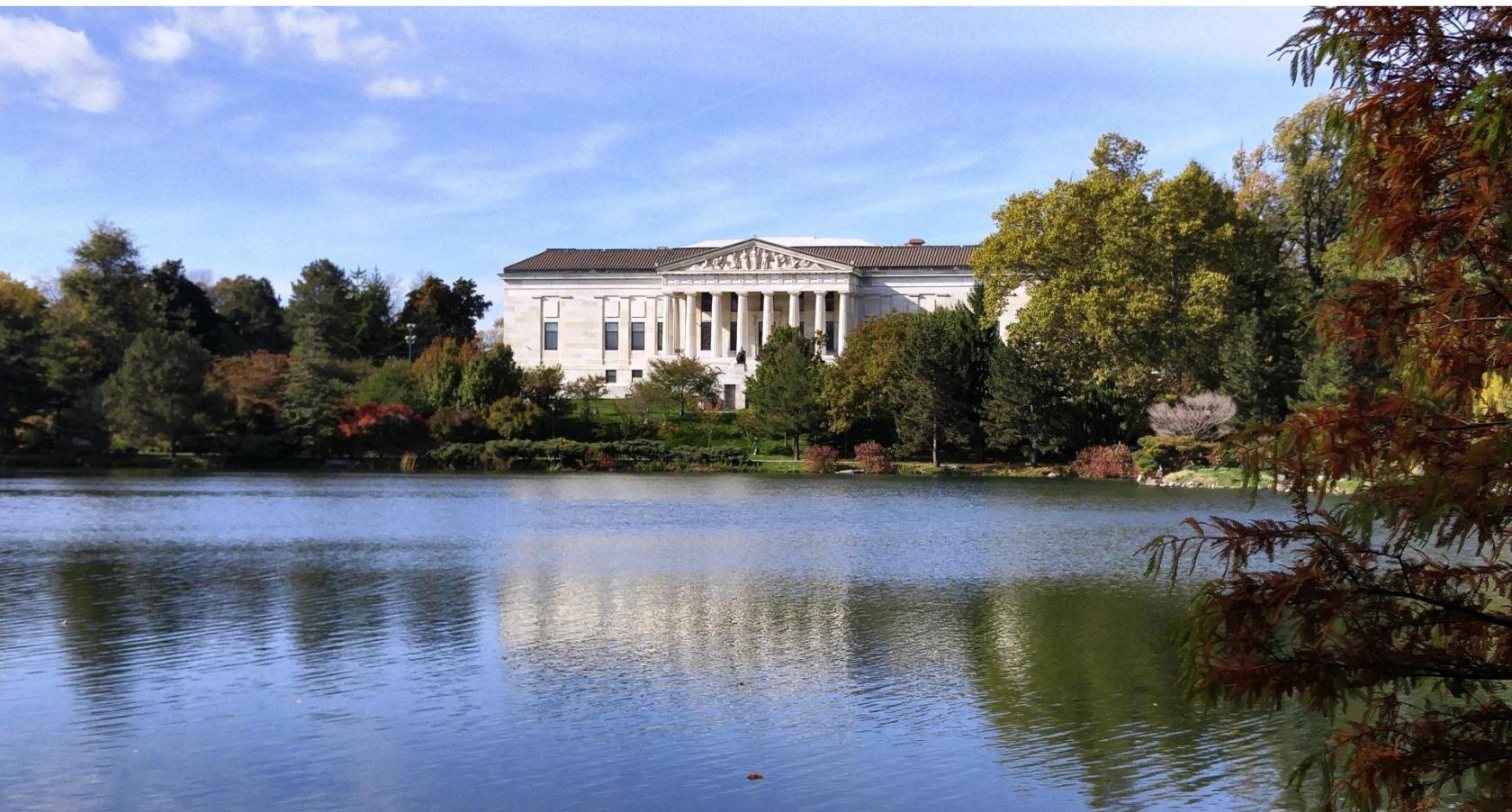




CITY OF BUFFALO



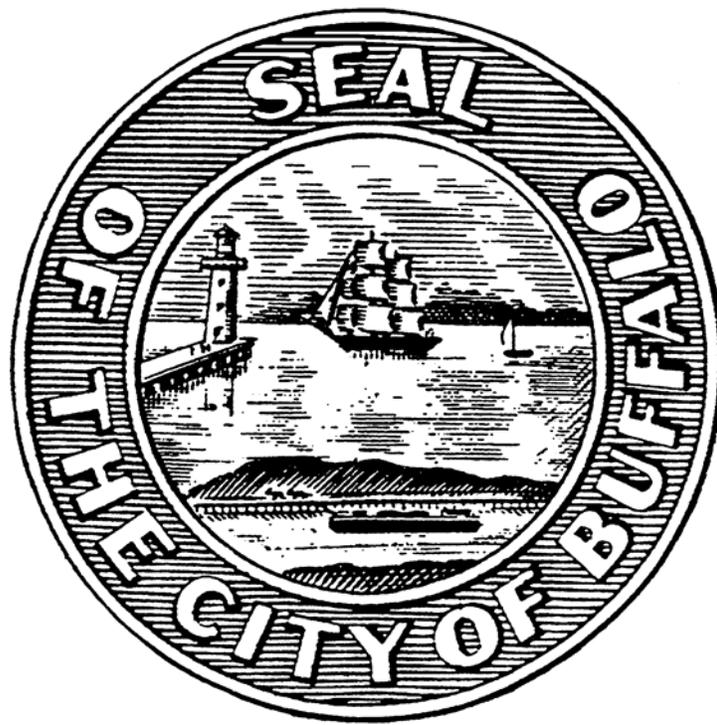
COMPREHENSIVE ANNUAL FINANCIAL REPORT BUFFALO, NEW YORK · FOR FISCAL YEAR ENDED JUNE 30, 2016



City of Buffalo, New York

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016
Mark J.F. Schroeder, Comptroller



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

CITY OF BUFFALO, NEW YORK
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INTRODUCTORY SECTION



CITY OF BUFFALO

DEPARTMENT OF
AUDIT AND CONTROL

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

ANNE FORTI-SCIARRINO, CPA
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

MARK J. F. SCHROEDER

COMPTROLLER

November 1, 2016

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

I am pleased to submit the 184th Annual Financial Report of the City of Buffalo, New York (the City) for the fiscal year ended June 30, 2016. 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, 2016. 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, first settled in 1789, was incorporated 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 nearly \$8 billion in construction projects either completed or underway in the City of Buffalo since 2013, according to Buffalo Business First, a business newspaper. That figure climbs to \$19.2 billion when including projects from the region as a whole.

RiverBend, a solar panel production facility operated by SolarCity, is expected to begin production in June 2017 and create 3,000 permanent jobs. SolarCity, which plans to merge with Tesla, will produce solar roof tiles at the facility, as well as solar cells and modules for Panasonic. 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. New York State spent \$750 million in the construction of the facility, and SolarCity has planned to invest \$5 billion.

