	(3,493,486)	(151,732)
Cash and cash equivalents—beginning	<u>1,369,034</u>	<u>6,586,295</u>	<u>78,008,772</u>	<u>85,964,101</u>	<u>217,624</u>
Cash and cash equivalents—ending	<u>\$ 854,253</u>	<u>\$ 1,919,006</u>	<u>\$ 79,697,356</u>	<u>\$ 82,470,615</u>	<u>\$ 65,892</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (7,754,474)	\$ 5,410,575	\$ 18,239,297	\$ 15,895,398	\$ 27,247
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	1,212,745	1,613,510	4,949,048	7,775,303	-
(Increase) decrease in receivables	(66,907)	488,325	4,031,134	4,452,552	(15,419)
(Decrease) increase in payables	(108,920)	46	(3,843,783)	(3,952,657)	(1,984)
Increase (decrease) in other accrued liabilities	493,155	-	(452,882)	40,273	-
(Decrease) in due to retirement systems	(47,897)	-	(4,875)	(52,772)	-
(Decrease) in unearned revenue	(12,349)	-	-	(12,349)	-
(Decrease) in accrued compensated absences	(14,372)	-	(7,301)	(21,673)	-
Increase in workers' compensation	761,654	-	71,675	833,329	-
Increase in accrued other post-employment benefits plan	<u>2,293,000</u>	<u>1,800</u>	<u>1,354,000</u>	<u>3,648,800</u>	<u>-</u>
Total adjustments	<u>4,510,109</u>	<u>2,103,681</u>	<u>6,097,016</u>	<u>12,710,806</u>	<u>(17,403)</u>
Net cash provided by (used for) operating activities	<u>\$ (3,244,365)</u>	<u>\$ 7,514,256</u>	<u>\$ 24,336,313</u>	<u>\$ 28,606,204</u>	<u>\$ 9,844</u>

(concluded)

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 23,909	\$ 1,525,457
Investments	32,913	-
Receivables	5,513	-
Total assets	62,335	1,525,457
LIABILITIES		
Accounts payable	-	538
Intergovernmental payables	-	23,381
Amount held in custody for others	-	1,501,538
Total liabilities	-	\$ 1,525,457
NET POSITION		
Restricted	\$ 62,335	

The notes to the financial statements are an integral part of this statement.

CITY OF BUFFALO, NEW YORK
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Private Purpose Trust
ADDITIONS	
Investment earnings:	
Interest	\$ 136
DEDUCTIONS	
Awards	-
Total deductions	-
Change in net position	136
Net position—beginning of year	62,199
Net position—end of year	\$ 62,335

The notes to the financial statements are an integral part of this statement.

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CITY OF BUFFALO, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The City of Buffalo, New York (the "City") is a municipal entity governed by an elected Mayor, Comptroller, and a nine-member elected City Common Council (the "Council"). The accompanying financial statements present the City (the "primary government") and its component units. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented in the funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Units—The Buffalo Municipal Water Finance Authority (the "Authority") and the Buffalo Water Board (the "Water Board") are legally separate from the City; however, the Authority and the Water Board are reported as if they were part of the primary government (the "Water System") because a majority of their Boards of Directors and/or management are City officials. In addition, the sole purpose of the Authority was to facilitate the financing of the City Water System's acquisition by the Water Board and to finance construction improvements. The Water Board purchased the net assets of the Water System and is responsible for generating sufficient revenues to meet the debt service requirements of the City and Authority related to the Water System.

The Buffalo Fiscal Stability Authority (the "BFSA") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Buffalo Fiscal Stability Authority Act (the "BFSA Act"), Chapter 122 of the State Laws of 2003, as amended from time to time. Nine directors, seven of which are appointed by the Governor, govern the BFSA. Its corporate purpose is to act as a temporary financial intermediary to the City. The BFSA is included as a blended component unit of the City's primary government because their services are provided almost entirely to the City. The BFSA is fiscally dependent on the City, as they cannot issue debt without approval of the City, and cannot levy taxes or set rates that affect revenues. As such, the City is financially accountable for the BFSA.

Buffalo Fiscal Stability Authority Act—In May 2003, the State enacted the BFSA Act, pursuant to Chapter 122 of the State Laws of 2003. The BFSA Act provides the BFSA different financial control and oversight powers depending upon whether the City’s financial condition causes it to be in a control period or an advisory period. The BFSA Act defined and established a control period to be in effect as of the date of the BFSA Act and continue until specific conditions were met regarding the stability of the City’s finances. In May 2012, the BFSA determined that such conditions had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is reimposed. A control period may be reimposed if the BFSA determines at any time that a fiscal crisis is imminent or that any of the certain events, as outlined in the BFSA Act, have occurred or are likely to occur.

The Authority, Water Board and the BFSA are included as blended component units because exclusion would be misleading.

Discretely Presented Component Units—Financial data of the City’s component units that are not part of the primary government are reported in the component unit columns within the government-wide financial statements. These component units are reported in a separate column to emphasize that they are legally separate from the City. Such component units are not simply an extension of the primary government. The majority of the governing body of the Buffalo Urban Renewal Agency (“BURA”) is composed of City officials. BURA provides services to the general public. The Board of Education, City of Buffalo, New York (the “Board”) is governed by the Board of Education, whose members are elected by the voters of the City in accordance with State statutes.

- BURA is a public benefit corporation formed by an act of the State Legislature in 1966. Its corporate purpose includes the general planning and operation of various urban renewal programs designed to prevent or eliminate blight and deterioration in the Buffalo urban area. Most of the funding for the various programs conducted by BURA is obtained from the federal government through the City, representing an ongoing relationship with both financial benefit and burden to the City. Additionally, the City has the ability to remove appointed members and to approve the BURA’s budget.
- The Board is a unit of local government created under the Constitution of the State. The Board’s primary function is to provide education for pupils. Services, such as transportation of pupils, administration, finance, and plant maintenance, support the primary function of the Board. The Board is financially dependent upon the City and has no independent authority to issue debt or levy taxes, with the exception of the Special Revenue Program Bonds issued by the State of New York Municipal Bond Bank Agency (see Note 12). The Board’s Joint Schools Construction Board (“JSCB”) bonds payable represent bonds issued by the Erie County Industrial Development Agency (the “Issuer”) to provide money to finance the renovation and/or equipping of certain public school facilities for use by the Board. The bonds are special limited obligations of the Issuer payable from amounts due from the Board under an installment sale agreement.

Complete financial statements of the individual component units can be obtained from their respective administrative offices as listed on the following page.

Buffalo Water Board
502 City Hall
Buffalo, NY 14202

Buffalo Municipal Water Finance Authority
502 City Hall
Buffalo, NY 14202

Buffalo Board of Education
Office of the Chief Financial Officer
708 City Hall
Buffalo, NY 14202

City of Buffalo Urban Renewal Agency
Financial Controls of Agencies
214 City Hall
Buffalo, NY 14202

Buffalo Fiscal Stability Authority
Market Arcade Building, Suite 400
617 Main Street
Buffalo, NY 14202

Related Organizations—The Mayor also appoints the Board of Directors of the Buffalo Sewer Authority (the “Sewer Authority”), but the City’s accountability for the Sewer Authority does not extend beyond making these appointments. The Sewer Authority has its own taxing and debt-raising powers. The Mayor also is responsible for appointing five of the seven members of the Board of Directors of the Buffalo Municipal Housing Authority (the “Housing Authority”) and funds the operating deficits of the state-sponsored projects. The City’s accountability does not extend beyond this point. The Housing Authority was created by the State Legislature as a separate and independent government body not under City control. A 1982 State Supreme Court ruling supported the City’s conclusion regarding the independence of the Housing Authority.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The activity of the internal service fund is eliminated to avoid “doubling up” of revenues and expenses. It is the City’s policy to record transactions between funds as operating transfers.

Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

- ***General Fund***—The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received, unless prohibited by the purpose and object of such funds.

- *Debt Service Fund*—The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on City and Board general improvement bonds, notes, and capital leases. The City has elected to report the Debt Service Fund as a major fund to enhance consistency, even though it did not meet the criteria for mandatory reporting in the current year.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources, such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing, or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for use of any of the enterprise funds are not included in the capital projects funds.
- *BFSA Special Revenue Fund*—This fund represents the general fund of the BFSA and is used to account for all of their financial resources, except those required to be accounted for in another fund. This fund finances the operations of the BFSA, whereby they intercept state aid and sales tax from the City and transfer to the debt service account to pay debt issued on behalf of the City.

The City reports the following major proprietary funds:

- *Solid Waste and Recycling Fund*—The Solid Waste and Recycling Fund is used to account for the City’s solid waste removal system.
- *Parking Fund*—The Parking Fund is used to account for public parking facilities operated by the City.
- *Water System*—This fund accounts for the City’s water treatment and distribution system and is responsible for water delivery to the residents of the City.

Additionally, the City reports the following fund types:

Internal Service Fund—The *Internal Service Fund* accounts for operations in which amounts expended for the print shop are reimbursed by charges to the operations of other funds.

Nonmajor Governmental Funds—The nonmajor governmental funds include the *Special Revenue Fund*, the *BFSA Debt Service Fund*, and *Permanent Fund*:

- *Special Revenue Fund*—The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes.
- *BFSA Debt Service Fund*—This fund accounts for the state aid and sales tax resources that the BFSA intercepts from the City to pay principal and interest on general obligations bonds issued by the BFSA on behalf of the City.
- *Permanent Fund*—The Permanent Fund is used to account for assets held by the City in a trustee capacity that are legally restricted to the extent that only earnings, and not principal, may be used for purposes stipulated in the bequests and trust agreements.

Fiduciary Funds—These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Private Purpose Trust Fund* and *Agency Fund*. Activities reported in the fiduciary funds include monies held in trust for prisoners, deposits that are to be returned, and payroll withholdings due to other entities.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measure Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all

other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The City’s cash, cash equivalents, and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments are stated at fair value which approximates cost.

Restricted Cash and Cash Equivalents—Unspent proceeds from debt are reported as restricted cash and cash equivalents within the City’s Debt Service Fund and Capital Projects Fund. The City also reports restricted cash within its governmental and proprietary funds which represent amounts with constraints placed on their use by either external parties and/or statute.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than purchased.

Real Estate Held for Resale—Represents assets held by the City with the intention to resell.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as within each individual proprietary fund. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Buildings	50
Building improvements	20
Improvements other than buildings	10 - 30
Infrastructure	20 - 50
Water system	20 - 40
Machinery and equipment	4 - 30

The capitalization threshold for the Board is \$5,000. Capital assets of the Board are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Buildings	50
Building improvements	20
Land improvements	20
General equipment	10
Computer, business machine, and audit visual equipment	5
Automotive	7

BURA does not own infrastructure assets such as roads, bridges or sewers. The most significant capital assets owned by BURA include the Market Arcade Complex and the Market Arcade Cinema. BURA assesses the long-lived assets for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset is greater than the fair value and the amount may not be recoverable. Assets are depreciated using the straight line method over their useful lives, which range from 5 to 50 years.

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2014, the City has two items that qualify for reporting in this category. These items include deferred losses on refunding and the deferred amount on the City’s interest rate swap agreement.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2014, the City has two items that qualify for reporting in this category. These items include deferred gains on refunding and unavailable revenue from property taxes.

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted–net position to have been depleted before unrestricted–net position is applied.

Fund Balance Flow Assumptions—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be

made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as committed. The Common Council has by resolution authorized the Comptroller to assign fund balance. The Common Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City does not have a formally adopted minimum fund balance policy.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied as of July 1, on which date they become liens on real property. The first half may be paid on or before July 31 without interest, and the second half on or before December 31 without interest. Interest on delinquent property taxes is charged at the rate of 18% per annum. The lien date is June 1 of the year following the levy of the taxes.

The City is permitted by the Constitution of the State to levy taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt services and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended June 30, 2014, the City had a legal tax margin of approximately \$41.3 million.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2014, the City reported unearned revenues within the General Fund and Solid Waste and Recycling Fund in the amounts of \$209,305 and

\$184,630, respectively. The City received cash in advance related to grants and prepaid user fees but has not performed the services, and therefore recognizes a liability.

Compensated Absences—The City’s policy is to pay employees for unused vacation, compensatory time, and sick time based on union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as a long-term liability. For business-type activities, the full liability is recognized in both the government-wide statement of net position and the proprietary fund financial statements.

Accrued Pensions—Amounts owed to the State Retirement Systems for wages paid to employees of the City, but not yet billed, are reported as liabilities in the financial statements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund’s principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: refuse collection charges for the Solid Waste and Recycling Fund, parking fees for the Parking Fund and sale of water for the Water System. Operating expenses for the enterprise funds, and the Internal Service Fund, include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications—Certain amounts were reclassified from the Board’s, BURA’s, and BFSA’s financial statements to conform to the City’s reporting presentation. In the BFSA’s statement of net position, \$4,843,967 previously classified as due to City of Buffalo was reclassified as due to component units. This amount represented sales tax that was a receivable from Erie County on behalf of the Board. And, in the BFSA’s statement of revenue, expenditures, and change in net position, \$282,226,375 in investment income and intergovernmental revenue offset other distributions relating to proceeds and interest payments on bonds issued by the BFSA on behalf of the City.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2014, the City implemented GASB Statements No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 66 is to improve accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements Nos. 66, 67 and 70 did not have a material impact on the City’s financial position or results from operations.

During the year ended June 30, 2014 BFSA adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City early implemented GASB Statement No. 65 during the year ended June 30, 2013, however BFSA did not. Other than discussed in Note 2, GASB Statement No. 65 did not have a material impact on the City's current year financial position or results from operations.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, No. 69, *Government Combinations and Disposals of Government Operations*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the fiscal year ending June 30, 2015. The City is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 68, 69 and 71 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Fund Equity—At June 30, 2014, the Solid Waste and Recycling Fund had a net position in a deficit position of \$30,428,944. This net deficit includes accrued post-employment benefits of \$13,705,000. Although the City anticipates the deficit to be remedied by future tax rate increases or through General Fund subsidies, no formal plan exists.

The Board has a total net position deficit of \$497,670,378 at June 30, 2014, which is caused primarily by its recognition of long-term liabilities including other post-employment benefits.

BURA has a total net position deficit of \$6,311,174 at June 30, 2014, which is caused primarily by its recognition of long-term liabilities including other post-employment benefits.

Legal Compliance—Budgets

Budgets and Budgetary Accounting—Through the budget, the Council sets the direction of the City, allocates its resources and established its priorities. The annual budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it established the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 1, for the fiscal year beginning July 1, the Mayor submits to the Common Council a complete operating plan of proposed expenditures and estimated revenues for the City's General Fund and the Debt Service Fund.
- The Council considers the operating budgets at the first meeting following their submission by the Mayor and has the power to delete, reduce, or add items to the budgets. If no additions are made by the Council, the budgets are passed by the Council and are adopted without any Mayoral actions. Any additions to the proposed executive budgets require Mayoral approval.
- The appropriation for every function of each City department, division, agency, or other purpose is fixed. The total expenditures for each function may not exceed the original appropriation during the fiscal year without Council approval. Increases over budget appropriations as originally adopted require a two-thirds vote of approval by the Council after certification by both the Mayor and Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted.
- Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

2. RESTATEMENT AND CHANGES TO NET POSITION

As discussed in Note 1, during the year ended June 30, 2014, the BFSAs adopted GASB Statement No. 65. As a result of this implementation, unamortized bond issuance costs have been fully recognized. Net position of BFSAs at June 30, 2013 has been restated to remove unamortized bond issuance costs of \$1,154,201.

Additionally, BURA's beginning net position as reflected in the Statement of Net Position and Statement of Activities were increased by prior period adjustments totaling \$7,167,198 related to the correction of an error. In previous years, encumbrances were shown on the statement of net position as long-term liabilities, reducing the federal receivable to zero (\$0) and the excess being classified as unearned revenue. Encumbrances do not represent incurred liabilities under the economic measurement principles used to prepare the government-wide financial statements; as such, the net position deficit as of June 30, 2013 has been restated from \$12,626,200 to \$5,459,002 to account for the correction of this error.

The effects of these changes to beginning net position are summarized below:

	<u>Governmental Activities</u>	<u>Buffalo Urban Renewal Agency</u>
Beginning net position, June 30, 2013, as originally stated	\$ 60,934,363	\$ (12,626,200)
Recognition of unamortized bond issuance costs/prior period error	<u>(1,154,201)</u>	<u>7,167,198</u>
Beginning net position, June 30, 2013, as restated	<u>\$ 59,780,162</u>	<u>\$ (5,459,002)</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the City's investment policies. The City has its own written investment guidelines, which have been established by the Comptroller's Office pursuant to Section 114A of the City Charter. The City is authorized to deposit or invest funds in banks or trust companies located in, and authorized to do business in, the State. The City's investment policy governs the investment of excess funds. Permissible investments include time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State and its localities. Cash in banks was fully collateralized at June 30, 2014, of which the bank carrying balance at June 30, 2014, was \$523,242,462.

Cash, cash equivalents and investments at June 30, 2014 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 9,400	\$ -	\$ -	\$ 9,400
Deposits	444,753,058	82,470,615	1,549,366	528,773,039
Investments	44,971,966	-	32,913	45,004,879
Total	<u>\$ 489,734,424</u>	<u>\$ 82,470,615</u>	<u>\$ 1,582,279</u>	<u>\$ 573,787,318</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 334,870,248	\$ 48,346,542	\$ -	\$ 383,216,790
Restricted cash and cash equivalents	109,892,210	34,124,073	-	144,016,283
Cash held in fiduciary funds	-	-	1,549,366	1,549,366
Total	<u>\$ 444,762,458</u>	<u>\$ 82,470,615</u>	<u>\$ 1,549,366</u>	<u>\$ 528,782,439</u>

Investments—At June 30, 2014, total investments of \$45,004,879 consisted of investments held by the City of \$29,161,472, held by the BFSA of \$15,810,494, and maintained in fiduciary funds of \$32,913. Investments at June 30, 2014, consisted of the following:

	Carrying Value	Fair Value
Certificates of deposit	\$ 25,094,385	\$ 25,094,385
Revenue anticipation note	4,100,000	4,100,000
U.S. Treasury SLGs	1,095,991	1,095,991
U.S. Treasury bills	1,821,879	1,863,237
Federal National Mortgage Association discount notes	4,871,206	4,980,222
Federal Home Loan Mortgage Corp. Med. Term note	7,946,518	7,995,849
Accrued interest	74,900	74,900
Total	<u>\$ 45,004,879</u>	<u>\$ 45,204,584</u>

Investments in the City consist of certificates of deposit issued with thirteen week maturities and a revenue anticipation note issued to the Kiryas Joel Union Free School District. Investments in fiduciary funds consist solely of certificates of deposit at June 30, 2014. Additionally, investments

include restricted amounts for those fund balances constrained to specific purposes through constitutional provisions or by enabling legislation.

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities related to the BFSAs' investments are generally short-term with certificates of deposit issued with 30-day maturities and U.S. Treasuries and commercial paper due within 45 days. The credit rating of Federal Home Loan Mortgage corporate discount paper, Federal National Mortgage Association discount notes, Federal Home Loan Mortgage corporate medium term note and commercial paper, as reported by Standard & Poor's, for short-term debt is AA+.

Deposits—The City deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts or certificates of deposit issued by FDIC-insured commercial banks or trust companies located within the State. Some of the City's accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for City operating cash and for investment purposes. There are no deposits which are uninsured or not collateralized.

Custodial Credit Risk—For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the City's name. For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of the State General Municipal Law. Securities that may be pledged as collateral are limited to obligations of the United States or any obligation fully insured as to interest and principal by the United States acting through an agency, and obligations of the State or obligations of any municipal corporation, school district, or district corporation of the State.

Credit Risk—In compliance with the State law, City investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

Concentration of Credit Risk—To promote competition in rates and service cost, and to limit the risk of institutional failure, City deposits and investments are placed with multiple institutions. The general rule is not to place more than \$100 million or 50% of the City's total investment portfolio, whichever is less, in overnight investments with any one institution.

Interest Rate Risk—The City has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are limited to a maximum of two years, however the City generally limits its investments to 180 days or less.

Governmental Activities Restricted Cash and Cash Equivalents—General Fund restricted cash of \$3,819,739 represent monies set aside as part of the funding requirements of the State for the settlement of the dispute between the Board and the Buffalo Teachers Federation. The initial settlement was bonded and such restricted cash is being used to pay the debt service requirements. Additionally, \$5,001,410 in restricted cash in the General Fund represents additional cash held in a

bank custodial account. The Debt Service Fund restricted assets of \$15,186,201 are held by a trustee for future debt service payments. Restricted cash of \$71,941,471 is reported within the Capital Projects Fund for amounts representing nonoperating cash raised through borrowings, grants and transfers from other funds. Additionally, the City reports \$8,834,516, \$243,427, \$4,623,917, \$166,351, and \$75,178 in the General Fund, BFSA Special Revenue Fund, Special Revenue Fund, BFSA Debt Service Fund and Permanent Fund, respectively, which represent amounts with constraints placed on their use by either external parties and/or statute.

Business-Type Activities Restricted Cash and Cash Equivalents—Business-type restricted cash represents monies raised from the issuance of debt to fund additions to enterprise plant assets and may only be used for this purpose.

The restricted cash consists primarily of Treasury notes, Treasury bills, and certificates of deposit with a commercial bank. At June 30, 2014, \$725,264 of the Water System’s restricted cash consisted of U.S. government securities recorded in the Water System’s name and held in a bank custodial account. The Water System also maintains money market accounts with fair values totaling \$33,357,938 at June 30, 2014. Restricted cash in the Parking Fund of \$40,871 consisted of cash and cash equivalents and is held in a bank account.

Board of Education

At June 30, 2014, cash in banks was \$270,701. This amount was fully collateralized.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$82,315,558 at June 30, 2014, for various purposes as follows:

- \$544,094 is restricted for the joint account held in trust with the Buffalo Teachers Federation in relation to a teacher’s settlement. Such cash is held with a fiscal agent.
- \$62,900,525 is restricted for the local share contribution held in trust which can only be disbursed in accordance with the Indenture Trust Agreement, and represents an amount of the Series 2003 bond proceeds to be deposited and maintained by a trustee. Such cash is held with a fiscal agent.
- \$13,990,630 represents a local share contribution to be held in trust and can only be disbursed in accordance with the Local Share Trust and Depository Agreement.
- \$4,244,557 represents endowment funds and can be used in accordance with the respective endowment document.
- \$635,752 is restricted to support obligations related to workers’ compensation claims.

Buffalo Urban Renewal Agency

Restricted Cash and Cash Equivalents—Cash reported in BURA’s special revenue fund represents grant funds held prior to disbursement of approved expenditures. Substantially all cash on hand is restricted in use in accordance with specific funding source requirements. BURA’s deposits are maintained in demand deposit or savings accounts. BURA requires that the depository banks pledge collateral for cash held in excess of FDIC insurance coverage in the form of securities held by the bank in the name of BURA. The market value at June 30, 2014 of the collateral held by such banks is \$338,902. The carrying value as of June 30, 2014 of BURA’s restricted cash is \$747,452.

4. RECEIVABLES

Receivables at June 30, 2014, for the City's individual funds and related allowances for estimated uncollectible amounts are as follows:

Receivables:	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental funds:			
General Fund:			
Taxes	\$ 16,383,831	\$ (7,052,436)	\$ 9,331,395
Accounts receivable	15,423,524	(7,026,539)	8,396,985
Other receivables	20	-	20
Due from other agencies	896,015	-	896,015
Intergovernmental receivables	4,922,469	-	4,922,469
Due from other funds	35,469,027	-	35,469,027
	<u>\$ 73,094,886</u>	<u>\$ (14,078,975)</u>	<u>\$ 59,015,911</u>
Debt Service Fund:			
Other receivables	\$ 780	\$ -	\$ 780
Due from other funds	213,200	-	213,200
	<u>\$ 213,980</u>	<u>\$ -</u>	<u>\$ 213,980</u>
Capital Projects Fund:			
Accounts receivable	\$ 3,175	\$ -	\$ 3,175
Intergovernmental receivables	4,367,698	-	4,367,698
Due from other funds	1,925	-	1,925
	<u>\$ 4,372,798</u>	<u>\$ -</u>	<u>\$ 4,372,798</u>
BFSA Special Revenue Fund:			
Intergovernmental receivables	<u>\$ 13,708,112</u>	<u>\$ -</u>	<u>\$ 13,708,112</u>
Nonmajor governmental funds:			
Other receivables	\$ 4,123	\$ -	\$ 4,123
Intergovernmental receivables	3,476,295	-	3,476,295
Due from other funds	255,128	-	255,128
	<u>\$ 3,735,546</u>	<u>\$ -</u>	<u>\$ 3,735,546</u>

(continued)

Receivables:	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 11,786,557	\$ (11,101,815)	\$ 684,742
Other receivables	<u>126,359</u>	<u>(55,256)</u>	<u>71,103</u>
	<u>\$ 11,912,916</u>	<u>\$ (11,157,071)</u>	<u>\$ 755,845</u>
Parking Fund:			
Accounts receivable	\$ 4,066,255	\$ -	\$ 4,066,255
Other receivables	4	-	4
Due from other funds	<u>73</u>	<u>-</u>	<u>73</u>
	<u>\$ 4,066,332</u>	<u>\$ -</u>	<u>\$ 4,066,332</u>
Water System:			
Accounts receivable	\$ 20,803,630	\$ (15,102,217)	\$ 5,701,413
Other receivables	933,887	-	933,887
Due from other agencies	127,425	-	127,425
Intergovernmental receivables	<u>221,596</u>	<u>-</u>	<u>221,596</u>
	<u>\$ 22,086,538</u>	<u>\$ (15,102,217)</u>	<u>\$ 6,984,321</u>
Internal Service Fund:			
Accounts receivable	<u>\$ 22,575</u>	<u>\$ -</u>	<u>\$ 22,575</u>
			(concluded)

Intergovernmental receivables at June 30, 2014, consisted of the following:

Intergovernmental receivables:

Governmental funds:

General Fund:

Due from Erie County	\$ 142,411
Due from New York State	4,371,789
Due from federal government	<u>408,269</u>
	<u>\$ 4,922,469</u>

Capital Projects Fund:

Due from New York State	<u>\$ 4,367,698</u>
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BFSA Special Revenue Fund:

Due from New York State	<u>\$ 13,708,112</u>
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Nonmajor governmental funds:

Special Revenue Fund:

Due from federal government	\$ 2,665,806
Due from New York State	<u>810,489</u>
	<u>\$ 3,476,295</u>

Proprietary funds:

Water System:

Due from federal government	<u>\$ 221,596</u>
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Board of Education

Significant revenues accrued by the Board include the following:

Receivables at June 30, 2014, consisted of the following:

General Fund:	
Health Services	\$ 1,125,038
Miscellaneous revenues	724,620
Tuition billing	153,982
Special Aid Fund	24,764
Nonmajor governmental funds	<u>67,193</u>
Total	<u>\$ 2,095,597</u>

Intergovernmental receivables at June 30, 2014, consisted of the following:

General Fund:	
State aid - basic	\$ 15,066,323
State aid - excess	16,681,466
State aid - Medicaid	573,970
Miscellaneous	1,075,205
Special Aid Fund: Federal and state aid	36,613,189
School Lunch Fund: Federal and state reimbursements	<u>2,310,525</u>
Total	<u>\$ 72,320,678</u>

Buffalo Urban Renewal Agency

Receivables for BURA consist of program loans receivable, notes receivable, and advances to subgrantees. Additionally, BURA reports due from the federal government.

Program Loans—Program loans receivable consist of several economic development loans made directly by BURA or indirectly through Buffalo Economic Renaissance Corporation (“BERC”). BERC has, in turn, loaned grant funds to qualifying developers.

Since the inception of the CDBG program in the mid-1970’s, BURA has also expended a substantial amount of grant funds directly or indirectly, through BERC, the Buffalo Neighborhood Revitalization Corporation (“BNRC”) and their predecessors, and through various community-based not-for-profit organizations, on loans for business development and for the rehabilitation of commercial and residential properties. Under CDBG program reporting requirements, these loans are treated as program expenditures.

Notes Receivable—As of June 30, 2014, various notes from individuals, businesses and organizations were outstanding, representing funds advanced by BURA for projects designed to simulate economic development and housing improvements in the City. These notes are secured by mortgages with varying repayment terms.

Advances to Subgrantees—In the course of conducting various projects funded through the CDBG and other grant programs, BURA contracts with subgrantees such as BERC and BNRC to perform program services as the community level. In connection with those subgrantee contracts, BURA has advanced CDBG and other funds to provide working capital for the subgrantees. Both BNRC and BERC are in the process of dissolution and management has determined that it is unlikely that

BURA will be compensated for the amounts owed by those entities. For the year ended June 30, 2014, advances and receivables owed to BURA by BNRC and BERC in the amount of \$734,158 were written off against reserve allowances.

Due From Federal Government—Due from federal governments as of June 30, 2014, in the amount of \$6,995,493 represents amounts not yet received by BURA from the City for expenses incurred under Federal grant programs but not yet submitted to the City for reimbursement.

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government's governmental activities, for the fiscal year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 10,169,721	\$ -	\$ 1,600	\$ 10,168,121
Construction in progress	<u>1,658,643</u>	<u>1,958,703</u>	<u>1,658,642</u>	<u>1,958,704</u>
Total capital assets, not being depreciated	<u>11,828,364</u>	<u>1,958,703</u>	<u>1,660,242</u>	<u>12,126,825</u>
Capital assets, being depreciated:				
Buildings and building improvements	279,242,480	6,437,731	101,601	285,578,610
Improvements other than buildings	46,820,371	3,851,345	311,193	50,360,523
Machinery and equipment	61,034,241	5,410,152	2,636,041	63,808,352
Infrastructure	<u>394,247,474</u>	<u>33,389,061</u>	<u>-</u>	<u>427,636,535</u>
Total capital assets, being depreciated	<u>781,344,566</u>	<u>49,088,289</u>	<u>3,048,835</u>	<u>827,384,020</u>
Less accumulated depreciation for:				
Buildings and building improvements	106,409,424	5,947,210	69,975	112,286,659
Improvements other than buildings	29,011,945	1,925,936	311,193	30,626,688
Machinery and equipment	42,140,226	5,156,949	2,616,356	44,680,819
Infrastructure	<u>186,990,559</u>	<u>15,626,941</u>	<u>-</u>	<u>202,617,500</u>
Total accumulated depreciation	<u>364,552,154</u>	<u>28,657,036</u>	<u>2,997,524</u>	<u>390,211,666</u>
Total capital assets, being depreciated, net	<u>416,792,412</u>	<u>20,431,253</u>	<u>51,311</u>	<u>437,172,354</u>
Governmental activities capital assets, net	<u>\$ 428,620,776</u>	<u>\$ 22,389,956</u>	<u>\$ 1,711,553</u>	<u>\$ 449,299,179</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 3,362,210	\$ -	\$ -	\$ 3,362,210
Construction in progress	986,048	5,223,800	5,192,656	1,017,192
Total capital assets, not being depreciated	<u>4,348,258</u>	<u>5,223,800</u>	<u>5,192,656</u>	<u>4,379,402</u>
Capital assets, being depreciated:				
Buildings and building improvements	172,903,248	2,515,258	-	175,418,506
Improvements other than buildings	493,977	10,604	-	504,581
Machinery and equipment	9,225,363	809,463	1,107,352	8,927,474
Infrastructure	98,121,746	2,252,761	-	100,374,507
Total capital assets, being depreciated	<u>280,744,334</u>	<u>5,588,086</u>	<u>1,107,352</u>	<u>285,225,068</u>
Less accumulated depreciation for:				
Buildings and building improvements	51,374,619	4,051,805	-	55,426,424
Improvements other than buildings	339,852	23,555	-	363,407
Machinery and equipment	6,164,030	1,199,521	1,101,441	6,262,110
Infrastructure	43,575,327	2,500,422	-	46,075,749
Total accumulated depreciation	<u>101,453,828</u>	<u>7,775,303</u>	<u>1,101,441</u>	<u>108,127,690</u>
Total capital assets, being depreciated, net	<u>179,290,506</u>	<u>(2,187,217)</u>	<u>5,911</u>	<u>177,097,378</u>
Business-type activities capital assets, net	<u>\$ 183,638,764</u>	<u>\$ 3,036,583</u>	<u>\$ 5,198,567</u>	<u>\$ 181,476,780</u>

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

Governmental activities:	
General government support	\$ 3,193,388
Public safety	6,125,510
Streets and sanitation	15,105,503
Economic assistance and opportunity	417,066
Culture and recreation	3,783,223
Health and community services	32,346
Total governmental activities depreciation expense	<u>\$ 28,657,036</u>
Business-type activities:	
Solid waste and recycling	\$ 1,212,745
Parking	1,613,510
Water system	4,949,048
Total business-type activities depreciation expense	<u>\$ 7,775,303</u>

The carrying value of idle impaired assets at June 30, 2014, totaling \$202,258, in accordance with GASB, represents an impaired firehouse, a library and a community center building.

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 3,603,592	\$ -	\$ 179,589	\$ 3,424,003
Construction in progress	<u>30,864,018</u>	<u>5,062,115</u>	<u>25,694,135</u>	<u>10,231,998</u>
Total capital assets, not being depreciated	<u>34,467,610</u>	<u>5,062,115</u>	<u>25,873,724</u>	<u>13,656,001</u>
Capital assets, being depreciated:				
Land improvements	5,777,314	-	87,481	5,689,833
Buildings and building improvement	1,661,305,027	51,557,630	7,168,074	1,705,694,583
Equipment	<u>21,648,730</u>	<u>2,362,136</u>	<u>206,817</u>	<u>23,804,049</u>
Total capital assets, being depreciated	<u>1,688,731,071</u>	<u>53,919,766</u>	<u>7,462,372</u>	<u>1,735,188,465</u>
Less accumulated depreciation for:				
Land improvements	4,340,694	95,598	87,481	4,348,811
Buildings and building improvement	508,726,552	73,695,632	6,323,691	576,098,493
Equipment	<u>13,986,685</u>	<u>2,158,431</u>	<u>152,750</u>	<u>15,992,366</u>
Total accumulated depreciation	<u>527,053,931</u>	<u>75,949,661</u>	<u>6,563,922</u>	<u>596,439,670</u>
Total capital assets being depreciated, net	<u>1,161,677,140</u>	<u>(22,029,895)</u>	<u>898,450</u>	<u>1,138,748,795</u>
Board capital assets, net	<u>\$ 1,196,144,750</u>	<u>\$ (16,967,780)</u>	<u>\$ 26,772,174</u>	<u>\$ 1,152,404,796</u>

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2014, was as follows:

Function and Activity	Construction				Total
	In Progress	Buildings	Equipment	Vehicles	
Economic development administration	\$ 247,561	\$ 7,223,998	\$ 598,681	\$ 105,558	\$ 8,175,798
General administration	<u>-</u>	<u>-</u>	<u>24,866</u>	<u>-</u>	<u>24,866</u>
BURA capital assets	247,561	7,223,998	623,547	105,558	8,200,664
Accumulated depreciation	<u>-</u>	<u>(4,059,752)</u>	<u>(623,547)</u>	<u>(105,558)</u>	<u>(4,788,857)</u>
BURA capital assets, net	<u>\$ 247,561</u>	<u>\$ 3,164,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,411,807</u>

For the year ended June 30, 2014, depreciation in the amount of \$168,534 has been recorded using the straight-line method over the useful lives of the assets, which range from 5 to 50 years.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2014, were as follows:

	General Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 43,582,874	\$ 26,244	\$ -	\$ 43,609,118
Other accruals	-	-	1,012,428	1,012,428
Total accrued liabilities	<u>\$ 43,582,874</u>	<u>\$ 26,244</u>	<u>\$ 1,012,428</u>	<u>\$ 44,621,546</u>

7. PENSION PLANS

Plan Description—The City participates in the New York State and Local Employees’ Retirement System (“ERS”), the New York State and Local Police and Fire Retirement System (“PFRS”) and the Public Employees’ Group Life Insurance Plan (the “Systems”). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the Systems and for custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy—The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%), based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31.

The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

Year Ended June 30,	ERS	PFRS
2014	\$ 11,646,194	\$ 30,767,293
2013	10,693,044	28,464,963
2012	9,541,431	22,218,546

Legislation requires participating employers to make payments on a current basis. The City’s contributions made to the Systems were equal to 100 percent of the contributions required for each year, and the City has not bonded or amortized any of the excess amounts.

The BFSA made 100% of its required contributions for the year ended June 30, 2014, which amounted to \$68,710, and is not included in the table above.

Board of Education

The Board participates in the ERS and the Teachers' Retirement System ("TRS").

Employee Retirement System

Plan Description—The ERS provides retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy—Plan members who joined the System before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute 3.0% to 3.5% of their annual salary. With the exception of ERS Tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employees contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

Teachers' Retirement System

Plan Description—The Board makes contributions to the TRS, a cost-sharing, multiple employer-defined benefit pension plan administered by the State Teachers' Retirement Board. The TRS provides retirement, disability, withdrawal, and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State. The TRS issues a publicly available financial report that contains financial statements and required supplementary information for the TRS. The report may be obtained by writing to the State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Funding Policy—Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute 3.0% to 3.5% of their annual salary. Employees in the system more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

The Board is required to contribute at an actuarially determined rate. The retirement contributions for the current and two preceding years were:

<u>Year Ended June 30,</u>	<u>ERS</u>	<u>TRS</u>
2014	\$ 8,571,712	\$ 30,497,559
2013	8,421,974	28,676,187
2012	7,129,235	33,198,819

The Board elects to participate in the alternate contribution stabilization program as enacted by New York State under Chapter 57, Laws of 2013. The program provides short-term cash relief by allowing municipalities to defer payment on a portion of the annual contribution, but requires payment with interest in the following year. The Board made a payment of \$5,070,646 under this program and deferred payment of the remaining \$3,423,927.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. The payroll for all employees covered by the System for the year ended June 30, 2014, was \$1,935,615. All full-time BURA employees at June 30, 2014 were covered by the pension plan.

The BURA is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

Year Ended June 30,	ERS
2014	\$ 328,667
2013	412,185
2012	503,727

BURA's contributions made to the System were equal to 100% of the contributions required for each year.

8. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OBLIGATION

The City recognizes the cost of post-employment health care in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the health insurance liability accumulated prior to July 1, 2007 will be amortized over 30 years, which commenced with the 2008 liability, while the entire liability for firefighters' disability has been recognized.

Plan Description—The City provides continuation of medical insurance coverage to employees that retire under the New York State Retirement Systems at the same time such service is ended, if such employees have been continuously employed by the City for the equivalent of at least 10 years at the date of retirement. Based on collective bargaining agreements, the retiree and/or his beneficiaries receive health care coverage for the life of the retiree. The retiree's share of premium costs depends on the employee group and length of service. Health care benefits for nonunion employees are similar to those of union employees pursuant to City Charter. Additionally, under requirements of state and local law, the City compensates firefighters that retire due to disability before the mandatory retirement age of 70. This compensation is equal to the differential between the retiree's pension and the salary that he/she would receive if still in active service. There is no separate audited GAAP-basis post-employment benefit plan report available. There are currently 125 firefighters that receive such compensation.

The number of participants as of July 1, 2012, the effective date of the biannual OPEB valuation, is as follows. There have been no significant changes in the number of employees covered.

Active employees	2,591
Retired employees	2,713
Spouses of retirees	1,552
Dependents	743
Total	<u>7,599</u>

Funding Policy—Post-employment benefits are financed on a pay-as-you-go basis, primarily from the General Fund for the governmental funds' liability.

For the year ended June 30, 2014, the City's annual OPEB cost (expense) is \$107,856,000 while the Annual Required Contribution ("ARC") is \$107,464,000. Considering the annual expense, as well as payment for current health insurance premiums which totaled approximately \$46,490,000 for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of approximately \$61,366,000 for the year ended June 30, 2014.