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 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 (BNMC), 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 2017, 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 \$270 million Women & Children's Hospital, which are both under construction. Roswell Park Cancer Institute, which just completed a \$50 million expansion at the BNMC, recently secured United States Food and Drug Administration (FDA) approval to begin clinical trials of a possible lung cancer vaccine.

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 strategy, executed by all levels of government, has been to use public investment in parks and amenities in order to spur private development.

The centerpiece of this effort is the Canalside project, a year-round destination on the southern edge of downtown. More than 1.5 million visitors enjoyed Canalside in the summer of 2016, with more visitors expected during the colder months thanks to its popular ice rink, which is larger than the rink at Rockefeller Plaza in New York City. Three new buildings at Canalside, including the Explore and More Children's Museum, are also planned.

Canalside's popularity has led to more than a half billion dollars in private development in the area surrounding the attraction. This includes HarborCenter, where the National Hockey League's (NHL) Buffalo Sabres have completed a \$250 million project, which includes a 20-story facility with two ice rinks, a 200-room Marriott hotel, retail, and a high-end sports bar known as "716". Connected to the Sabres' arena, the Key Bank Center, HarborCenter hosted the 2016 NHL Draft and will host the 2018 World Junior Hockey Championships, beating out Chicago, Pittsburgh, St. Louis, and Tampa for the international event.