The table presented below shows the components of the City's annual OPEB cost for governmental activities and business-type activities, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

	Governmental Activities Medical	Governmental Activities Disability	Business-Type Activities	Total Primary Government
	(000s omitted)			
Annual OPEB Cost and Net OPEB Obligation				
Actuarial accrued liability ("AAL")	\$ 1,439,343	\$ 68,526	\$ 89,760	\$ 1,597,629
Unfunded actuarial accrued liability ("UAAL")	\$ 1,439,343	\$ 68,526	\$ 89,760	\$ 1,597,629
Normal cost — beginning of the year	\$ 39,955	\$ 1,513	\$ 2,840	\$ 44,308
Amortization factor based on 30 years	26.2	26.2	26.2	26.2
Annual covered payroll	\$ 162,588	\$ 2,507	\$ 12,649	\$ 177,744
UAAL as a percentage of covered payroll	885.3%	2733.4%	709.6%	898.8%
Level Dollar Amortization				
Calculation of ARC Under Projected Unit Credit Method				
ARC normal cost with interest — end of year	\$ 39,955	\$ 1,513	\$ 2,840	\$ 44,308
UAAL over 30 years with interest — end of year	55,001	2,618	3,430	61,049
Interest	1,899	83	125	2,107
Annual required contribution ("ARC")	96,855	4,214	6,395	107,464
Interest on net OPEB obligation	11,131	3,427	819	15,377
Adjustment to ARC	(10,847)	(3,339)	(798)	(14,984)
Annual OPEB cost (expense)	97,139	4,302	6,416	107,857
Contributions for the year ended June 30, 2014	(38,827)	(4,895)	(2,768)	(46,490)
Increase in net OPEB obligation	58,312	(593)	3,648	61,367
Net OPEB obligation — June 30, 2013	278,283	85,671	20,487	384,441
Net OPEB obligation — June 30, 2014	<u>\$ 336,595</u>	<u>\$ 85,078</u>	<u>\$ 24,135</u>	<u>\$ 445,808</u>
Percent of annual OPEB cost contributed	40%	114%	43%	43%

Funding Status and Funding Progress—As of July 1, 2012, the most recent actuarial valuation date, the OPEB plan was unfunded, resulting in an unfunded accrued liability of \$1,535,570,000. Based on an interim valuation, the City estimates the unfunded accrued liability to be \$1,597,629,000 at June 30, 2014.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The City’s schedule of contributions for the most recent three years is shown below:

Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
(000's omitted)				
2014	\$ 107,857	\$ 46,490	43.1%	\$ 445,807
2013	103,307	42,815	41.4%	384,441
2012	112,394	45,742	40.7%	323,619

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) and on the historical pattern of cost sharing between the employer and plan members at that point. The actuarial methods and assumption used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Included coverage plans are “experience-rated” and annual premiums for experience-rated coverage plans were used as a proxy for claims costs with age adjustment for pre-65 and post-65 participants. The unfunded actuarial accrued liability is being amortized on an open amortization basis over 30 years on a level percentage of pay. Retiree contributions were assumed to increase in the future in accordance with the assumed increases in pre-65 medical costs.

In the July 1, 2012 actuarial valuation, the liability was computed using the projected unit credit method. The actuarial assumptions utilized a 4% investment rate of return for both governmental and business-type activities. The rate is based on the projected long-term earning rate of the assets expected to be available-to-pay benefits. The inflation growth rate for total payroll is assumed to be 3%, for fire base salary, 2.25%. The valuation assumes healthcare cost trends as follows: both pre-65 and post-65 medical and prescriptions, 8.8%; all reduced by decrements to reach a rate of 4.5% in 2082.

Medical Reimbursements—The City’s Medicare Part D prescription drug subsidy, which reduces the cost of retiree health care premiums, is accrued as revenue only in the current year. Projected subsidies for future years cannot be recognized as a reduction to the actuarial accrued liabilities.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Buffalo Fiscal Stability Authority

Post-employment Healthcare Benefits—The BFSFA maintains a single-employer defined benefit healthcare plan (the “Plan”) providing for lifetime cost sharing of medical, dental, and vision premiums to eligible retirees and spouses.

The Plan does not issue a publicly available financial report. Eligibility is based on covered employees who retire from the BFSA over age 55 and with ten or more years of service. The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended June 30, 2014 there were no retirees of the BFSA receiving benefits.

The BFSA's annual OPEB expense is calculated based on the annual required contribution of the BFSA. The BFSA has elected to calculate the ARC and related information using the projected unit credit cost method permitted by GASB. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize the unfunded actuarial liability over 10 years.

The table below summarizes the BFSA's annual OPEB for the year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation		(000's omitted)
Normal cost		\$ 58
Amortization of UAAL		<u>12</u>
Annual required contribution ("ARC")		70
Interest on net OPEB obligation		17
Adjustment to ARC		<u>(43)</u>
Annual OPEB cost		44
Contributions for the year ended June 30, 2014		<u>-</u>
Increase in net OPEB obligation		44
Net OPEB obligation—beginning		<u>428</u>
Net OPEB obligation—ending		<u>\$ 472</u>

As of June 30, 2012, the most recent alternative measurement date, the funded status of BFSA's plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
(000's omitted)						
As of June 30, 2012	\$ -	\$ 116	\$ 116	0.0%	\$ 319	36.4%

The BFSA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB for the past three years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
(000's omitted)			
2014	\$ 44	0.0%	\$ 472
2013	57	0.0%	428
2012	57	0.0%	371

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of the BFSA are subject to continual revision as actual results compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the BFSA and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the BFSA and Plan members. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The following assumptions were made:

Retirement age for active employees – Assumed employees will not retire before age 62 and ten years of service.

Marital status – Assumed 100% of future retirees will be married, with male spouses assumed to be three years older than female spouses.

Mortality – RP2000, mortality table for males and females projected 10 years.

Turnover – Standard turnover assumptions – GASB Statement No. 45 Paragraph 35b.

Inflation growth rate – A 4% payroll growth rate was used.

Healthcare cost trend rate – The expected rate of increase in healthcare premiums was based on projections developed by the actuary's healthcare specialists. An initial inflation rate of 8%, reduced to an ultimate rate of 4.7% after ten years was used. Vision and dental plans were based on a 3.5% rate reduced to 3% after year 2, and the dental plan was based on a rate of 3%.

Health insurance premiums – 2012 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the BFSA's general assets, a discount rate of 4% was used. The level percentage of projected payroll of active plan member's method is used to amortize the unfunded actuarial liability.

Board of Education

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

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

Accounting Policy—The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, and paid by a willing buyer or a willing seller.

Annual OPEB Costs and Net OPEB Obligation—The Board’s OPEB cost (expense) is calculated based on the annual required contribution of the employer. The Board has engaged an actuary to calculate the ARC and related information per the provisions of GASB for employers in plans with more than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The components of the Board’s annual OPEB cost for the year, the amount actually contributed to the Board’s Plan, and the Board’s net OPEB obligation to the Board’s Plan at June 30, 2014, are shown below:

Annual OPEB Cost and Net OPEB Obligation	(000's omitted)
Annual required contribution (ARC)	\$ 169,007
Interest on net OPEB obligation	23,374
Adjustment to ARC	<u>(33,794)</u>
Annual OPEB cost (expense)	158,587
Contributions for the year ended June 30, 2014	<u>(62,414)</u>
Increase in net OPEB obligation	96,173
Net OPEB obligation—beginning	<u>584,358</u>
Net OPEB obligation—ending	<u>\$ 680,531</u>
Percent of annual OPEB cost contributed	39.4%

Funding Status and Funding Progress—As of June 30, 2014, the most recent actuarial valuation performed, the actuarial accrued liability for benefits was \$1,896,318,000, all of which was unfunded. The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
(000's omitted)						
As of June 30, 2014	\$ -	\$ 1,896,318	\$ 1,896,318	0.0%	\$ 293,169	646.8%

Actuarial valuations for OPEB involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage Contributed
(000's omitted)			
2014	\$ 158,587	\$ 62,414	39.4%
2013	166,001	60,065	36.2%
2012	161,944	60,349	37.3%

Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided and the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members up to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The June 30, 2014 actuarial valuation utilized the projected unit cost method. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the Board’s own assets since currently the plan has no assets at the valuation date in order to establish a plan investment rate. The assumed rate for all pre-65 healthcare benefits is initially at 9.0% and decreases to a 5.0% long-term trend rate after eight years. For all post-65 healthcare benefits this rate initially is at 7.5% and decreases to a 5.0% long-term trend rate after six years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period is not to exceed 30 years.

Buffalo Urban Renewal Agency

Plan Description—BURA provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to BURA. Based on the collective bargaining agreement, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Healthcare benefits for nonunion employees are similar to those of union employees. The retiree’s share of premium cost range from 0% to 25%, depending on the employee hire date.

The number of participants as of June 30, 2014, was as follows:

Active employees	37
Retired employees	46
Spouses of retired employees	<u>42</u>
	<u>125</u>

Funding Policy—BURA currently pays for post-employment health insurance care benefits on a pay-as-you-go basis. Although BURA is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual Other Post-Employment Benefit Cost—For the fiscal year ended June 30, 2014, BURA’s annual OPEB cost is \$1,041,984 and the Annual Required Contribution is \$990,014. The payment of current health insurance premiums, which totaled \$793,940 for retirees and their beneficiaries, resulted in a net OPEB obligation of \$12,014,340 for the year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation—BURA’s annual OPEB cost is calculated based on the annual required contribution (“ARC”) of the employer. BURA has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. Because of mortality and changes in employment levels, the actuarial accrued liability decreased significantly for the year ended June 30, 2014. The full liability has now been recognized under the ARC method. The table on the following page shows the components of BURA’s annual OPEB cost for the year,

the amount actually contributed to the Plan, and the changes in BURA's net OPEB obligation to the Plan.

	(000's omitted)
Annual required contribution — including interest	\$ 990
Contributions made	<u>(794)</u>
Increase in net OPEB obligation	196
Net OPEB obligation—beginning	<u>11,818</u>
Net OPEB obligation—ending	<u><u>\$ 12,014</u></u>

Funding Status and Funding Progress—As of June 30, 2014, the actuarial accrued liability for benefits was \$12,014,340, all of which was unfunded. The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
(000's omitted)						
As of June 30, 2014	\$ -	\$ 12,014	\$ 12,014	0.0%	\$ 1,936	620.6%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

BURA is required to report the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year June 30, 2014 and the two preceding fiscal years.

Year ended June 30,	Annual Required Contribution	Contributions Made	Percentage Contributed	Net OPEB Obligation
2014	\$ 990,014	\$ 793,940	80.19%	\$ 12,014,340
2013	3,059,646	721,960	23.60%	11,818,266
2012	2,911,121	557,748	19.16%	9,480,310

Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The simplifying assumptions made are presented below.

Retirement Age for Active Employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

Marital Status – Marital status of members at the calculation date were assumed to continue throughout retirement.

Mortality – Life expectancies were based on the RP 2000 Mortality Life Tables for males and for females.

Turnover – Nongroup-specific-age-based turnover data from GASB were used as the basis for assigning active members a probability of remaining employees until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health Care Cost Trend Rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Health and Human Services Office of the Actuary. A rate of 9.0 percent initially, reduced to an ultimate rate of 5.0 percent after six years, was used.

Health Insurance Premiums – The June 30, 2014 health insurance premiums for retirees were used as the basis for the calculation of the present value of total benefits to be paid.

Inflation Rate – The expected long-term inflation assumption of 2.0 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (“CPI-W”) in the Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability insurance Trust Funds for an intermediate growth scenario.

Payroll Growth Rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of BURA’s short-term investment portfolio, a discount rate of 2.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 25 years.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance coverage for Coca Cola Field, public employee liability, and data processing equipment. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

The City is self-insured for general liability risk. The City is self-insured for workers’ compensation and has accrued its best estimate of both asserted and unasserted workers’ compensation losses. The reserve for workers’ compensation is recorded at an estimated percent value using a discount rate of 5%. For the fiscal years ended June 30, 2012, 2013, and 2014, the City incurred expenditures of \$1,676,143, \$5,539,094, and \$4,098,492, respectively, for property damage and personal injury claims. For the fiscal years ended June 30, 2012, 2013, and 2014, the City expensed \$6,855,061, \$6,034,245, and \$7,291,697 respectively, for workers’ compensation claims, including medical payments for fire fighters and police officers. The estimated liabilities for business-type activities are recorded as liabilities of the individual enterprise funds; whereas, general liabilities are only recorded in the government-wide financial statements.

At June 30, 2014, the City estimated the following general liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 3,141,283	\$ -
Workers' compensation — other employees	<u>5,422,508</u>	<u>2,610,005</u>
	<u>\$ 8,563,791</u>	<u>\$ 2,610,005</u>

The business-type activities claims and judgments applicable to self-insurance claims are recorded as expenses and liabilities in the appropriate enterprise fund.

Changes in the reported liability in the governmental and business-type activities since June 30, 2012, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2012	\$ 7,651,378	\$ 1,829,368
Claims incurred	6,053,379	159,705
Payments 2012-2013	<u>(5,821,849)</u>	<u>(212,396)</u>
Estimated claims — June 30, 2013	7,882,908	1,776,677
Claims incurred	6,187,893	2,618,015
Payments 2013-2014	<u>(5,507,010)</u>	<u>(1,784,687)</u>
Estimated claims — June 30, 2014	<u>\$ 8,563,791</u>	<u>\$ 2,610,005</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$9,700,000 and has been included within the City's liabilities. Additionally, management has identified claims judged to be reasonably possible of a negative impact which are not included within the City's liabilities. Such claims have been estimated to range from \$7,800,000 to \$11,500,000.

Board of Education

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

10. LEASE OBLIGATIONS

Capital Leases—The City has entered into lease agreements as a lessee for financing the acquisition of various capital assets (computer equipment, traffic signals and recycling totes). Lease principal payments for governmental activities are recorded as expenditures in the appropriate fund and as reduction in capital lease liability within enterprise funds. In the government-wide financial statements, no principal payments are reflected as expenditures.

The City's future minimum lease payments under capital leases as of June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities
2015	\$ 486,584	\$ 724,663
2016	-	241,554
Total minimum lease payments	486,584	966,217
Less: amount representing interest	(11,657)	(11,581)
Present value of minimum lease payments	<u>\$ 474,927</u>	<u>\$ 954,636</u>

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Building improvements	\$ 4,317,228	\$ -
Infrastructure	3,926,320	-
Equipment	-	2,800,000
Total assets	8,243,548	2,800,000
Less: accumulated depreciation	(2,113,035)	(1,866,667)
Total assets, net	<u>\$ 6,130,513</u>	<u>\$ 933,333</u>

Operating Leases—Operating lease obligations are primarily for rental of space and equipment. Lease expenditures/ expenses for the year were approximately \$212,548. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Year Ending June 30,	
2015	<u>\$ 92,032</u>

Buffalo Fiscal Stability Authority

The BFSFA leases its office space from a City-related entity under the terms of an expired operating lease with a month to month arrangement. Rental expense amounted to \$42,933 for the year ended June 30, 2014.

Board of Education

Operating lease obligations are primarily for rental of space and equipment. Lease expenses for the year were approximately \$4,036,633. The future minimum rental payments required for noncancelable leases are shown below:

Fiscal Year Ending June 30,	
2015	\$ 3,558,034
2016	3,367,760
2017	3,492,822
2018	3,622,132
2019	3,298,287
2020-2024	15,986,822
2025-2028	<u>10,813,890</u>
Total	<u>\$ 44,139,747</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The following is a summary of the City’s short-term debt for the year ended June 30, 2014:

Description	Interest Rate	Maturity Date	Balance 7/1/2013	Issues	Redemptions	Balance 6/30/2014
Capital Projects Fund:						
Bond anticipation notes	1.0%	4/30/2014	\$ 17,819,168	\$ -	\$ 17,819,168	\$ -
Bond anticipation notes	2.0%	5/29/2015	<u>-</u>	<u>7,367,399</u>	<u>-</u>	<u>7,367,399</u>
Total			<u>\$ 17,819,168</u>	<u>\$ 7,367,399</u>	<u>\$ 17,819,168</u>	<u>\$ 7,367,399</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The City’s outstanding long-term liabilities include bonds payable, notes payable, capital leases, compensated absences, workers’ compensation, landfill post-closure monitoring liability, other post-employment benefits (“OPEB”) obligations, accrued derivative liability, and judgments and claims.

A summary of changes in the City's long-term debt at June 30, 2014 follows:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 215,715,000	\$ 25,639,769	\$ 24,980,000	\$ 216,374,769	\$ 26,879,769
General obligations bonds, net - BFSA	76,700,000	-	13,540,000	63,160,000	14,265,000
Premiums on bonds - City	6,813,987	3,616,825	1,023,659	9,407,153	2,440,394
Premiums on bonds - BFSA	4,391,019	-	713,163	3,677,856	509,678
Total bonds payable	303,620,006	29,256,594	40,256,822	292,619,778	44,094,841
Notes payable	1,059,753	-	257,121	802,632	262,264
Capital leases	934,725	-	459,798	474,927	474,927
Compensated absences	27,990,337	23,670,762	22,077,151	29,583,948	1,462,582
Workers' compensation	7,882,908	6,187,893	5,507,010	8,563,791	5,726,661
Landfill post-closure monitoring costs	1,050,000	-	70,000	980,000	70,000
OPEB obligation - City	363,954,000	101,441,000	43,722,000	421,673,000	-
OPEB obligation - BFSA	427,917	43,845	-	471,762	-
Judgments and claims	13,900,000	4,555,784	8,755,784	9,700,000	2,800,000
Total governmental activities	<u>\$ 720,819,646</u>	<u>\$ 165,155,878</u>	<u>\$ 121,105,686</u>	<u>\$ 764,869,838</u>	<u>\$ 54,891,275</u>
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 13,210,000	\$ -	\$ 2,090,000	\$ 11,120,000	\$ 2,270,000
General obligations bonds - Water	1,268,405	-	301,137	967,268	315,852
Water System revenue bonds	159,470,000	-	7,365,000	152,105,000	7,635,000
Premiums on bonds	1,047,347	-	245,819	801,528	200,963
Discounts on bonds	(260,612)	-	(11,031)	(249,581)	(11,072)
Total bonds payable	174,735,140	-	9,990,925	164,744,215	10,410,743
Capital leases	1,656,501	-	701,865	954,636	713,938
Compensated absences	1,495,061	1,473,389	1,495,061	1,473,389	91,080
Workers' compensation	1,776,677	2,618,015	1,784,687	2,610,005	884,203
OPEB obligation	20,487,000	6,416,000	2,768,000	24,135,000	-
Accrued derivative liability	3,228,952	-	1,412,736	1,816,216	-
Total business-type activities	<u>\$ 203,379,331</u>	<u>\$ 10,507,404</u>	<u>\$ 18,153,274</u>	<u>\$ 195,733,461</u>	<u>\$ 12,099,964</u>

Serial Bonds—Governmental and business-type activities' long-term bonded debt consists of either general obligation bonds backed by the full faith and credit of the City or revenue bonds. The revenue bondholder's recourse is secured solely by the City's Water System revenues. Bonds issued by the BFSA are secured by sales tax and state aid. The debt issued by the City to the BFSA has been eliminated in the government-wide financial statements to eliminate the duplicative reporting of total outstanding debt. The debt issued by the City on behalf of the Board of Education is recorded as revenues and expenditures in the governmental funds.

In April 2014, the City issued \$25,639,769 in general improvement serial bonds. The serial bonds were issued at a premium of \$3,616,825 and at an interest rate of 4.0%-5.0%. Principal payments on the bonds begin April 1, 2015 and mature on April 1, 2023.

A summary of additions and payments for the year ended June 30, 2014 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2013	Additions	Payments	Balance 6/30/2014	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
1974	\$ 4,200,000	5.6	2014	\$ 125,000	\$ -	\$ 125,000	\$ -	\$ -
2002	23,825,000	2.5-5	2022	2,260,000	-	1,105,000	1,155,000	1,155,000
2004	15,245,000	2-4.2	2016	4,765,000	-	1,525,000	3,240,000	1,585,000
2005	26,167,250	5.0	2025	11,307,757	-	2,072,106	9,235,651	2,121,211
2005	34,346,833	5.0	2019	8,712,780	-	3,985,492	4,727,288	1,536,065
2006	25,275,917	5.0	2022	14,795,000	-	1,816,000	12,979,000	1,907,000
2007	22,226,126	5.0	2023	15,834,984	-	1,256,551	14,578,433	1,323,228
2008	22,000,000	3.0-5.3	2023	16,000,000	-	1,275,000	14,725,000	1,340,000
2009	21,500,000	1.4-6.0	2024	16,745,000	-	1,230,000	15,515,000	1,275,000
2010	21,985,000	2.0-5.0	2025	18,470,000	-	1,175,000	17,295,000	1,235,000
2011	12,825,000	3.0-5.0	2021	8,465,000	-	4,280,000	4,185,000	1,315,000
2012	22,265,000	2.0-4.0	2026	19,705,000	-	1,230,000	18,475,000	1,265,000
2012	3,480,000	3.0-4.0	2022	3,480,000	-	-	3,480,000	-
2012	21,640,000	2.0-5.0	2023	19,910,000	-	1,705,000	18,205,000	1,755,000
2012	4,255,000	2.0-4.0	2024	3,860,000	-	335,000	3,525,000	2,170,000
2013	7,540,000	0.8-3.5	2025	7,540,000	-	610,000	6,930,000	570,000
2014	25,639,769	4.0-5.0	2023	-	25,639,769	-	25,639,769	2,734,769
Total				<u>171,975,521</u>	<u>25,639,769</u>	<u>23,725,149</u>	<u>173,890,141</u>	<u>23,287,273</u>
Governmental activities general obligations bonds issued by the City of Buffalo on behalf of discretely presented component unit – Board of Education:								
2002	\$ 34,250,000	2.5-5.4	2020	\$ 1,915,000	\$ -	\$ 1,915,000	\$ -	\$ -
2004	2,700,000	2.0-4.9	2022	1,650,000	-	155,000	1,495,000	160,000
2005	7,258,477	5.0	2016	2,453,815	-	858,371	1,595,444	778,083
2006	2,483,000	5.0	2020	1,455,000	-	179,000	1,276,000	188,000
2007	5,889,000	5.0	2019	3,382,000	-	497,000	2,885,000	522,000
2008	8,920,000	3.0-5.3	2023	6,485,000	-	515,000	5,970,000	540,000
2009	3,530,000	2.5-5.0	2024	2,745,000	-	200,000	2,545,000	210,000
2010	4,900,000	2.5-4.0	2025	4,055,000	-	280,000	3,775,000	290,000
2011	21,825,000	3.0-4.0	2021	18,530,000	-	3,300,000	15,230,000	3,455,000
2012	4,900,000	3.0-4.0	2026	4,340,000	-	270,000	4,070,000	280,000
2012	15,355,000	2.0-5.0	2021	14,875,000	-	25,000	14,850,000	2,100,000
2012	5,000,000	2.0-3.3	2027	4,710,000	-	290,000	4,420,000	295,000
2012	6,720,000	2.0-4.0	2025	5,885,000	-	790,000	5,095,000	820,000
2012	11,230,000	1.0-4.0	2023	10,325,000	-	835,000	9,490,000	850,000
2012	20,515,000	1.0-5.0	2024	18,875,000	-	1,810,000	17,065,000	1,480,000
Total				<u>101,680,815</u>	<u>-</u>	<u>11,919,371</u>	<u>89,761,444</u>	<u>11,968,083</u>
Less bonds issued by City to BFSAs:								
2005A	26,167,250	4.0-5.0	2025	(11,307,757)	-	(2,072,106)	(9,235,651)	(2,121,211)
2005BC	41,605,310	5.0	2019	(11,166,595)	-	(4,843,863)	(6,322,732)	(2,314,148)
2006A	27,758,917	4.0-5.0	2020	(16,250,001)	-	(1,995,000)	(14,255,001)	(2,095,000)
2007A	28,115,126	4.0-5.0	2023	(19,216,983)	-	(1,753,551)	(17,463,432)	(1,845,228)
Total mirror bonds				<u>(57,941,336)</u>	<u>-</u>	<u>(10,664,520)</u>	<u>(47,276,816)</u>	<u>(8,375,587)</u>
Net governmental activities general obligation bonds issued by the City of Buffalo				<u>215,715,000</u>	<u>25,639,769</u>	<u>24,980,000</u>	<u>216,374,769</u>	<u>26,879,769</u>

(continued)

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2013	Additions	Payments	Balance 6/30/2014	Due Within One Year
Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:								
2004	\$ 25,745,000	4.0-5.3	2015	\$ 6,270,000	\$ -	\$ 3,055,000	\$ 3,215,000	\$ 3,215,000
2005A	28,030,000	4.0-5.0	2025	13,475,000	-	2,045,000	11,430,000	2,090,000
2005BC	47,065,000	5.0	2019	17,240,000	-	4,805,000	12,435,000	5,145,000
2006A	27,270,000	4.0-5.0	2020	18,150,000	-	1,900,000	16,250,000	1,995,000
2007A	28,470,000	4.0-5.0	2023	21,565,000	-	1,735,000	19,830,000	1,820,000
Total				<u>76,700,000</u>	<u>-</u>	<u>13,540,000</u>	<u>63,160,000</u>	<u>14,265,000</u>
Total governmental activities bonds				<u>292,415,000</u>	<u>25,639,769</u>	<u>38,520,000</u>	<u>279,534,769</u>	<u>41,144,769</u>
Unamortized premium - City				6,813,987	3,616,825	1,150,226	9,280,586	2,440,394
Unamortized premium - BFSA				4,391,019	-	713,163	3,677,856	509,678
Total governmental activities bonds, net				<u>\$ 303,620,006</u>	<u>\$ 29,256,594</u>	<u>\$ 40,383,389</u>	<u>\$ 292,493,211</u>	<u>\$ 44,094,841</u>
Business-type activities — general obligation bonds:								
Parking:								
2002	\$ 21,310,000	2.5-5.4	2022	\$ 2,720,000	\$ -	\$ 1,330,000	\$ 1,390,000	\$ 1,390,000
2012	8,415,000	2.0-5.0	2022	8,240,000	-	75,000	8,165,000	75,000
2012	2,250,000	2.0-4.0	2024	2,250,000	-	685,000	1,565,000	805,000
Subtotal — Parking				<u>13,210,000</u>	<u>-</u>	<u>2,090,000</u>	<u>11,120,000</u>	<u>2,270,000</u>
Water System:								
2005	6,552,147	5.0	2018	1,268,405	-	301,137	967,268	315,852
Total				<u>14,478,405</u>	<u>-</u>	<u>2,391,137</u>	<u>12,087,268</u>	<u>2,585,852</u>
Business-type activities — Water System Revenue Bonds:								
2002	\$ 11,785,000	2.5-4.8	2018	\$ 1,580,000	\$ -	\$ 290,000	\$ 1,290,000	\$ 300,000
2003	3,901,741	5.6-6.3	2031	350,000	-	110,000	240,000	115,000
2006	19,917,236	3.6-4.8	2028	14,745,000	-	790,000	13,955,000	815,000
2007	13,010,000	3.6-4.4	2038	11,780,000	-	275,000	11,505,000	285,000
2007	29,220,000	5	2027	28,900,000	-	3,440,000	25,460,000	3,610,000
2008	62,020,000	3.7-5.1	2036	57,055,000	-	1,410,000	55,645,000	1,435,000
2010	23,975,000	2.0-6.9	2040	23,045,000	-	480,000	22,565,000	490,000
2011	2,720,000	1.5-5.1	2022	2,290,000	-	225,000	2,065,000	230,000
2012	17,150,000	1.8-4.0	2037	17,150,000	-	345,000	16,805,000	355,000
2012	2,575,000	5.6-6.3	2031	2,575,000	-	-	2,575,000	-
Total				<u>159,470,000</u>	<u>-</u>	<u>7,365,000</u>	<u>152,105,000</u>	<u>7,635,000</u>
Total business-type activities bonds				<u>173,948,405</u>	<u>-</u>	<u>9,756,137</u>	<u>164,192,268</u>	<u>10,220,852</u>
Unamortized premium				1,047,347	-	245,819	801,528	200,963
Unamortized discount				(260,612)	-	(11,031)	(249,581)	(11,072)
Total business-type activities bonds, net				<u>\$ 174,735,140</u>	<u>\$ -</u>	<u>\$ 9,990,925</u>	<u>\$ 164,744,215</u>	<u>\$ 10,410,743</u>

(concluded)

Amortization of Bond Premiums and Discounts—As noted above, in April 2014, the City issued general improvement serial bonds totaling \$25,639,769 and received a bond premium of \$3,616,825. The premium is being amortized on a straight-line annual basis over the life of the bond, which matures on April 1, 2023. The total remaining unamortized premiums on bonds at June 30, 2014 are \$13,085,009 and \$801,528 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$249,581 are reported in business-type activities at June 30, 2014.

The City’s debt service requirements for its bonds are as follows:

Governmental Activities — City of Buffalo, New York

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 23,287,273	\$ 7,294,627	\$ 30,581,900
2016	20,908,554	6,471,521	27,380,075
2017	18,188,445	5,650,568	23,839,013
2018	17,570,809	4,903,032	22,473,841
2019	17,527,815	4,141,269	21,669,084
2020-2024	69,799,784	9,370,434	79,170,218
2025-2026	6,607,461	337,911	6,945,372
Total	<u>\$ 173,890,141</u>	<u>\$ 38,169,362</u>	<u>\$ 212,059,503</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 11,968,083	\$ 3,251,670	\$ 15,219,753
2016	12,052,361	2,730,541	14,782,902
2017	11,708,000	2,201,739	13,909,739
2018	8,726,000	1,796,798	10,522,798
2019	9,028,000	1,482,889	10,510,889
2020-2024	33,414,000	3,236,778	36,650,778
2025-2027	2,865,000	147,188	3,012,188
Total	<u>\$ 89,761,444</u>	<u>\$ 14,847,603</u>	<u>\$ 104,609,047</u>

Governmental Activities — Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 14,265,000	\$ 2,814,503	\$ 17,079,503
2016	8,780,000	2,175,244	10,955,244
2017	7,935,000	1,763,844	9,698,844
2018	6,380,000	1,360,594	7,740,594
2019	6,600,000	1,040,256	7,640,256
2020-2024	18,605,000	1,603,081	20,208,081
2025	595,000	21,854	616,854
Total	<u>\$ 63,160,000</u>	<u>\$ 10,779,376</u>	<u>\$ 73,939,376</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 10,220,852	\$ 6,931,845	\$ 17,152,697
2016	10,661,797	6,521,334	17,183,131
2017	10,122,152	6,107,447	16,229,599
2018	9,732,467	5,685,818	15,418,285
2019	9,995,000	5,261,381	15,256,381
2020-2024	38,335,000	20,967,051	59,302,051
2025-2029	36,635,000	13,442,011	50,077,011
2030-2034	19,070,000	6,995,224	26,065,224
2035-2039	13,215,000	3,327,612	16,542,612
2040 and thereafter	6,205,000	475,531	6,680,531
Total	<u>\$ 164,192,268</u>	<u>\$ 75,715,254</u>	<u>\$ 239,907,522</u>

Notes Payable—The Niagara International Transportation Technology Coalition and Management Council (“NITTEC”) provided a \$2,500,000 loan at 2% for 10 years to the City toward the installation of controllers to standardize the signal system and improve traffic flow on designated corridors. The outstanding balance at June 30, 2014, was \$802,632. The loan repayment schedule at June 30, 2014, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 262,264	\$ 16,053	\$ 278,317
2016	267,509	10,807	278,316
2017	272,859	5,457	278,316
Total	<u>\$ 802,632</u>	<u>\$ 32,317</u>	<u>\$ 834,949</u>

Capital Leases—During the year ended June 30, 2005, the City entered into a capital lease agreement for \$4,094,993 for various capital items. Interest on the lease-purchase agreement is 3.3%. The outstanding balance at June 30, 2014 was \$474,927. During the year ended June 30, 2012, JP Morgan Chase Bank, N.A. provided a \$2,800,000 lease-purchase agreement at 1.7% for 4 years to the City’s Solid Waste and Recycling Fund for the purchase of recycling totes. The outstanding balance at June 30, 2014, was \$954,636. Refer to Note 10 for additional information related to the City’s capital leases.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$29,583,948 for governmental activities and \$1,473,389 for business-type activities, represents amounts relating to sick and personal leave for employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and, therefore, timing of future payments of such are not readily determinable. Typically, the General Fund has been used to liquidate this liability within the governmental funds. The City has estimated that \$1,462,582 and \$91,080 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers' Compensation—Accrued workers' compensation, which totals \$8,563,791 and \$2,610,005 for governmental activities and business-type activities, respectively, represents the City's estimate of both asserted and unasserted workers' compensation losses. The payments related to these liabilities are dependent upon many factors and, therefore, timing of future payments are not readily determinable. The City has estimated that \$5,726,661 and \$884,203 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 9 for additional information related to workers' compensation.

Landfill Post-Closure Monitoring Costs—In accordance with the Environmental Conservation Law of the State of New York, the City is complying with post-closure monitoring of Squaw Island. The cost of post-closure is based on the percentage of the landfill's total capacity used to date, which is 100%. The City is still required to monitor the site for another 14 years, with an estimated annual cost of \$70,000 each of the remaining years. The estimate, which is subject to various changes resulting from inflation, deflation, technology or changes in the applicable laws or regulations, for the outstanding liability at June 30, 2014 was \$980,000.

OPEB Obligation—As explained in Note 8, the City provides health insurance coverage for certain retirees. The City's annual other post-employment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability is estimated to be \$422,144,762 and \$24,135,000 in the governmental activities and business-type activities, respectively.

Judgments and Claims—As explained in Note 9, the City records a liability for general liability claims in the government-wide financial statements. The City's judgments and claims liability, which totals \$9,700,000 at June 30, 2014, represents estimated amounts due for various outstanding claims. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation). The City has estimated that \$2,800,000 will be paid in the next fiscal year.

Accrued Derivative Liability—On May 9, 2008, the Water System issued \$62,020,000 par revenue bonds to refund \$62,300,000 of previously existing debt. The Water System refunded the Series 2005B auction rate security bonds because of the increased costs and uncertainty of the auction rate market and the downgrade of the bond insurer on the issue. The Series 2008A bonds are variable rate demand obligations backed by a direct pay letter of credit.

Of the \$62,020,000 variable bonds issued, \$61,500,000 are hedged by an interest rate swap agreement between the Water System and Citibank, N.A, NY ("Swap Provider") that converts the Water System's variable-rate exposure relating to the Series 2008-A Bonds to a fixed rate. The Swap Provider is an affiliate of the Underwriter and remarketing agent for the Series 2008-A Bonds. Under the terms of the Swap Agreement, the Water System will pay the Swap Provider a fixed rate of 3.7% and the Swap Provider will pay the Water System a variable rate equal to 70% of one-month LIBOR. The obligation of the Swap Provider to make payments to the system under the Swap Agreement does not affect the Water System's obligation to pay, when due, the principal and interest on the Series 2008-A Bonds. The coupon is reset weekly and paid monthly. The Swap Agreement will expire by its terms on the final maturity of the Series 2005-B Bonds on July 1, 2035. The Water System entered into this swap agreement to hedge its interest rate exposure over the life of the bonds. Upon the occurrence of certain events of default or termination events identified in the Swap Agreement, either the Water System or the Swap Provider may terminate the Swap Agreement in accordance with its terms. Such termination will require the payment of a termination amount by one party that attempts to compensate the other party for its economic losses at the time of termination. The Water System shall have the right to terminate the swap at par beginning on, and after, July 1, 2015.

The Swap was deemed effective using the synthetic instrument method. At June 30, 2014, the notional amount of the bonds is \$55,175,000. The amount that the Water System received from the Swap Provider (a variable rate payment equal to 70% of one-month LIBOR), \$63,539 exceeded the variable rate paid by the Water System (variable rate demand obligation) to the Swap Provider, \$32,273, by \$33,266. The fair value of the SWAP at June 30, 2014 based on quoted market prices is negative \$1,816,216, and is recorded as a derivative liability within the noncurrent liabilities on the statement of net position.

Debt Contracting Limitation and Unissued Bonds—The City’s debt contracting limitation under its legal debt margin at July 1, 2014, was approximately \$597.6 million. The effective borrowing capacity is \$350.6 million.

The list of the City’s authorized and unissued bonds at June 30, 2014, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 22,384,116</u>

Board of Education

A summary of changes in the Board’s long-term liabilities for the year ended June 30, 2014, is as follows:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
Governmental activities:					
Due to other governments	\$ 12,406,666	\$ -	\$ 713,334	\$ 11,693,332	\$ 713,332
Revenue bonds payable	13,860,000	-	555,000	13,305,000	575,000
JSCB bonds payable	1,022,955,000	-	32,830,000	990,125,000	37,445,000
Deferred bond premium	106,991,388	-	7,633,866	99,357,522	7,503,110
Compensated absences	21,585,603	8,041,617	7,984,713	21,642,507	8,005,762
Pension deferral	-	3,423,927	-	3,423,927	231,025
Workers' compensation	42,964,157	8,076,267	7,225,576	43,814,848	8,051,431
Other long-term debt EPC	839,557	-	839,557	-	-
OPEB obligation	584,358,000	158,587,000	62,414,000	680,531,000	-
Judgments, claims and contingencies	1,750,000	-	1,750,000	-	-
Total	<u>\$ 1,807,710,371</u>	<u>\$ 178,128,811</u>	<u>\$ 121,946,046</u>	<u>\$ 1,863,893,136</u>	<u>\$ 62,524,660</u>

Source of Funding—Amounts due to other governments, due to City of Buffalo (bonded debt), revenue bonds payable, other long-term debt — Energy Performance Contracts (“EPC”), and judgments, claims, and contingencies are repaid through annual appropriation of the Board’s general fund. Payments for compensated absences are charged to the Board’s general fund.

Due to Other Governments—In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid to help pay for a litigation settlement with the Buffalo Teachers Federation. In June 2006, the Board received an additional lottery advance of \$1,400,000. The advances are recorded as long-term interest-free loans with annual maturities as shown on the following page.

Fiscal Year Ending June 30,	Principal
2015	\$ 713,332
2016	713,334
2017	713,334
2018	713,332
2019	713,334
2020-2024	3,566,666
2025-2029	3,566,668
2030-2034	899,999
2035-2036	93,333
	<u>\$ 11,693,332</u>

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

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

The remaining annual maturities of revenue bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 575,000	\$ 510,666	\$ 1,085,666
2016	590,000	493,191	1,083,191
2017	610,000	472,141	1,082,141
2018	630,000	453,641	1,083,641
2019	645,000	440,891	1,085,891
2020-2024	3,660,000	1,762,131	5,422,131
2025-2029	4,535,000	881,126	5,416,126
2030-2031	2,060,000	104,250	2,164,250
Total	<u>\$ 13,305,000</u>	<u>\$ 5,118,037</u>	<u>\$ 18,423,037</u>

Joint Schools Construction Board Bonds Payable—Represents bond payments due for the design, construction, and financing of public educational facilities in the City.

In prior years, the Board defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board’s financial statements. \$10,070,000 of these bonds defeased in the prior years are outstanding at June 30, 2014.

The remaining annual maturities of Joint Schools Construction Board bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 37,445,000	\$ 51,662,213	\$ 89,107,213
2016	39,355,000	49,789,963	89,144,963
2017	56,585,000	47,822,213	104,407,213
2018	59,515,000	44,997,763	104,512,763
2019	62,650,000	41,970,538	104,620,538
2020-2024	360,215,000	157,549,563	517,764,563
2025-2029	314,145,000	65,296,425	379,441,425
2030-2032	60,215,000	4,748,388	64,963,388
Total	<u>\$ 990,125,000</u>	<u>\$ 463,837,066</u>	<u>\$ 1,453,962,066</u>

Compensated Absences—Compensated absences, which totaled \$21,642,507 at June 30, 2014, represent amounts relating to sick and personal leave for employees. Payment of these liabilities is dependent upon many factors (including retirement, termination, or employees leaving service), and, therefore, payment of such is not readily determinable. The Board has estimated that \$8,005,762 will be paid in the next fiscal year.