Waterfront development has also spread past downtown, with recent park projects leading to nearby residential developments on the Outer Harbor and the Buffalo River. Buffalo Riverfest Park and Mutual Riverfront Park has resulted in new apartment buildings on the Buffalo River, such as the \$18 million Buffalo River Landing and the \$9 million 301 Ohio building. Wilkeson Pointe and other improvements have led to the first residential project on the Outer Harbor, the 23-story, \$85 million Queen City Landing apartment building, which obtained City approval to begin construction this year.

Buffalo's tallest building, the Seneca One Tower, was purchased in September by Doug Jemal, the #2 commercial real estate developer in the Washington, D.C. market, who plans to spend as much as \$200 million on a mixed-use redevelopment, according to the Buffalo News.

Delaware North's new headquarters, an \$80 million, 12-story office tower with a 120-room Westin hotel, opened in 2016. A \$40 million expansion of the Buffalo Creek Casino, including 360 new slot machines, 10 table games, a performance stage, and a high-end restaurant, is under construction.

According to Kiplinger's magazine, using data from Clear Capital, Buffalo's home prices increased 20.3 percent from 2006 to 2015. This ranks fourth among the nation's top 100 metro areas, behind only Austin, Honolulu, and Denver.

In October 2016, Governor Cuomo committed \$1 million in state funding for a study to build a new passenger train station in Buffalo.

Long-term Financial Planning

The City's General Fund remains strong at \$149.5 million, a decrease of \$1.7 million from the year ended June 30, 2015. The City's debt management policy has reduced capital indebtedness by 25% since 2012, to \$249.1 million in 2016. The City has committed \$36.3 million to an Emergency Stabilization fund for non-recurring emergencies.

Major Initiatives

Over the past year, the City reached collective bargaining agreements with its blue-collar and building inspector unions, and its dependent school district reached a collective bargaining agreement with its teachers' union. After reaching contracts with other unions in recent years, only 27 active City employees are currently not under

contract. This effort has removed a great deal of uncertainty surrounding the budgeting of future labor expenses and helped to reduce future other post-employment benefits (OPEB) liabilities.

Buffalo is implementing an overhaul of the City's zoning regulations, known as the Green Code, a development framework that aims to promote investment, facilitate job creation, restore the environment, and improve the quality of life for residents.

The City, in an effort to revitalize its East Side and provide employment opportunities for nearby residents, is partnering with the state on the Northland Corridor Redevelopment Project, which includes the creation of a new manufacturing hub and training center. The project includes the redevelopment of 50 acres of land, with existing road, rail, and utility infrastructure, into shovel-ready industrial sites. The anchor tenant will be the Western New York Workforce Training Center, a \$44 million facility that will focus primarily on training for careers in the advanced manufacturing and energy sectors.

Awards and Acknowledgements

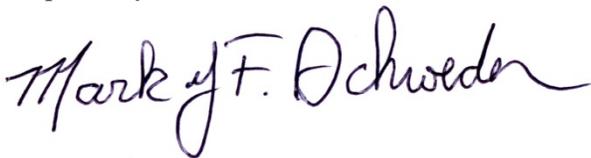
For the tenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Buffalo for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In 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, 2015, the third consecutive year the City has earned the award.

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 blue ink that reads "Mark J.F. Schroeder". The signature is written in a cursive style with a long, sweeping underline.

Mark J.F. Schroeder
Comptroller

**CITY OF BUFFALO, NEW YORK
Elected City Officials
June 30, 2016**

Byron W. Brown, Mayor

Mark J.F. Schroeder, Comptroller

Darius G. Pridgen, President of the Council

**DISTRICT COUNCIL MEMBERS
(as of June 30, 2016)**

Delaware District—Joel P. Feroletto

Ellicott District—Darius G. Pridgen

Fillmore District—David A. Franczyk

Lovejoy District—Richard A. Fontana

Masten District—Ulysees O. Wingo, Sr.