Workers' Compensation—Workers' compensation obligations total \$43,814,848 at June 30, 2014, representing estimated amounts due for various outstanding claims.

Other Long-Term Debt — Energy Performance Contracts (“EPC”)—Represents amounts due for equipment installed at school facilities to improve energy efficiency. Payments for the year totaled \$839,557. The contract was paid in full as of June 30, 2014.

OPEB Obligation—Refer to Note 8.

Buffalo Urban Renewal Agency

The summary of changes in BURA's long-term liabilities for the year ended June 30, 2014, is as follows:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
Governmental activities:					
Section 108 loans	\$ 7,290,000	\$ -	\$ 1,265,000	\$ 6,025,000	\$ 2,155,000
OPEB obligation	11,818,266	990,014	793,940	12,014,340	-
Total	<u>\$ 19,108,266</u>	<u>\$ 990,014</u>	<u>\$ 2,058,940</u>	<u>\$ 18,039,340</u>	<u>\$ 2,155,000</u>

Section 108 Loans—BURA is indebted to the Federal Financing Bank under promissory notes for advances received under HUD Section 108 Loan Guarantee Program. There are two types of HUD Section 108 programs. Under the first type, promissory notes are payable in 20 annual installments of principal and interest. Under the second type, effective on October 30, 1986, interest on promissory notes is payable in 12 semi-annual installments, starting with the first February and August after loan issuance. The entire principal amount of the loan is due at the same time as the 12th semiannual interest payment is due. Interest rates vary on each loan and are determined by HUD based on prevailing market rates at the time of loan issuance.

As of June 30, 2014, future maturities of the Section 108 loans are as follows:

Fiscal Year Ending June 30,	
2015	\$ 2,155,000
2016	1,085,000
2017	1,035,000
2018	1,035,000
Thereafter	<u>715,000</u>
	6,025,000
Less: current portion	<u>(2,155,000)</u>
Total long-term obligations	<u>\$ 3,870,000</u>

Fannie Mae—During the years ended June 30, 2006, 2007 and 2008, BURA borrowed an aggregate amount of \$6,000,000 from the Federal Mortgage Loan Association (“Fannie Mae”). These funds were used to construct a new 24-unit housing development known as Sycamore Village. The \$6 million was fully repaid by BURA as of March 30, 2011 from a combination of proceeds from the sales of the homes and BURA general funds. As of June 30, 2014, no market rate homes were completed or sold. Construction costs in the amount of \$247,561 for the remaining unsold units are reported as construction in progress in BURA’s general fund and the statement of net position.

OPEB Obligation—Refer to Note 8.

13. NET POSITION AND FUND BALANCE

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

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. The following is a reconciliation of the City’s governmental and business-type activities net investment in capital assets:

Governmental activities:	
Capital assets, net of accumulated depreciation	\$ 449,299,179
Related debt:	
Serial bonds issued for capital assets	\$ (189,773,325)
BANs payable	(7,367,399)
Unspent debt proceeds	<u>37,115,353</u>
Bonds and BANs payable issued for capital assets	(160,025,371)
Deferred loss on refunding	2,596,119
Unamortized premiums	(13,085,009)
NITTEC loan	(802,632)
Capital leases	<u>(474,927)</u>
Net investment in capital assets—governmental activities	<u>\$ 277,507,359</u>

Business-type activities:	
Capital assets, net of accumulated depreciation	\$ 181,476,780
Related debt:	
Bonds issued for capital assets, net	\$ (164,744,215)
Unspent debt proceeds	<u>34,124,073</u>
Bonds payable issued for capital assets	(130,620,142)
Deferred gain on refunding	(206,853)
Deferred loss on refunding	4,471,636
Capital leases	<u>(954,636)</u>
Net investment in capital assets—business-type activities	<u>\$ 54,166,785</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the City not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the City at June 30, 2014 include:

Real estate held for sale	\$ 8,757,825
Long-term due from other funds	16,987,032
Prepaid items	1,082,412
Permanent fund - corpus	<u>30,000</u>
Total	<u>\$ 26,857,269</u>

- **Real Estate Held for Sale**—This amount represents real estate acquired for resale.
- **Long-term Due from Other Funds**—Represents a long-term receivable from the Solid Waste and Refuse Fund for operating losses incurred in the fund since its inception.
- **Prepaid Items**—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods.
- **Permanent Fund—Corpus**—Represents the amount of principal that is nonspendable due to specific purposes stipulated in the respective bequest and trust agreements.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balances of the City at June 30, 2014 are shown below.

	General Fund	Debt Service Fund	Capital Projects Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 36,997,451	\$ -	\$ -	\$ 36,997,451
Capital outlay	4,384,782	-	-	-	-	4,384,782
Debt service	3,215,000	15,398,183	-	-	14,889,517	33,502,700
Grants	-	-	-	-	4,623,917	4,623,917
State mandated initiatives	-	-	-	243,427	-	243,427
Emergency medical services	1,234,734	-	-	-	-	1,234,734
Permanent fund - interest	-	-	-	-	110,773	110,773
Total	\$ 8,834,516	\$ 15,398,183	\$ 36,997,451	\$ 243,427	\$ 19,624,207	\$ 81,097,784

- **Restricted for Capital Projects**—Represents funds that have been reserved to fund future capital projects and the purchase of capital assets. This amount includes commitments for the expenditures of monies within the Capital Projects Fund.
- **Restricted for Capital Outlay**—This category represents amounts set aside for future departmental capital expenditures.
- **Restricted for Debt Service**—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods.
- **Restricted for Grants**—This category includes federal and state monies that have been restricted as they can only be used for specific purposes as authorized by grantor agencies. This amount includes \$4,623,917 which is restricted by commitments for the expenditure of money within the Special Revenue Fund.
- **Restricted for State Mandated Initiatives**—Represents money provided by the State through aid and incentives for municipalities that is held by the BFSA on behalf of the City. At June 30, 2014, \$243,427 of fund balance was restricted for state aid that did not meet the BFSA Special Revenue Fund revenue recognition criteria.
- **Restricted for Emergency Medical Services**—Represents funds that have been restricted as they can only be used for specific purposes as outlined within emergency ambulance service agreement.
- **Restricted for Permanent Fund – Interest**—Represents the amount of interest earnings on the nonspendable principal, that is reserved to be used for specific purposes stipulated in the respective bequest and trust agreements.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the City’s highest level of decision-making authority. The City’s policy requires commitments to be adopted through formal action (adoption of an ordinance) of the Common Council. As of June 30, 2014, the City reported the following commitment:

- **Committed to Emergency Stabilization**—Represents a minimum of 30 days of the prior fiscal year’s total general fund operating expenditures. If during a fiscal year, the City has

extraordinary operating or capital needs that could not be anticipated and cannot be funded with current budget resources, the City may use this fund. At June 30, 2014, the City reported \$37,666,783 within its Emergency Stabilization fund.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the City. For example, the amount appropriated to reduce the tax levy as determined through the budget process and finalized when the tax rates are established would be considered assigned fund balance. The Common Council authorizes the Comptroller to make a determination of the assigned amounts of fund balance. At June 30, 2014 assigned fund balance includes:

	General Fund	BFSA Special Revenue Fund	Total
Encumbrances	\$ 4,716,871	\$ -	\$ 4,716,871
Motor vehicle self-insurance	583,517	-	583,517
Subsequent year's expenditures	27,477,229	-	27,477,229
Judgments and claims	9,700,000	-	9,700,000
Specific use	-	938,003	938,003
Total	<u>\$ 42,477,617</u>	<u>\$ 938,003</u>	<u>\$ 43,415,620</u>

- ***Assigned to Encumbrances***—Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of monies are recorded, is employed as part of the City’s budgetary control mechanism for all funds. Unencumbered appropriations lapse at fiscal year-end.
- ***Assigned to Motor Vehicle Self-Insurance***—Represents fund balance set aside for motor vehicle self-insurance.
- ***Assigned to Subsequent Year’s Expenditures***—Represents available fund balance being appropriated to meet expenditure requirements in the 2014-2015 fiscal year.
- ***Assigned to Judgments and Claims***—Represents amounts assigned to cover potential settlement of various claims and litigation.
- ***Assigned to Specific Use***—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

If the City must use funds for emergency expenditures, the Common Council shall authorize the Comptroller to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds, as classified by GASB, will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the City will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2014 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 35,469,027	\$ 255,127
Debt Service Fund	213,200	1,998
Capital Projects Fund	1,925	6,851,758
BFSA Special Revenue Fund	-	7,939,748
Nonmajor governmental funds	255,128	2,410,330
Total governmental funds	<u>35,939,280</u>	<u>17,458,961</u>
Proprietary funds:		
Solid Waste and Recycling Fund	-	16,987,032
Parking Fund	73	184,124
Water System	-	1,293,887
Internal Service Fund	-	15,349
Total proprietary funds	<u>73</u>	<u>18,480,392</u>
Total	<u>\$ 35,939,353</u>	<u>\$ 35,939,353</u>

To improve cash management, all City disbursements are made from a consolidated account in the General Fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reasons why interfund receivables and payables exist.

The long-term portion in the amount of \$15,971,499, included within the General Fund's due from other funds totaling \$35,469,027, has been set aside as nonspendable fund balance.

The City made the following transfers during the year ended June 30, 2014:

Transfers out:	Transfers in:					Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Solid Waste & Recycling Fund	
General Fund	\$ -	\$ 31,161,483	\$ 400,000	\$ 241,014	\$ 3,379,565	\$ 35,182,062
Debt Service Fund	-	-	1,600,000	13,561,586	-	15,161,586
Capital Projects Fund	-	6,562,701	-	-	528,487	7,091,188
BFSA Special Revenue Fund	-	-	-	3,383,788	-	3,383,788
Solid Waste & Recycling Fund	673,048	-	-	-	-	673,048
Parking Fund	9,561,910	165,653	-	-	-	9,727,563
Water System	5,408,626	-	-	-	-	5,408,626
Internal Service Fund	175,000	-	-	-	-	175,000
Total	<u>\$ 15,818,584</u>	<u>\$ 37,889,837</u>	<u>\$ 2,000,000</u>	<u>\$ 17,186,388</u>	<u>\$ 3,908,052</u>	<u>\$ 76,802,861</u>

The City records the receipt of all property taxes levied as revenue in the General Fund and records a transfer to the Debt Service Fund where the payment on long-term debt is reported. Based on the financing and operation agreements of the Water Board, revenues collected are transferred to the Water Authority and Water Enterprise Fund to cover their operational costs. Other transfers are the result of indirect costs.

15. LABOR RELATIONS

Approximately 2,994 of the City’s employees are covered by a total of eight collective bargaining agreements. The following table shows, for each union, the dates through which a contract has been negotiated.

Union	Expiration Date
Firefighters	6/30/17
Operating Engineers	6/30/13
Crossing Guards	8/31/15
Building Inspectors	6/30/12
White Collar	6/30/11
Blue Collar	6/30/11
Police	6/30/09
Pipe Caulkers	6/30/16

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) and re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

The City considers encumbrances to be significant for amounts that are encumbered in excess of \$500,000. The City has a total of \$69,497,753 encumbrances outstanding at June 30, 2014. In the General Fund encumbrances of \$4,716,871 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$39,830,527 and \$24,950,355 of outstanding encumbrances, respectively. As of June 30, 2014, the City had the following significant encumbrances:

Description	Capital Projects Fund	Special Revenue Fund
Buildings	\$ 579,354	\$ 2,924,235
Demolitions	-	2,561,652
General improvements	-	4,025,104
Parks	1,388,991	1,204,668
Streets	29,434,858	2,158,314
Total	<u>\$ 31,403,203</u>	<u>\$ 12,873,973</u>

Board of Education

Encumbrances—At June 30, 2014, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$2,899,935 in the Board’s general fund.

Construction Commitment—As of June 30, 2014, the Board has approximately \$10,406,000 committed to various renovations.

17. CONTINGENCIES

Litigation—The City is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the City. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the City’s financial condition or results of operation.

Grants—In the normal course of operations, the City receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Board of Education

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

State Aid—The State periodically reviews its distribution of aid to school boards throughout the State. Thus, revenues recorded as of June 30, 2014 are subject to potential revision.

Health Insurance Litigation—On September 1, 2005, following a competitive bid process, the Board selected one insurance carrier to provide four health care plans to Board employees — three HMO plans and one traditional indemnity plan. Prior to September 1, 2005, the Board paid three insurance carriers to provide the same four plans. Some of the Board’s unions, including the Buffalo Teachers’ Federation (“BTF”), challenged the Board’s decision to go to a single carrier in arbitration. On October 21, 2006, the arbitrator in the BTF arbitration ruled that the Board must return to multiple carriers effective January 1, 2007, and reinstate all teachers laid off effective September 1, 2005, with “make whole” monetary damages, including back pay and benefits with interest at the statutory judgment rate. The arbitrator also retained jurisdiction to decide any unresolved claims for reimbursement of out-of-pocket expenses incurred by individual teachers under the signed carrier arrangement. The Board appealed the decision and the Appellate Division ruled that while the Board violated the contract in moving to a single carrier for health care, the Board is not required to reinstate all laid off teachers. The BTF moved and the Board cross-moved to appear to the Court of Appeals. The leave to appeal was denied. Subsequently, BTF commenced a contempt proceeding in the Supreme Court, which remains pending. The Court has agreed to

several continuances of the return date with the expectation that negotiation of a successor collective bargaining agreement may resolve the health insurance issue. Contract negotiations are continuing.

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

Buffalo Urban Renewal Agency

Litigation—BURA is a defendant in litigation commenced by a proposed recipient of federal HOME funds. This matter is now in the pre-trial discovery stage. It involves a claim of contract breach and/or detrimental reliance as to BURA related to an alleged promise to provide funding for plaintiff's project. BURA has taken the position that it is not liable under any theory of liability and will vigorously defend the case and seek dismissal of the action.

BURA is a defendant in a litigation commenced by a hold over tenant of BURA for breach of the original lease terms. This matter was recently commenced against BURA, some document discovery is complete but substantial pre-trial discovery remains. It involves a claim of contract breach and/or detrimental reliance as to BURA related to costs incurred by the tenant during rehabilitation and improvement of the lease premises. BURA has taken the position that it is not liable under any theory of liability and will vigorously defend the case and seek dismissal of the action.

BURA is a defendant in a personal injury matter in which the claimant/infant alleges injury from lead paint at a residence where BURA provided lead paint remediation funds to the owner. The outcome cannot be determined at this early stage of litigation.

BURA is subject to the above proceedings, claims, and litigation arising in the ordinary course of business. BURA will defend itself vigorously against these and any such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its financial statements taken as a whole.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 18, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended June 30, 2014
(Amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Buffalo:						
As of July 1, 2012	\$ -	\$ 1,535,570	\$ 1,535,570	0.0%	\$ 172,567	889.8%
As of July 1, 2010	-	1,637,159	1,637,159	0.0%	185,120	884.4%
As of July 1, 2008	-	1,227,967	1,227,967	0.0%	179,288	684.9%
Buffalo Fiscal Stability Authority:						
As of June 30, 2012	\$ -	\$ 116	\$ 116	0.0%	\$ 319	36.4%
As of June 30, 2011	-	83	83	0.0%	228	36.4%
As of January 1, 2008	-	225	225	0.0%	360	62.5%
Board of Education:						
As of June 30, 2014	\$ -	\$ 1,896,318	\$ 1,896,318	0.0%	\$ 293,169	646.8%
As of June 30, 2013	-	1,881,696	1,881,696	0.0%	283,103	664.7%
As of June 30, 2012	-	1,815,174	1,815,174	0.0%	277,774	653.5%
Buffalo Urban Renewal Agency:						
As of June 30, 2014	\$ -	\$ 12,014	\$ 12,014	0.0%	\$ 1,936	620.6%
As of June 30, 2013	-	28,718	28,718	0.0%	2,290	1254.1%
As of June 30, 2012	-	28,718	28,718	0.0%	2,960	970.2%

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CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund
Balances—Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes, assessments, and other tax items	\$ 133,017,627	\$ 133,017,627	\$ 133,819,076	\$ 801,449
Utility and other nonproperty tax items	17,236,914	17,236,914	15,542,056	(1,694,858)
Federal aid	1,452,650	1,452,650	1,634,299	181,649
State aid	191,405,440	191,405,440	196,933,186	5,527,746
Local sources and other	76,322,213	76,322,213	76,782,230	460,017
Investment interest	1,000,000	1,000,000	890,430	(109,570)
Charges for services	12,751,969	12,751,969	12,543,389	(208,580)
Licenses and permits	3,608,825	3,608,825	3,258,279	(350,546)
Fines	9,050,500	9,050,500	6,896,058	(2,154,442)
Miscellaneous	8,870,020	8,870,020	3,641,755	(5,228,265)
Total revenues	<u>454,716,158</u>	<u>454,716,158</u>	<u>451,940,758</u>	<u>(2,775,400)</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	4,368,644	4,489,281	4,389,149	100,132
Executive	1,667,739	1,667,867	1,505,081	162,786
Audit and control	3,045,039	3,065,824	2,791,992	273,832
Law	3,476,635	3,480,236	3,160,905	319,331
Assessment	2,015,934	2,053,156	1,539,774	513,382
Public works, parks and streets	5,761,109	6,519,756	6,196,456	323,300
Management information systems	3,391,113	3,424,829	3,018,808	406,021
Administration and finance	10,827,500	10,888,190	9,882,179	1,006,011
Human resources	5,415,711	6,213,754	5,053,060	1,160,694
Other	18,242,500	19,563,750	19,172,329	391,421
Public safety:				
Administration and finance	1,671,160	1,711,851	1,612,351	99,500
Police	79,552,135	82,067,615	80,975,239	1,092,376
Fire	54,092,920	57,331,153	59,363,358	(2,032,205)
Public works, parks and streets	1,705,322	1,708,632	1,686,178	22,454
Permit and inspection services	5,574,241	7,074,840	6,487,036	587,804
Streets and sanitation:				
Public works, parks and streets	12,306,068	13,274,490	12,283,089	991,401
Economic assistance and opportunity:				
Executive	1,728,922	2,018,330	1,618,198	400,132
Community services	214,115	214,115	135,283	78,832
Culture and recreation:				
Public works, parks and streets	5,053,868	5,254,627	5,122,764	131,863
Community services	2,200,919	2,213,444	1,693,201	520,243
Other	250,000	350,280	138,000	212,280
Health and community services:				
Public works, parks and streets	1,098,385	1,100,940	1,048,243	52,697
Community services	1,123,122	1,129,607	899,435	230,172
Education	70,322,758	70,322,758	70,322,758	-
Fringe benefits	148,890,500	150,291,136	148,681,841	1,609,295
Other	2,880,000	4,692,670	7,117,061	(2,424,391)
Debt service	896,900	901,067	824,505	76,562
Total expenditures	<u>447,773,259</u>	<u>463,024,198</u>	<u>456,718,273</u>	<u>6,305,925</u>
Excess of revenues over expenditures	<u>6,942,899</u>	<u>(8,308,040)</u>	<u>(4,777,515)</u>	<u>3,530,525</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,818,584	15,818,584	15,818,584	-
Transfers out	(34,761,483)	(35,002,497)	(35,182,062)	(179,565)
Total other financing sources (uses)	<u>(18,942,899)</u>	<u>(19,183,913)</u>	<u>(19,363,478)</u>	<u>(179,565)</u>
Net change in fund balances *	<u>(12,000,000)</u>	<u>(27,491,953)</u>	<u>(24,140,993)</u>	<u>3,350,960</u>
Fund balances—beginning	165,797,546	165,797,546	165,797,546	-
Fund balances—ending	<u>\$ 153,797,546</u>	<u>\$ 138,305,593</u>	<u>\$ 141,656,553</u>	<u>\$ 3,350,960</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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

CITY OF BUFFALO, NEW YORK
Note to the Required Supplementary Information
Year Ended June 30, 2014

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal budget is adopted for the Special Revenue Fund. Appropriation limits, where applicable, for the Special Revenue Fund are maintained based on individual grant and programs accepted by the City. The periods of such grants and program vary from the City's fiscal year.

The appropriated budget is prepared by fund, function, department, division, agency or other purpose. The Commissioner of Finance may make transfers of appropriations within a department, transfers of appropriations between departments are made by the Common Council. The total expenditures for each function may not exceed the original appropriation during the fiscal year without Council approval. Increases over budget appropriations as originally adopted require a two-thirds vote of approval by the Council after certification by both the Mayor and Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the City's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

The City reports its budgetary status with the actual data, including outstanding encumbrances as charges against budget appropriations. The following table includes a reconciliation of the budgetary-basis (i.e., non-GAAP) and the GAAP-basis operating results.

Excess of revenues and other financing sources over expenditures and other financing uses—GAAP basis	\$ (19,424,122)
Less: encumbrances	<u>(4,716,871)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP basis	<u>\$ (24,140,993)</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2014, an unfavorable variance of \$2,032,205 pertaining to public safety, fire expenditures was caused by higher than expected personal service expenditures, including the retroactive payments of longevity on a settled contract. Within other expenditures, the budget was overspent by \$2,424,391 as a result of establishing allowances on receivables that the City has deemed uncollectible. Finally, transfers out exceed appropriations by \$179,565 as a result of higher than anticipated transfers to the Solid Waste Fund.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Special Revenue Fund — This fund is used to account for all of the special federal and state grants that are restricted for noncapital purposes by the grant award.

BFSA DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Buffalo Fiscal Stability Authority Debt Service Fund — This fund is used to account for debt issued by the BFSA.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Permanent Fund — This fund is used to purchase objects to enhance the beauty of the Park System in the City of Buffalo.

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CITY OF BUFFALO, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,608,298	\$ -	\$ -	\$ 1,608,298
Restricted cash and cash equivalents	4,623,917	166,351	75,178	4,865,446
Investments	-	15,810,494	61,472	15,871,966
Receivables:				
Other receivables	-	-	4,123	4,123
Intergovernmental receivables	3,476,295	-	-	3,476,295
Due from other funds	255,128	-	-	255,128
Total assets	<u>\$ 9,963,638</u>	<u>\$ 15,976,845</u>	<u>\$ 140,773</u>	<u>\$ 26,081,256</u>
LIABILITIES				
Accounts payable	\$ 801,565	\$ -	\$ -	\$ 801,565
Accrued liabilities	-	1,012,428	-	1,012,428
Due to other funds	2,335,430	74,900	-	2,410,330
Due to component units	2,202,726	-	-	2,202,726
Total liabilities	<u>5,339,721</u>	<u>1,087,328</u>	<u>-</u>	<u>6,427,049</u>
FUND BALANCES				
Nonspendable	-	-	30,000	30,000
Restricted	4,623,917	14,889,517	110,773	19,624,207
Total fund balances	<u>4,623,917</u>	<u>14,889,517</u>	<u>140,773</u>	<u>19,654,207</u>
Total liabilities and fund balances	<u>\$ 9,963,638</u>	<u>\$ 15,976,845</u>	<u>\$ 140,773</u>	<u>\$ 26,081,256</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Intergovernmental	\$ 34,788,144	\$ -	\$ -	\$ 34,788,144
Investment interest	1,730	385,231	211	387,172
Miscellaneous	153,265	-	-	153,265
Total revenues	<u>34,943,139</u>	<u>385,231</u>	<u>211</u>	<u>35,328,581</u>
EXPENDITURES				
Current:				
General government support	6,198,669	-	-	6,198,669
Public safety	4,055,907	-	-	4,055,907
Streets and sanitation	2,594,885	-	-	2,594,885
Economic assistance and opportunity	15,241,953	-	-	15,241,953
Culture and recreation	154,635	-	-	154,635
Health and community services	3,998,909	-	-	3,998,909
Debt service:				
Principal	-	13,540,000	-	13,540,000
Interest and fiscal charges	-	3,152,355	-	3,152,355
Total expenditures	<u>32,244,958</u>	<u>16,692,355</u>	<u>-</u>	<u>48,937,313</u>
Excess (deficiency) of revenues over expenditures	<u>2,698,181</u>	<u>(16,307,124)</u>	<u>211</u>	<u>(13,608,732)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>241,014</u>	<u>16,945,374</u>	<u>-</u>	<u>17,186,388</u>
Total other financing sources	<u>241,014</u>	<u>16,945,374</u>	<u>-</u>	<u>17,186,388</u>
Net change in fund balances	2,939,195	638,250	211	3,577,656
Fund balances—beginning	<u>1,684,722</u>	<u>14,251,267</u>	<u>140,562</u>	<u>16,076,551</u>
Fund balances—ending	<u>\$ 4,623,917</u>	<u>\$ 14,889,517</u>	<u>\$ 140,773</u>	<u>\$ 19,654,207</u>

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WATER SYSTEM

The Water System is used to account for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City. The Water System is comprised of the Water Board, Water Authority and Water Enterprise.

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CITY OF BUFFALO, NEW YORK
Combining Statement of Net Position—
Water System
June 30, 2014

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 45,202,841	\$ 268,067	\$ 143,246	\$ -	\$ 45,614,154
Restricted cash and cash equivalents	-	34,083,202	-	-	34,083,202
Receivables:					
Accounts receivable	20,795,571	-	8,059	-	20,803,630
Other receivables	932,825	-	1,062	-	933,887
Due from other agencies	127,425	-	-	-	127,425
Intergovernmental receivables	221,596	-	-	-	221,596
Due from other funds	-	117,455,026	15,186,522	(132,641,548)	-
Allowances for estimated uncollectible amounts	(15,102,217)	-	-	-	(15,102,217)
Net receivables	<u>6,975,200</u>	<u>117,455,026</u>	<u>15,195,643</u>	<u>(132,641,548)</u>	<u>6,984,321</u>
Total current assets	<u>52,178,041</u>	<u>151,806,295</u>	<u>15,338,889</u>	<u>(132,641,548)</u>	<u>86,681,677</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	1,017,192	-	-	-	1,017,192
Total capital assets not being depreciated	<u>1,162,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,162,308</u>
Capital assets being depreciated:					
Buildings and infrastructure	197,619,461	-	-	-	197,619,461
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	140,411	-	-	-	140,411
Accumulated depreciation	(69,215,509)	-	-	-	(69,215,509)
Total capital assets being depreciated	<u>128,796,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,796,756</u>
Total noncurrent assets	<u>129,959,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,959,064</u>
Total assets	<u>182,137,105</u>	<u>151,806,295</u>	<u>15,338,889</u>	<u>(132,641,548)</u>	<u>216,640,741</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	3,949,573	-	-	3,949,573
Deferred outflows of resources - swap	1,816,216	-	-	-	1,816,216
Total deferred outflows of resources	<u>1,816,216</u>	<u>3,949,573</u>	<u>-</u>	<u>-</u>	<u>5,765,789</u>
LIABILITIES					
Current liabilities:					
Accounts payable	2,450,934	12,030	100,685	-	2,563,649
Other accrued liabilities	-	3,135,271	927,840	-	4,063,111
Due to other funds	132,836,559	-	1,098,876	(132,641,548)	1,293,887
Retainages payable	399,253	-	-	-	399,253
Due to retirement systems	-	-	234,450	-	234,450
Accrued compensated absences	-	-	62,991	-	62,991
Accrued workers' compensation	-	-	122,549	-	122,549
General obligation and revenue bonds payable within one year	-	7,639,365	471,750	-	8,111,115
Total current liabilities	<u>135,686,746</u>	<u>10,786,666</u>	<u>3,019,141</u>	<u>(132,641,548)</u>	<u>16,851,005</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Statement of Net Position—
Water System
June 30, 2014

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Noncurrent liabilities:					
Accrued compensated absences	-	-	679,381	-	679,381
Accrued workers' compensation	-	-	628,278	-	628,278
Accrued other post-employment benefits plan	-	-	10,401,000	-	10,401,000
Accrued derivative liability	1,816,216	-	-	-	1,816,216
General obligation and revenue bonds payable	-	144,969,202	504,842	-	145,474,044
Total noncurrent liabilities	<u>1,816,216</u>	<u>144,969,202</u>	<u>12,213,501</u>	<u>-</u>	<u>158,998,919</u>
Total liabilities	<u>137,502,962</u>	<u>155,755,868</u>	<u>15,232,642</u>	<u>(132,641,548)</u>	<u>175,849,924</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	-	106,247	-	106,247
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>106,247</u>	<u>-</u>	<u>106,247</u>
NET POSITION					
Net investment in capital assets	129,959,064	(114,575,792)	(1,082,839)	-	14,300,433
Unrestricted	(83,508,705)	114,575,792	1,082,839	-	32,149,926
Total net position	<u>\$ 46,450,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,450,359</u>

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CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2014

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Operating revenues:					
Charges for services	\$ 44,162,233	\$ -	\$ -	\$ -	\$ 44,162,233
Other	251,189	-	-	-	251,189
Total operating revenues	<u>44,413,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,413,422</u>
Operating expenses:					
Services and supplies	9,259,852	509,635	5,306,939	-	15,076,426
Fringe benefits	-	-	5,752,321	-	5,752,321
Depreciation	4,949,048	-	-	-	4,949,048
Other	324,048	-	72,282	-	396,330
Total operating expenses	<u>14,532,948</u>	<u>509,635</u>	<u>11,131,542</u>	<u>-</u>	<u>26,174,125</u>
Operating income (loss)	<u>29,880,474</u>	<u>(509,635)</u>	<u>(11,131,542)</u>	<u>-</u>	<u>18,239,297</u>
Nonoperating revenues (expenses):					
Interest earnings	187,894	-	18,200	-	206,094
Interest expense	(6,759,811)	-	-	-	(6,759,811)
Other	955,344	-	-	-	955,344
Total nonoperating revenues (expenses)	<u>(5,616,573)</u>	<u>-</u>	<u>18,200</u>	<u>-</u>	<u>(5,598,373)</u>
Income (loss) before transfers	24,263,901	(509,635)	(11,113,342)	-	12,640,924
Transfers in	-	509,635	11,113,342	(11,622,977)	-
Transfers out	<u>(17,031,603)</u>	<u>-</u>	<u>-</u>	<u>11,622,977</u>	<u>(5,408,626)</u>
Change in net position	7,232,298	-	-	-	7,232,298
Total net position—beginning	<u>39,218,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,218,061</u>
Total net position—ending	<u>\$ 46,450,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,450,359</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Cash Flows—
Water System
Year Ended June 30, 2014

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 43,409,525	\$ -	\$ -	\$ -	\$ 43,409,525
Payments to suppliers for goods and services	(8,426,930)	(509,899)	(5,272,396)	-	(14,209,225)
Payments to employees for services	-	-	(4,863,987)	-	(4,863,987)
Net cash provided by (used for) operating activities	<u>34,982,595</u>	<u>(509,899)</u>	<u>(10,136,383)</u>	<u>-</u>	<u>24,336,313</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	509,635	11,113,345	-	11,622,980
Transfers to other funds	(17,031,603)	-	-	-	(17,031,603)
Advances from (to) other funds	<u>(703,058)</u>	<u>2,816,591</u>	<u>(618,543)</u>	<u>-</u>	<u>1,494,990</u>
Net cash provided by (used for) noncapital financing activities	<u>(17,734,661)</u>	<u>3,326,226</u>	<u>10,494,802</u>	<u>-</u>	<u>(3,913,633)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(5,390,523)	-	-	-	(5,390,523)
Principal payments on bonds	-	(7,365,000)	(301,137)	-	(7,666,137)
Interest payments	<u>(5,808,048)</u>	<u>-</u>	<u>(57,139)</u>	<u>-</u>	<u>(5,865,187)</u>
Net cash used for capital and related financing activities	<u>(11,198,571)</u>	<u>(7,365,000)</u>	<u>(358,276)</u>	<u>-</u>	<u>(18,921,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on short-term investments	<u>187,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,751</u>
Net cash provided by investing activities	<u>187,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,751</u>
Net increase (decrease) in cash and cash equivalents	6,237,114	(4,548,673)	143	-	1,688,584
Cash and cash equivalents—beginning	<u>38,965,727</u>	<u>38,899,942</u>	<u>143,103</u>	<u>-</u>	<u>78,008,772</u>
Cash and cash equivalents—ending	<u>\$ 45,202,841</u>	<u>\$ 34,351,269</u>	<u>\$ 143,246</u>	<u>\$ -</u>	<u>\$ 79,697,356</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Statement of Cash Flows—
Water System
Year Ended June 30, 2014

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:					
Operating income (loss)	\$ 29,880,474	\$ (509,635)	\$ (11,131,542)	\$ -	\$ 18,239,297
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	4,949,048	-	-	-	4,949,048
Increase (decrease) in receivables	4,024,400	-	6,734	-	4,031,134
Decrease (increase) in payables	(3,871,327)	(264)	27,808	-	(3,843,783)
(Increase) in accrued liabilities	-	-	(452,882)	-	(452,882)
(Decrease) in retirement systems	-	-	(4,875)	-	(4,875)
(Decrease) in compensated absences	-	-	(7,301)	-	(7,301)
Increase in workers' compensation	-	-	71,675	-	71,675
Increase in accrued other post-employment benefits plan	-	-	1,354,000	-	1,354,000
Total adjustments	<u>5,102,121</u>	<u>(264)</u>	<u>995,159</u>	<u>-</u>	<u>6,097,016</u>
Net cash provided by (used for) operating activities	<u>\$ 34,982,595</u>	<u>\$ (509,899)</u>	<u>\$ (10,136,383)</u>	<u>\$ -</u>	<u>\$ 24,336,313</u>

(concluded)

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AGENCY FUND

The Agency Fund is used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

CITY OF BUFFALO, NEW YORK
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
ASSETS				
Cash and cash equivalents	\$ 1,446,160	\$ 17,879,377	\$ 17,800,080	\$ 1,525,457
Total assets	<u>\$ 1,446,160</u>	<u>\$ 17,879,377</u>	<u>\$ 17,800,080</u>	<u>\$ 1,525,457</u>
LIABILITIES				
Accounts payable	\$ -	\$ 28,580,086	\$ 28,579,548	\$ 538
Intergovernmental payables	24,266	11,422	12,307	23,381
Amount held in custody for others:				
Surety bonds and deposits	22,751	-	-	22,751
Prisoner property	1,131,457	376,854	389,639	1,118,672
Fire insurance proceeds	203,569	51,500	15,000	240,069
Medical reimbursements	43,653	146,740	86,056	104,337
Miscellaneous - other	20,464	17,302	22,057	15,709
Total amount held in custody for others	<u>1,421,894</u>	<u>592,396</u>	<u>512,752</u>	<u>1,501,538</u>
Total liabilities	<u>\$ 1,446,160</u>	<u>\$ 29,183,904</u>	<u>\$ 29,104,607</u>	<u>\$ 1,525,457</u>

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STATISTICAL SECTION

This part of the City of Buffalo’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents:	Page
Financial Trends	97
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	106
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	110
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	116
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information.....	118
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CITY OF BUFFALO, NEW YORK
Table I—Net Position by Component
Last Ten Years
(Unaudited, amounts expressed in thousands)

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 161,821	\$ 156,122	\$ 176,114	\$ 192,336	\$ 213,493	\$ 236,923	\$ 249,347	\$ 268,899	\$ 269,691	\$ 277,507
Restricted	19,390	23,093	50,939	58,163	57,782	48,409	59,739	51,799	50,102	49,832
Unrestricted	<u>(41,596)</u>	<u>(18,878)</u>	<u>(15,446)</u>	<u>(27,307)</u>	<u>(65,703)</u>	<u>(94,827)</u>	<u>(196,528)</u>	<u>(251,118)</u>	<u>(258,859)</u>	<u>(325,634)</u>
Total governmental activities net position	<u>\$ 139,615</u>	<u>\$ 160,337</u>	<u>\$ 211,607</u>	<u>\$ 223,192</u>	<u>\$ 205,572</u>	<u>\$ 190,505</u>	<u>\$ 112,558</u>	<u>\$ 69,580</u>	<u>\$ 60,934</u>	<u>\$ 1,705</u>
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	\$ 34,945	\$ 40,674	\$ 39,680	\$ 43,550	\$ 45,189	\$ 46,962	\$ 49,432	\$ 52,409	\$ 51,827	\$ 54,167
Unrestricted	<u>(6,659)</u>	<u>(3,178)</u>	<u>6,718</u>	<u>10,201</u>	<u>10,410</u>	<u>6,428</u>	<u>3,067</u>	<u>6,065</u>	<u>8,002</u>	<u>3,696</u>
Total business-type activities net position	<u>\$ 28,286</u>	<u>\$ 37,496</u>	<u>\$ 46,398</u>	<u>\$ 53,751</u>	<u>\$ 55,599</u>	<u>\$ 53,390</u>	<u>\$ 52,499</u>	<u>\$ 58,474</u>	<u>\$ 59,829</u>	<u>\$ 57,863</u>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 196,766	\$ 196,796	\$ 215,794	\$ 235,886	\$ 258,682	\$ 283,885	\$ 298,779	\$ 321,308	\$ 321,518	\$ 331,674
Restricted	19,390	23,093	50,939	58,163	57,782	48,409	59,739	51,799	50,102	49,832
Unrestricted	<u>(48,255)</u>	<u>(22,056)</u>	<u>(8,728)</u>	<u>(17,106)</u>	<u>(55,293)</u>	<u>(88,399)</u>	<u>(193,461)</u>	<u>(245,053)</u>	<u>(250,857)</u>	<u>(321,938)</u>
TOTAL PRIMARY GOVERNMENT NET POSITION	<u>\$ 167,901</u>	<u>\$ 197,833</u>	<u>\$ 258,005</u>	<u>\$ 276,943</u>	<u>\$ 261,171</u>	<u>\$ 243,895</u>	<u>\$ 165,057</u>	<u>\$ 128,054</u>	<u>\$ 120,763</u>	<u>\$ 59,568</u>

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES:										
Governmental activities:										
General government support (2)	\$ 147,731	\$ 172,605	\$ 173,843	\$ 207,031	\$ 233,026	\$ 87,044	\$ 112,279	\$ 69,127	\$ 96,480	\$ 103,880
Public safety (2)	128,972	124,879	130,179	142,437	155,265	281,944	298,733	310,287	309,014	327,213
Streets and sanitation (2)	20,451	14,045	50,666	22,532	24,346	31,328	33,951	30,717	34,240	26,763
Economic assistance and opportunity (2)	6,016	5,536	5,886	10,649	9,328	14,921	8,505	9,265	12,086	9,368
Culture and recreation (2)	3,076	4,994	555	3,121	4,448	8,450	14,511	15,428	16,906	13,310
Health and community services (2)	3,205	4,709	3,219	3,469	3,605	2,645	5,685	2,997	6,563	17,094
Education	68,936	62,416	70,955	70,323	70,323	70,323	70,323	70,323	70,323	70,323
Interest and fiscal charges	25,072	26,371	24,251	19,659	18,995	18,179	16,458	14,337	16,615	11,385
Total governmental activities expenses	<u>403,459</u>	<u>415,555</u>	<u>459,554</u>	<u>479,221</u>	<u>519,336</u>	<u>514,834</u>	<u>560,445</u>	<u>522,481</u>	<u>562,227</u>	<u>579,336</u>
Business-type activities:										
Solid Waste and Recycling	16,366	18,810	18,937	21,758	23,368	22,283	23,759	24,890	24,723	27,073
Parking	4,286	5,028	4,406	2,913	2,842	2,932	2,656	2,111	2,196	2,096
Water System	29,737	29,179	28,191	27,780	32,094	36,839	32,514	31,896	32,945	32,934
Total business-type activities expenses	<u>50,389</u>	<u>53,017</u>	<u>51,534</u>	<u>52,451</u>	<u>58,304</u>	<u>62,054</u>	<u>58,929</u>	<u>58,897</u>	<u>59,864</u>	<u>62,103</u>
Total primary government expenses	<u>453,848</u>	<u>468,572</u>	<u>511,088</u>	<u>531,672</u>	<u>577,640</u>	<u>576,888</u>	<u>619,374</u>	<u>581,378</u>	<u>622,091</u>	<u>641,439</u>
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government support	8,585	8,853	8,834	8,643	8,889	9,971	8,426	10,352	9,844	9,174
Public safety	7,812	9,007	8,620	7,597	9,137	9,150	9,702	10,339	13,308	11,723
Streets and sanitation	1,063	1,138	1,120	1,282	1,199	1,237	1,058	954	1,012	1,863
Economic assistance and opportunity	3,441	3,778	3,654	3,628	4,354	4,166	4,437	3,876	3,853	3,353
Culture and recreation	1	-	-	-	-	-	112	135	126	13
Health and community services	532	502	634	622	727	537	434	157	175	212
Operating grants and contributions	12,285	8,110	45,122	12,277	8,334	13,059	12,910	10,608	23,053	38,272
Capital grants and contributions	14,178	25,176	20,785	18,562	22,555	34,053	17,753	19,077	16,633	18,582
Total governmental activities program revenues	<u>47,897</u>	<u>56,564</u>	<u>88,769</u>	<u>52,611</u>	<u>55,195</u>	<u>72,173</u>	<u>54,832</u>	<u>55,498</u>	<u>68,004</u>	<u>83,192</u>