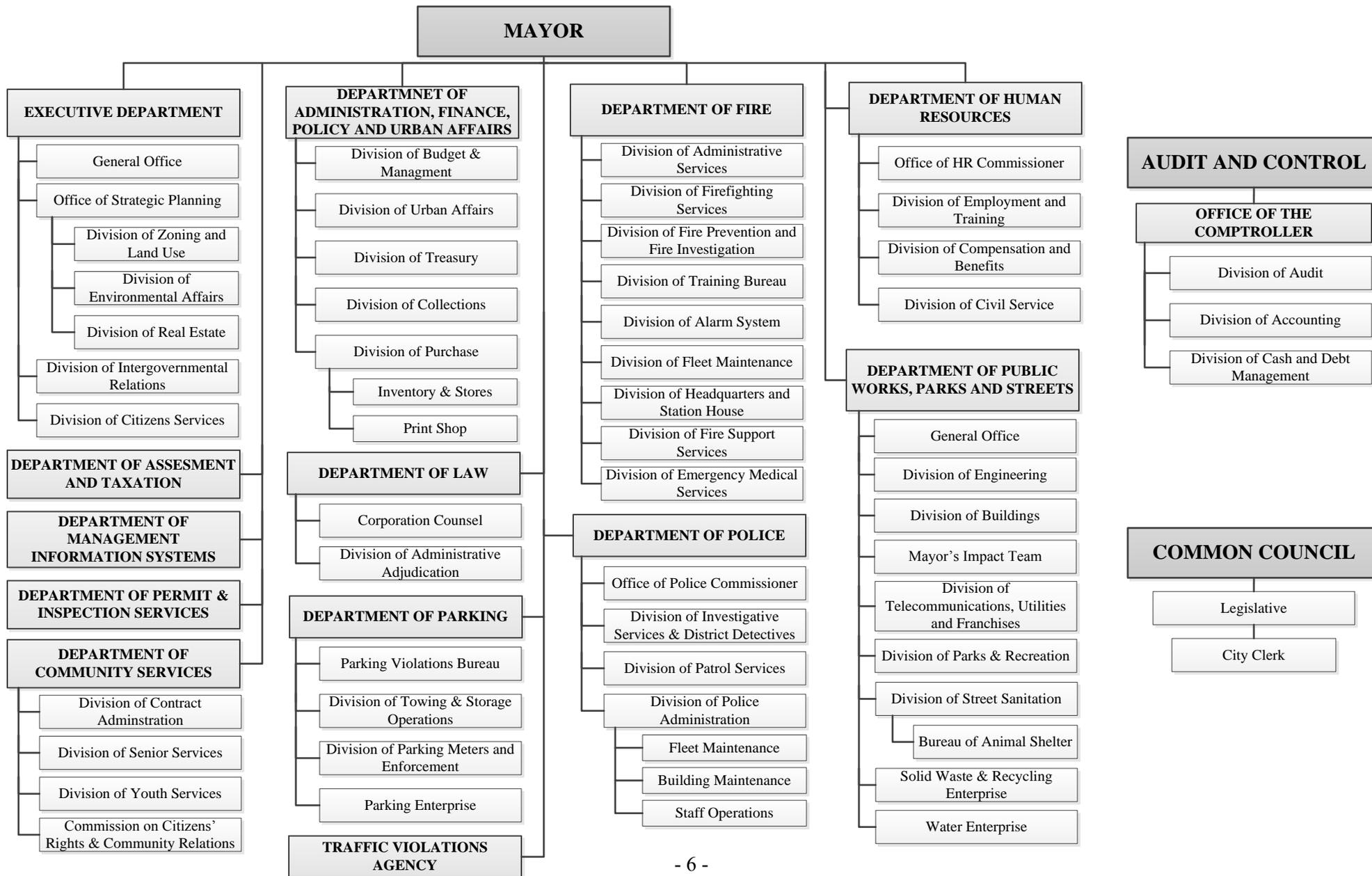
Niagara District—David A. Rivera

North District—Joseph Golombek, Jr.