(continued)

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Solid Waste and Recycling	18,969	18,928	18,564	18,431	19,526	19,634	18,119	19,681	18,479	19,290
Parking	5,578	6,145	6,862	7,397	7,435	7,835	7,612	7,639	7,721	7,165
Water System	37,783	41,738	38,658	37,230	35,615	35,719	36,943	40,324	44,135	44,414
Total business-type activities program revenues	<u>62,330</u>	<u>66,811</u>	<u>64,084</u>	<u>63,058</u>	<u>62,576</u>	<u>63,188</u>	<u>62,674</u>	<u>67,644</u>	<u>70,335</u>	<u>70,869</u>
Total primary government program revenues	<u>110,227</u>	<u>123,375</u>	<u>152,853</u>	<u>115,669</u>	<u>117,771</u>	<u>135,361</u>	<u>117,506</u>	<u>123,142</u>	<u>138,339</u>	<u>154,061</u>
NET (EXPENSE) REVENUE:										
Governmental activities	(355,562)	(358,991)	(370,785)	(426,610)	(464,141)	(442,662)	(505,613)	(466,983)	(494,223)	(496,144)
Business-type activities	<u>11,941</u>	<u>13,794</u>	<u>12,550</u>	<u>10,607</u>	<u>4,272</u>	<u>1,134</u>	<u>3,745</u>	<u>8,747</u>	<u>10,471</u>	<u>8,766</u>
Total primary government net (expense) revenue	<u>(343,621)</u>	<u>(345,197)</u>	<u>(358,235)</u>	<u>(416,003)</u>	<u>(459,869)</u>	<u>(441,528)</u>	<u>(501,868)</u>	<u>(458,236)</u>	<u>(483,752)</u>	<u>(487,378)</u>
GENERAL REVENUES AND TRANSFERS:										
Governmental activities:										
Taxes:										
Property taxes	128,382	127,150	128,721	131,240	127,027	125,431	127,779	127,638	123,612	123,989
Other tax items	28,836	28,128	27,156	25,756	13,705	13,665	13,962	10,442	11,061	10,397
Gross utility tax (1)	-	-	-	-	10,555	9,694	11,350	12,951	12,253	11,351
State aid	136,817	139,591	132,968	158,356	173,583	174,479	164,788	164,596	198,322	179,423
Intergovernmental	70,743	63,687	111,652	101,242	104,570	92,742	95,344	93,982	93,004	95,447
Unrestricted grants and contributions	553	460	399	412	407	382	243	290	197	252
Investment earnings	3,696	10,605	12,722	11,482	6,353	4,189	3,671	3,325	2,454	2,099
Miscellaneous	2,416	4,061	2,689	4,234	6,935	3,257	4,350	3,178	37,275	3,210
Transfers	<u>7,215</u>	<u>6,034</u>	<u>5,747</u>	<u>5,473</u>	<u>3,386</u>	<u>3,755</u>	<u>6,179</u>	<u>7,603</u>	<u>7,399</u>	<u>11,901</u>
Total governmental activities general revenues and transfers	<u>378,658</u>	<u>379,716</u>	<u>422,054</u>	<u>438,195</u>	<u>446,521</u>	<u>427,594</u>	<u>427,666</u>	<u>424,005</u>	<u>485,577</u>	<u>438,069</u>

(continued)

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

(concluded)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Intergovernmental	-	-	-	-	-	-	241	478	695	955
Investment earnings	576	1,450	2,100	2,219	962	412	1,302	456	292	213
Miscellaneous	70	-	-	-	-	-	-	-	-	-
Transfers	(7,215)	(6,034)	(5,747)	(5,473)	(3,386)	(3,755)	(6,179)	(7,603)	(7,399)	(11,901)
Total business-type activities general revenues and transfers	<u>(6,569)</u>	<u>(4,584)</u>	<u>(3,647)</u>	<u>(3,254)</u>	<u>(2,424)</u>	<u>(3,343)</u>	<u>(4,636)</u>	<u>(6,669)</u>	<u>(6,412)</u>	<u>(10,733)</u>
Total primary government general revenues and transfers	<u>372,089</u>	<u>375,132</u>	<u>418,407</u>	<u>434,941</u>	<u>444,097</u>	<u>424,251</u>	<u>423,030</u>	<u>417,336</u>	<u>479,165</u>	<u>427,336</u>
CHANGE IN NET POSITION:										
Governmental activities	23,096	20,725	51,269	11,585	(17,620)	(15,067)	(77,946)	(42,978)	(8,646)	(58,075)
Business-type activities	<u>5,372</u>	<u>9,210</u>	<u>8,903</u>	<u>7,353</u>	<u>1,848</u>	<u>(2,209)</u>	<u>(891)</u>	<u>2,078</u>	<u>4,059</u>	<u>(1,967)</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<u>\$ 28,468</u>	<u>\$ 29,935</u>	<u>\$ 60,172</u>	<u>\$ 18,938</u>	<u>\$ (15,772)</u>	<u>\$ (17,276)</u>	<u>\$ (78,837)</u>	<u>\$ (40,900)</u>	<u>\$ (4,587)</u>	<u>\$ (60,042)</u>

(1) Included in other tax items prior to 2009.

(2) During the year ended June 30, 2010, the City adjusted its allocation basis of certain fringe benefits and other costs.

CITY OF BUFFALO, NEW YORK
Table III—Governmental Activities Tax Revenues by Source
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PROPERTY TAX (1)	\$ 128,382	\$ 127,149	\$ 128,721	\$ 131,240	\$ 127,027	\$ 125,431	\$ 127,779	\$ 127,863	\$ 124,178	\$ 123,422
GROSS UTILITY TAX	12,887	13,455	12,050	12,033	10,555	9,693	11,586	10,098	9,408	8,579
COB FRANCHISE TAX	2,646	2,576	2,491	2,244	2,485	2,714	2,879	2,852	2,845	2,772
MORTGAGE TAX	2,701	2,716	2,704	2,431	1,944	1,810	1,603	1,601	1,986	2,076
FOREIGN FIRE INSURANCE TAX	353	343	340	-	-	-	-	-	-	4,191
OCCUPANCY TAX	<u>11</u>	<u>11</u>	<u>9</u>	<u>8</u>	<u>5</u>	<u>70</u>	<u>10</u>	<u>10</u>	<u>4</u>	<u>3</u>
	<u>\$ 146,980</u>	<u>\$ 146,250</u>	<u>\$ 146,315</u>	<u>\$ 147,956</u>	<u>\$ 142,016</u>	<u>\$ 139,718</u>	<u>\$ 143,857</u>	<u>\$ 142,424</u>	<u>\$ 138,421</u>	<u>\$ 141,043</u>

(1) Does not include property tax levy paid by New York State as STAR Aid.

CITY OF BUFFALO, NEW YORK
Table IV—Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	June 30,									
	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014
GENERAL FUND:										
Reserved	\$ 7,663	\$ 9,204	\$ 11,936	\$ 19,815	\$ 37,674	\$ 32,259	n/a	n/a	n/a	n/a
Unreserved:	<u>69,369</u>	<u>86,457</u>	<u>105,421</u>	<u>113,480</u>	<u>100,923</u>	<u>110,481</u>	n/a	n/a	n/a	n/a
Total General Fund	<u>\$ 77,032</u>	<u>\$ 95,661</u>	<u>\$ 117,357</u>	<u>\$ 133,295</u>	<u>\$ 138,597</u>	<u>\$ 142,740</u>	n/a	n/a	n/a	n/a
ALL OTHER GOVERNMENTAL FUNDS:										
Reserved	\$ 52,250	\$ 44,251	\$ 56,723	\$ 77,078	\$ 85,076	\$ 63,448	n/a	n/a	n/a	n/a
Unreserved — reported in:										
BFSA Debt Service Fund	2,798	-	-	-	-	-	n/a	n/a	n/a	n/a
Capital projects funds	18,752	26,894	45,171	12,040	31,897	28,607	n/a	n/a	n/a	n/a
Special revenue funds	<u>61</u>	<u>1,599</u>	<u>1,952</u>	<u>1,619</u>	<u>2,030</u>	<u>2,115</u>	n/a	n/a	n/a	n/a
Total all other governmental funds	<u>\$ 73,861</u>	<u>\$ 72,744</u>	<u>\$ 103,846</u>	<u>\$ 90,737</u>	<u>\$ 119,003</u>	<u>\$ 94,170</u>	n/a	n/a	n/a	n/a
GENERAL FUND:										
Nonspendable	n/a	n/a	n/a	n/a	n/a	n/a	\$ 22,311	\$ 22,881	\$ 24,635	\$ 26,693
Restricted	n/a	n/a	n/a	n/a	n/a	n/a	14,933	13,036	11,113	8,834
Committed	n/a	n/a	n/a	n/a	n/a	n/a	35,497	35,740	35,655	37,667
Assigned	n/a	n/a	n/a	n/a	n/a	n/a	51,557	29,787	30,452	42,478
Unassigned	n/a	n/a	n/a	n/a	n/a	n/a	<u>5,653</u>	<u>12,187</u>	<u>63,943</u>	<u>30,701</u>
Total General Fund							<u>\$ 129,951</u>	<u>\$ 113,631</u>	<u>\$ 165,798</u>	<u>\$ 146,373</u>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	n/a	n/a	n/a	n/a	n/a	n/a	\$ 60	\$ 47	\$ 49	\$ 164
Restricted	n/a	n/a	n/a	n/a	n/a	n/a	96,570	112,134	75,005	72,263
Assigned	n/a	n/a	n/a	n/a	n/a	n/a	<u>1,726</u>	<u>1,463</u>	<u>1,458</u>	<u>938</u>
Total all other governmental funds							<u>\$ 98,356</u>	<u>\$ 113,644</u>	<u>\$ 76,512</u>	<u>\$ 73,365</u>

(1) During the fiscal year ended June 30, 2011, the City implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions.

CITY OF BUFFALO, NEW YORK
Table V—Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES:										
Property taxes, assessments, and other tax items	\$ 141,272	\$ 140,347	\$ 140,457	\$ 143,045	\$ 138,824	\$ 136,329	\$ 138,369	\$ 138,305	\$ 135,239	\$ 133,819
Utility and other nonproperty tax items	15,886	16,841	14,881	14,277	13,040	12,408	14,465	12,951	12,253	15,542
Intergovernmental	246,582	255,805	320,309	301,038	320,916	325,476	301,174	299,039	344,947	341,779
Investment interest	3,818	8,842	11,642	10,756	5,552	3,563	3,198	2,612	1,740	1,386
License, permit, rentals, fines, and service charges	18,853	19,570	19,632	18,587	21,404	20,644	22,194	21,252	24,464	22,756
Miscellaneous	4,956	6,863	6,834	7,571	9,769	7,902	7,293	8,296	41,067	5,410
Total revenues	<u>431,367</u>	<u>448,268</u>	<u>513,755</u>	<u>495,274</u>	<u>509,505</u>	<u>506,322</u>	<u>486,693</u>	<u>482,455</u>	<u>559,710</u>	<u>520,692</u>
EXPENDITURES:										
General government support	53,162	56,924	63,735	65,225	66,282	67,378	67,243	69,827	59,333	69,585
Public safety	133,372	136,140	136,496	150,004	158,351	155,707	146,824	146,667	143,700	153,358
Streets and sanitation	23,199	34,682	58,047	28,081	38,024	32,800	31,301	27,495	9,826	14,243
Economic assistance and opportunity	5,704	5,488	5,880	10,671	9,315	12,763	7,409	7,478	4,779	16,691
Culture and recreation	1,985	3,825	2,650	2,177	3,982	7,639	9,634	12,633	6,943	6,811
Health and community services	3,205	4,694	2,655	3,141	2,973	3,040	2,865	1,846	5,194	5,920
Education	71,288	71,238	76,844	70,323	70,323	70,323	75,361	80,223	70,323	70,323
Fringe benefits	85,246	87,900	90,484	100,785	107,352	116,891	128,003	139,881	139,044	148,533
Other	7,675	3,618	4,972	17,695	9,368	9,058	5,890	3,272	7,413	7,109
Debt service:										
Principal retirement	35,818	35,564	32,608	31,836	38,179	37,295	38,326	41,278	41,710	38,520
Interest and other fiscal charges	26,828	28,525	23,614	18,909	19,225	17,873	17,469	15,734	14,200	12,033
Capital outlay	-	-	-	-	-	-	-	-	50,129	41,469
Total expenditures	<u>447,482</u>	<u>468,598</u>	<u>497,985</u>	<u>498,847</u>	<u>523,374</u>	<u>530,767</u>	<u>530,325</u>	<u>546,334</u>	<u>552,594</u>	<u>584,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES										
	<u>(16,115)</u>	<u>(20,330)</u>	<u>15,770</u>	<u>(3,573)</u>	<u>(13,869)</u>	<u>(24,445)</u>	<u>(43,632)</u>	<u>(63,879)</u>	<u>7,116</u>	<u>(63,903)</u>

(continued)

CITY OF BUFFALO, NEW YORK
Table V—Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	(concluded)									
	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
OTHER FINANCING SOURCES (USES):										
Transfers in	76,738	46,008	74,467	50,994	57,600	59,246	62,108	66,272	63,681	72,895
Transfers out	(69,523)	(39,974)	(68,720)	(45,521)	(54,214)	(55,492)	(55,929)	(58,669)	(56,282)	(60,819)
Disbursement of bond proceeds	-	(42,819)	-	-	-	-	-	-	-	-
Disbursement of bond proceeds to										
Enterprise Funds	-	(6,761)	-	-	-	-	-	-	-	-
Capital notes	-	-	1,557	929	14	-	-	-	-	-
Issuance of serial bonds	28,030	74,335	28,470	-	43,500	-	61,535	83,615	39,285	25,640
Premium on bonds issued	2,656	5,968	1,254	-	538	-	3,402	3,250	1,801	3,617
Payments to refunded bond										
escrow agent	-	1,084	-	-	-	-	(36,086)	(31,621)	(40,566)	-
Proceeds of capital lease	4,095	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>41,996</u>	<u>37,841</u>	<u>37,028</u>	<u>6,402</u>	<u>47,438</u>	<u>3,754</u>	<u>35,030</u>	<u>62,847</u>	<u>7,919</u>	<u>41,333</u>
NET CHANGE IN FUND BALANCES	<u>\$ 25,881</u>	<u>\$ 17,511</u>	<u>\$ 52,798</u>	<u>\$ 2,829</u>	<u>\$ 33,569</u>	<u>\$ (20,691)</u>	<u>\$ (8,602)</u>	<u>\$ (1,032)</u>	<u>\$ 15,035</u>	<u>\$ (22,570)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>15.35%</u>	<u>15.65%</u>	<u>12.19%</u>	<u>10.86%</u>	<u>11.85%</u>	<u>11.16%</u>	<u>11.03%</u>	<u>11.20%</u>	<u>11.13%</u>	<u>9.31%</u>

CITY OF BUFFALO, NEW YORK
Table VI—General Fund Tax Revenues by Source
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PROPERTY TAX (1)	\$ 127,969	\$ 128,250	\$ 128,183	\$ 131,565	\$ 127,604	\$ 125,377	\$ 127,522	\$ 127,638	\$ 123,612	\$ 123,989
GROSS UTILITY TAX	12,887	13,455	12,050	12,033	10,556	9,693	11,586	10,098	9,408	8,579
COB FRANCHISE TAX	2,646	2,576	2,491	2,244	2,485	2,714	2,879	2,852	2,845	2,772
MORTGAGE TAX	2,701	2,716	2,704	2,431	1,944	1,810	1,603	1,601	1,986	2,076
FOREIGN FIRE INSURANCE TAX	353	343	340	-	-	-	-	-	-	4,191
OCCUPANCY TAX	<u>11</u>	<u>11</u>	<u>9</u>	<u>8</u>	<u>5</u>	<u>70</u>	<u>10</u>	<u>10</u>	<u>4</u>	<u>3</u>
	<u>\$ 146,567</u>	<u>\$ 147,351</u>	<u>\$ 145,777</u>	<u>\$ 148,281</u>	<u>\$ 142,594</u>	<u>\$ 139,664</u>	<u>\$ 143,600</u>	<u>\$ 142,199</u>	<u>\$ 137,855</u>	<u>\$ 141,610</u>

(1) Does not include property tax levy paid by New York State as STAR Aid.

CITY OF BUFFALO, NEW YORK
Table VII—Assessed Value and Estimated Actual Value of Taxable Real Property
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Real Property Residential Property	Real Property Commercial Property	Special Franchise	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (1)	Taxable Assessed Value as a Percentage of Actual Taxable Value
2005	\$ 4,405,889	\$ 3,886,173	\$ 312,129	\$ 3,189,036	\$ 5,415,155	\$ 27.02	\$ 5,604,591	96.62%
2006	4,511,611	3,989,602	341,763	3,249,728	5,593,248	26.16	5,788,315	96.63%
2007	4,626,173	4,025,731	330,093	3,275,707	5,706,290	25.64	6,168,296	92.51%
2008	4,936,090	4,285,076	348,041	3,483,436	6,085,771	24.04	6,322,880	96.25%
2009	4,911,903	4,451,237	347,704	3,578,736	6,132,108	23.42	6,536,035	93.82%
2010	4,984,712	4,488,325	360,679	3,530,987	6,302,729	22.92	6,722,274	93.76%
2011	5,079,838	4,594,201	390,519	3,657,707	6,406,851	22.52	6,932,321	92.42%
2012	5,122,964	4,533,896	379,675	3,630,741	6,405,794	22.37	6,851,849	93.49%
2013	5,333,731	4,395,804	379,675	3,671,093	6,438,117	21.53	6,849,060	94.00%
2014	5,378,214	4,395,026	386,755	3,662,040	6,497,955	21.28	6,730,842	96.54%

(1) Taxable assessed value adjusted by special equalization ratios established by New York State Office of Real Property Services.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table VIII—Direct and Overlapping Property Tax Rates
Last Ten Years
(Unaudited, per \$1,000 of assessed valuation)

Fiscal Year	(3) Class	City of Buffalo (1)			School District (1)			City Direct Blended Rate (5)	(2) (4) Total County of Erie	(1) (4) Total Sewer Authority	Direct and Overlapping Rates
		Operating	Debt Service	Total City	Operating	Debt Service	Total School				
2005	H	\$ 6.92	\$ 4.72	\$ 11.64	\$ 7.97	\$ 2.08	\$ 10.05	\$ 27.02	\$ 4.59	\$ 2.06	\$ 33.67
2005	NH	12.15	8.30	20.45	14.37	3.74	18.11				
2006	H	6.75	4.49	11.25	8.41	1.30	9.71	26.16	5.13	1.99	33.28
2006	NH	11.91	7.92	19.84	15.21	2.36	17.57				
2007	H	6.63	4.21	10.84	8.33	1.58	9.91	25.64	5.10	1.94	32.68
2007	NH	11.40	7.23	18.63	14.68	2.77	17.45				
2008	H	6.67	3.72	10.39	7.94	1.44	9.38	24.04	5.19	1.80	31.03
2008	NH	10.92	6.10	17.02	13.33	2.42	15.75				
2009	H	5.90	3.82	9.72	7.71	1.40	9.11	23.42	5.40	1.78	30.60
2009	NH	10.15	6.57	16.72	13.58	2.47	16.05				
2010	H	5.47	3.97	9.44	7.63	1.38	9.01	22.92	5.25	1.75	29.92
2010	NH	9.41	6.82	6.23	13.40	2.43	15.83				
2011	H	5.30	3.99	9.29	7.32	1.33	8.65	22.52	5.37	1.70	29.59
2011	NH	9.38	7.06	16.44	13.22	2.40	15.62				
2012	H	5.16	4.08	9.24	7.38	1.34	8.72	22.37	5.49	1.70	29.56
2012	NH	9.00	7.12	16.12	13.14	2.39	15.53				
2013	H	4.76	4.18	8.94	7.63	1.38	9.01	21.53	5.45	1.70	28.68
2013	NH	7.60	6.67	14.27	12.43	2.26	14.69				
2014	H	4.82	4.09	8.91	7.65	1.39	9.04	21.28	5.39	1.71	28.38
2014	NH	7.46	6.32	13.78	12.06	2.19	14.25				

(1) The City of Buffalo, School District and Buffalo Sewer Authority fiscal year begins on July 1.

(2) The County of Erie fiscal year begins on January 1.

(3) H — Homestead class, NH — Non-homestead class.

(4) The County of Erie and the Buffalo Sewer Authority do not differentiate between Homestead and Non-homestead classes.

(5) The blended rate is calculated using the total tax levy and total taxable assessed valuation.

Source: City of Buffalo, Division of Accounting; County of Erie; and Buffalo Sewer Authority

CITY OF BUFFALO, NEW YORK
Table IX—Principal Property Taxpayers
Years Ended June 30, 2014 and June 30, 2005
(Unaudited, amounts expressed in thousands)

Taxpayer	Year ended June 30,					
	2014			2005		
	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value
National Grid	\$ 308,977	1	4.75 %	\$ 200,899	1	3.71 %
National Fuel Gas	158,629	2	2.44	137,086	2	2.53
Con-Rail Corporation	79,374	3	1.22	12,853	7	0.24
Acquest Government Leases, LLC	65,000	4	1.00	n/a		
Verizon Communication, Inc	57,246	5	0.88	89,492	3	1.65
Seneca One Realty, LLC	53,600	6	0.82	50,768	4	0.94
Manufacturers & Traders Trust Co.	49,312	7	0.76	29,200	5	0.54
Uniquet Delaware, LLC	37,206	8	0.57	n/a		
LCO Building, LLC	32,552	9	0.50	n/a		
Norfolk Southern Corp	26,386	10	0.41	n/a		
Violet Realty, Inc.	n/a			17,000	6	0.31
General Mills	n/a			11,472	8	0.21
American Axle	n/a			10,175	9	0.19
OAB Holdings, Inc.	n/a			8,743	10	0.16

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table X—Property Tax Levies and Collections
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Interest Added to Levy (1)	Final Tax Levy for Fiscal Year	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage				Amount	Percentage of Levy
2005	\$ 129,365	\$ 121,485	93.91 %	\$ 1,418	\$ 130,783	\$ 7,373	\$ 128,858	98.53 %
2006	129,260	121,415	93.93	1,413	130,673	7,639	129,054	98.76
2007	129,631	121,849	94.00	1,401	131,032	7,456	129,305	98.68
2008	130,108	123,394	94.84	1,209	131,317	5,083	128,477	97.84
2009	128,689	121,873	94.70	1,227	129,916	441	122,314	94.15
2010	126,219	119,932	95.02	1,260	127,479	464	120,396	94.44
2011	129,069	122,281	94.74	1,224	130,293	393	122,674	94.15
2012	128,090	122,089	95.32	1,191	129,281	348	122,437	94.71
2013	123,947	117,559	94.85	1,159	125,106	404	117,963	94.29
2014	124,087	117,480	94.68	1,203	125,290	533	118,013	94.19

(1) Interest of 18% for one year is added to tax levy for all properties not paid in current year.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XI—Ratios of Outstanding Debt by Type
Last Ten Years

(Unaudited, amounts expressed in thousands, except Total Debt to City Population)

Fiscal Year Ended June 30,	Governmental Activities						Business-Type Activities						Total Primary Government Debt (1)(3)	Total Debt to Personal Income (2)	Total Debt per Capita (2)
	City General Obligation Bonds (1)	Plus BFSA Mirror Bonds City	City General Obligation Bonds Total	Schools General Obligation Bonds (1)	Plus BFSA Mirror Bonds Schools	General Obligation Total Schools	Total Governmental Bonded Debt	BFSA Revenue Bonds	Capital Leases	General Obligation Bonds (1)	Water Authority Bonds	Capital Leases			
2005	\$ 178,565	\$ 26,167	\$ 204,732	\$ 156,458	\$ 2,351	\$ 158,809	\$ 363,541	\$ 53,775	\$ 5,658	\$ 40,472	\$ 117,175	\$ -	\$ 552,103	5.22 %	\$ 2,058
2006	126,364	84,407	210,771	136,648	11,174	147,822	358,593	126,075	5,036	28,478	125,260	-	547,861	5.04	2,331
2007	106,611	102,582	209,193	127,254	16,085	143,339	352,532	151,085	4,449	26,188	153,467	-	569,054	5.00	2,523
2008	91,040	95,420	186,460	118,213	14,716	132,929	319,389	143,860	3,929	23,833	147,852	-	528,727	4.47	2,358
2009	117,328	88,585	205,913	120,707	13,241	133,948	339,861	132,850	3,388	21,415	144,615	-	540,303	4.52	2,370
2010	101,383	79,715	181,098	111,567	11,331	122,898	303,996	127,651	2,824	19,912	162,820	-	526,157	4.67	2,330
2011	112,298	68,965	181,263	106,551	10,065	116,616	297,879	112,577	2,237	17,607	156,763	-	508,033	4.33	2,208
2012	143,113	59,362	202,475	106,705	8,712	115,417	317,892	90,199	1,380	17,058	166,981	2,346	527,782	4.44	2,273
2013	128,139	50,650	178,789	94,390	7,291	101,681	280,470	81,091	935	14,578	160,157	1,657	480,947	4.07	1,857
2014	141,651	41,520	183,171	84,005	5,756	89,761	272,932	66,838	475	12,135	152,609	955	458,668	n/a	n/a

Note: Detail regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Net of bonds issued by City to BFSA.

(2) Population and income data can be found in the schedule of demographic and economic statistics.

(3) Net of related premiums and discounts, where applicable.

CITY OF BUFFALO, NEW YORK
Table XII—Ratios of General Bonded Debt Outstanding
Last Ten Years

(Unaudited, amounts expressed in thousands, except Total Debt to City Population)

Fiscal Year Ended June 30,	General Bonded Debt				Less Amounts Available in		Total Bonded Debt to Assessed Value (2)	Total Bonded Debt to Equalized Full Value (2)	Total Bonded Debt Per Capita (3)
	City	Schools (1)	Business-type	Total	Debt Service Fund	Total			
2005	204,732	158,809	40,472	404,013	5,054	398,959	7.37	7.12	1,271
2006	210,771	147,822	28,478	387,071	4,152	382,919	6.85	6.62	1,284
2007	209,193	143,339	26,188	378,720	5,029	373,691	6.55	6.06	1,275
2008	186,460	132,929	23,833	343,222	4,329	338,893	5.57	5.36	1,163
2009	205,913	133,948	21,415	361,276	5,687	355,589	5.80	5.44	1,237
2010	181,098	122,898	19,912	323,908	4,830	319,078	5.06	4.75	1,143
2011	181,263	116,616	17,607	315,486	3,648	311,838	4.87	4.50	1,181
2012	202,475	115,417	17,058	334,950	1,719	333,231	5.20	4.86	1,260
2013	178,789	101,681	14,578	295,048	4,699	290,349	4.51	4.24	1,095
2014	183,171	89,761	12,135	285,067	9,970	275,097	4.23	4.09	n/a

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Net of bonds issued by City to BFSA.
- (2) See the schedule of assessed value and estimated actual value of taxable real property for property value data.
- (3) Population data can be found in the schedule of demographic and economic statistics.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XIII—Direct and Overlapping Debt
As of June 30, 2014
(Unaudited, amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Erie County	\$ 456,213	13.70 %	\$ 62,501
Buffalo Sewer Authority	47,302	22.50	<u>10,643</u>
Subtotal — overlapping debt			73,144
City of Buffalo total gross debt			<u>285,486</u>
Total direct and overlapping debt			<u>\$ 358,630</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Buffalo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

- (1) Excludes County general obligations sold for sewer districts in the County payable from assessments on property outside the City.
- (2) The percentage of overlapping debt applicable is estimated using the ratio of City to total County full valuation as equalized by the County Commissioner of Finance. The Sewer Authority percentage is the amount of operating fund revenues derived from a sewer rent on the assessed value of real property within the City.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XIV—2014 Legal Debt Margin
As of June 30, 2014
(Unaudited, amounts expressed in thousands)

Legal Debt Margin Calculation for Fiscal Year 2014

Average Full Valuation of Taxable Real Property and Special Franchises as Determined by the Last Completed Roll and the Four Preceding Rolls	<u>\$ 6,640,220</u>
Debt Contracting Limitation — Nine percent of average full valuation — Article VIII, Section 4 of the Constitution of the State of New York	\$ 597,620
Gross indebtedness:	
Borrowings:	
Serial bonds	\$ 275,739
Bond anticipation notes	<u>7,367</u>
Total gross debt	<u>283,106</u>
Exclusions:	
Exempt debt:	
Water supply bonds	967
Parking facilities bonds	11,120
Reserve to pay non-exempt debt	10,102
Appropriation in current budget to pay non-exempt debt maturing during remainder of fiscal year	<u>36,267</u>
Total exclusions	<u>58,456</u>
Net indebtedness	<u>224,650</u>
Debt contracting margin	372,970
Authorized but unissued non-exempt debt	<u>22,384</u>
Effective remaining borrowing capacity — July 1, 2014	<u>\$ 350,586</u>

Note: Under Article VIII, Section 4 of the Constitution of the State of New York, the City of Buffalo's outstanding general obligation debt should not exceed 9 percent of average full valuation of taxable property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XV—Legal Debt Margin Information
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 494,603	\$ 502,572	\$ 518,985	\$ 547,562	\$ 565,411	\$ 579,415	\$ 584,642	\$ 588,627	\$ 587,664	\$ 597,620
Total net debt applicable to limit	<u>341,786</u>	<u>320,264</u>	<u>314,275</u>	<u>279,302</u>	<u>297,822</u>	<u>262,758</u>	<u>255,003</u>	<u>271,565</u>	<u>233,488</u>	<u>224,650</u>
Debt contracting margin	152,817	182,308	204,710	268,260	267,589	316,657	329,639	317,062	354,176	372,970
Authorized but unissued non-exempt debt	<u>61,178</u>	<u>12,750</u>	<u>13,322</u>	<u>13,322</u>	<u>7,983</u>	<u>6,170</u>	<u>6,170</u>	<u>6,170</u>	<u>26,622</u>	<u>22,384</u>
Effective remaining borrowing capacity — July 1	<u>\$ 91,639</u>	<u>\$ 169,558</u>	<u>\$ 191,388</u>	<u>\$ 254,938</u>	<u>\$ 259,606</u>	<u>\$ 310,487</u>	<u>\$ 323,469</u>	<u>\$ 310,892</u>	<u>\$ 327,554</u>	<u>\$ 350,586</u>
Total net debt applicable to the limit as a percentage of debt limit	69.10 %	63.72 %	60.56 %	51.01 %	52.67 %	45.35 %	43.62 %	46.14 %	39.73 %	37.59 %

Note: Under Article VIII, Section 4 of the Constitution of the State of New York, the City of Buffalo's outstanding general obligation debt should not exceed 9 percent of average full valuation of taxable property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK

**Table XVI—Debt Service Coverage for Buffalo Municipal Water Finance Authority Revenue Bonds
Last Ten Years**

(Unaudited, amounts expressed in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Cash Receipts</u>	<u>Cash Disbursements for Operations</u>	<u>Net Available Revenue</u>	<u>Debt Service Payment</u>	<u>Debt Coverage</u>
2005	\$ 35,817	\$ 25,080	\$ 10,737	\$ 9,234	116.28 %
2006	40,352	25,566	14,786	9,542	154.96
2007	39,673	22,681	16,992	10,526	161.43
2008	40,785	22,388	18,397	11,477	160.29
2009	41,456	24,032	17,424	11,405	152.78
2010	41,403	22,982	18,421	11,795	156.18
2011	46,018	24,503	21,515	13,670	157.32
2012	47,525	24,193	23,332	14,741	158.28
2013	47,411	26,182	21,229	13,543	156.75
2014	47,283	25,552	21,731	13,631	159.42

Note: The Buffalo Water Board is required to set rates such that excess reserves and revenues collected in a fiscal year will be equal to 115% of the debt service payable in the fiscal year and 100% of the operating expenses and required deposits payable in the fiscal year.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XVII—Demographic and Economic Statistics
Last Ten Years
(Unaudited)

	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Population (1)	282,100	276,059	272,632	270,919	270,240	261,310	261,044	259,384	258,959	n/a
Total personal income (in thousands)(2)	\$ 10,572,826	\$ 10,861,541	\$ 11,381,023	\$ 11,820,196	\$ 11,908,666	\$ 11,088,428	\$ 11,480,976	\$ 11,756,580	\$ 11,805,941	n/a
Per capita personal income (2)	\$ 37,479	\$ 39,345	\$ 41,745	\$ 43,630	\$ 44,067	\$ 42,434	\$ 43,981	\$ 45,325	\$ 45,590	n/a
School district enrollment (3)	38,479	36,706	36,563	35,677	34,478	34,636	34,191	32,523	33,437	31,328
Unemployment rate (4)	6.5 %	6.3 %	5.9 %	6.9 %	10.0 %	10.2 %	10.4 %	10.9 %	9.7 %	n/a
Employed (4)	115,500	115,100	114,100	114,300	110,800	108,900	103,100	103,000	103,100	n/a

- (1) Population figures from “Survey of Buying Power“ Sales and Marketing Management Magazine 1999–2005 and U.S. Census Bureau (www.factfinder.census.gov) 2006-2013.
- (2) U.S. Census Bureau (www.factfinder.census.gov).
- (3) Buffalo City School District’s Department of Research and Evaluation.
- (4) www.labor.state.ny.us. See "Buffalo, City of".

CITY OF BUFFALO, NEW YORK
Table XVIII—Principal Employers in the Buffalo Metropolitan Area
Years Ended June 30, 2014 and June 30, 2005
(Unaudited)

Employer	2014 (1)			2005 (2)		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of New York	15,085	1	3.53 %	16,989	1	3.79 %
Federal Executive Board (United States of America)	10,000	2	2.34	11,000	2	2.46
Kaleida Health	10,000	3	2.34	6,039	7	1.35
University at Buffalo	6,790	4	1.59	6,250	6	1.40
Catholic Health System	6,575	5	1.54	4,616	10	1.03
M&T Bank	6,500	6	1.52	5,141	8	1.15
Tops Markets	5,772	7	1.35	9,768	3	2.18
Buffalo City School District	4,949	8	1.16	6,829	5	1.52
County of Erie	4,203	9	0.98	7,529	4	1.68
Seneca Gaming Corp.	4,000	10	0.94	n/a		
HSBC Bank, USA	n/a			4,875	9	1.09
Total	<u>73,874</u>			<u>79,036</u>		

(1) From "Buffalo Business First " (July 25, 2014 edition).

(2) From the October 28, 2005 issue of "Business First".

CITY OF BUFFALO, NEW YORK
Table XIX—Full-time Equivalent Employees by Function
Last Ten Years
(Unaudited)

Function	As of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government support	379	391	381	384	395	393	382	366	355	366
Public safety:										
Police:										
Officers and exempt	730	722	658	715	713	695	639	684	713	718
Civilians	150	151	144	142	139	142	137	154	171	169
Fire:										
Firefighters and officers	685	653	630	611	601	614	623	651	592	564
Civilians	38	47	38	40	45	34	36	37	37	36
Other	143	136	133	144	147	145	134	132	136	138
Streets and sanitation	177	173	165	202	204	194	203	195	192	188
Economic assistance and opportunity	23	23	21	22	20	21	18	20	27	30
Culture and recreation	6	8	8	7	14	64	77	89	94	78
Health and community services	56	57	57	53	51	54	44	36	36	33
Business-type activities:										
Solid Waste and Recycling	176	177	173	146	149	140	139	135	138	98
Parking	1	1	1	-	-	-	-	-	-	-
Water System	126	129	127	126	122	112	104	101	92	143
Total	<u>2,690</u>	<u>2,668</u>	<u>2,536</u>	<u>2,592</u>	<u>2,600</u>	<u>2,608</u>	<u>2,536</u>	<u>2,600</u>	<u>2,583</u>	<u>2,561</u>

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XX—Operating Indicators by Function
Last Ten Years
(Unaudited)

Function	Year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration and finance:										
Parking summons issued	195,000	200,757	179,229	142,801	149,531	176,192	192,643	186,418	185,554	174,416
Police:										
Physical arrests	10,132 (1)	18,105	21,483	19,780	17,037	15,791	19,211	16,586	17,078	13,795
Traffic violations	13,904 (1)	29,746	30,914	25,611	27,193	23,578	22,322	18,439	30,918	34,944
Fire:										
Number of calls answered	33,994	32,861	35,900	34,434	33,581	34,928	32,350	32,609	33,223	34,480
Inspections	4,350 (2)	2,050 (3)	3,600	2,332 (3)	2,753	4,670	3,240	4,426	3,581	3,451
Public works:										
Street resurfacing (square yards)	436,676	441,025	232,727	418,998	314,292	510,250	N/A	626,244	769,887	438,427
Pothole material used (in tons)	1,632	1,176	1,176	1,800	1,895	1,545	1,520	1,540	1,333	1,705
Sanitation:										
Refuse collected (tons/day)	394	525	474	498	478	415	420	408	364	368
Recyclables collected (tons/day)	35	35	26	33	32	32	33	52	51	54
Permits and inspections:										
Demolitions completed	618	238	367	481	765	693	486	137	203	230
Inspections	62,560	31,274	46,446	59,001	40,574	37,545	29,314	32,696	38,478	35,934
Water:										
Consumers	79,610	79,192	79,019	78,224	76,873	73,531	74,989	74,647	74,642	74,566
Water main breaks	263	191	175	184	216	246	233	244	273	321
Average daily consumption (thousands of gallons)	80,820	80,200	72,130	66,800	64,650	58,997	58,871	58,979	59,888	70,362

(1) Reflects data for the period January through June 2005.

(2) Numbers are approximates due to lack of source documents.

(3) Number reflects calendar basis.

Source: Various City departments

CITY OF BUFFALO, NEW YORK
Table XXI—Capital Asset Statistics by Function
Last Ten Years
(Unaudited)

Function	As of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety:										
Police:										
Stations (including headquarters)	8	8	7	6	7	7	8	6	6	8
Satellite stations (substations)	5	5	3	1	-	1	-	4	4	-
Fire stations (including headquarters)	25	23	20	20	23	20	25	20	20	20
Sanitation — Collection trucks	38	39	39	44	44	39	42	39	36	36
Highways and streets:										
Streets (miles)	700	700	700	700	720	720	720	720	635	635
Streetlights	35,000	35,035	30,429	32,000	32,000	31,285	31,513	31,538	31,538	31,863
Traffic signals	660	650	665	665	663	663	663	663	663	664
Culture and recreation:										
Parks acreage (including public squares and circles)	2,025	2,025	1,500	1,900	1,900	1,800	1,800	1,800	1,842	1,842
Parks (major)	20	20	16	16	16	29	29	29	29	29
Minor parks and playgrounds	81	81	81	81	81	60	60	60	61	61
Community centers	34	34	34	35	35	38	32	32	32	32
Education — School buildings	74	74	74	69	72	71	60	59	58	59
Water:										
Water mains (miles)	783	783	875	875	875	875	809	809	810	808
Fire hydrants	7,432	7,432	8,004	8,004	8,004	8,004	7,877	7,997	8,023	7,959
Pumping plant-maximum daily capacity (thousands of gallons)	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	340,000	320,000
Filtration plant-maximum daily capacity (thousands of gallons)	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000

Source: Various City departments