South District—Christopher P. Scanlon

University District—Rasheed Wyatt

CITY OF BUFFALO, NEW YORK
Organizational Chart
June 30, 2016





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, 2015

Executive Director/CEO

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, 2016, 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 ("BFSA"), which represents 2.0% and 0.8%, respectively, of the assets and revenues of the governmental activities. We also did not audit the financial statements of the Buffalo Board of Education ("BBOE"), which is shown as a discretely presented component unit. 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 BFSA and BBOE, is based solely on the reports of the 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, 2016, 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.

A handwritten signature in cursive script that reads "Drescher & Malacki LLP".

November 1, 2016

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2016

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, 2016. This document should be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. 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, 2016 by \$15,166 (net position). This consists of \$410,706 net investment in capital assets, \$40,497 restricted for specific purposes, and deficit unrestricted net position of \$436,037.
- The City's total primary government net position decreased by \$41,962 during the year ended June 30, 2016. Net position decreased \$47,935 for governmental activities and increased \$5,973 for business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$216,820.
- At the end of the current fiscal year, the combined committed, assigned and unassigned fund balance for the General Fund was \$113,577, or 24.5 percent, of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization fund is \$36,317 or 7.8 percent of total General Fund expenditures and transfers out, assigned fund balance is \$35,371, or 7.6 percent of total General Fund expenditures and transfers out, and unassigned fund balance is \$41,889, or 9.0 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 \$255,244 (\$209,423 net governmental activities general obligation bonds issued by the City, \$34,925 governmental activities general obligation bonds issued by BFSA, and \$10,896 business-type activities general obligation bonds). The City issued serial bonds of \$21,703 and refunding bonds of \$21,220 for governmental activities, and issued serial bonds of \$4,067 for business-type activities, while the BFSA issued refunding bonds of \$14,170 during the year ended June 30, 2016.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$130,835.

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 parking ramps, refuse collection services, and a water system.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Buffalo Board of Education, 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 funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. 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 Buffalo Fiscal Stability Authority (“BFSA”) is reported as a major fund of the City (BFSA Special Revenue). Data from the City’s Special Revenue and Permanent Funds, as well as the Debt Service Fund of the BFSA 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. An *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 35-94 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, the City’s net pension (asset)/liability, 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 95-103 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 104-112.

Finally, the Statistical Section can be found on pages 113-136 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's primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,166 at the close of the most recent fiscal year, as compared to \$57,128, at the close of the fiscal year ended June 30, 2016.

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 (000's omitted)

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 620,392	\$ 607,154	\$ 67,194	\$ 66,879	\$ 687,586	\$ 674,033
Noncurrent assets	500,491	483,920	182,827	178,216	683,318	662,136
Total assets	1,120,883	1,091,074	250,021	245,095	1,370,904	1,336,169
Deferred outflows of resources	137,077	22,821	11,372	5,775	148,449	28,596
Current and other liabilities	332,647	294,258	10,742	9,781	343,389	304,039
Noncurrent liabilities	952,851	819,138	187,141	184,350	1,139,992	1,003,488
Total liabilities	1,285,498	1,113,396	197,883	194,131	1,483,381	1,307,527
Deferred inflows of resources	19,920	22	886	88	20,806	110
Net position:						
Net investment in capital assets	346,504	322,566	64,202	57,182	410,706	379,748
Restricted	40,497	50,545	-	-	40,497	50,545
Unrestricted	(434,459)	(372,634)	(1,578)	(531)	(436,037)	(373,165)
Total net position	\$ (47,458)	\$ 477	\$ 62,624	\$ 56,651	\$ 15,166	\$ 57,128

The largest portion of the City's net position, \$410,706, 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, \$40,497, 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 \$436,037, 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 \$545,625, 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 of the City's primary government decreased \$41,962. Significant changes from 2015 to 2016 in the Statement of Net Position and reasons for such changes are:

- Current and other assets increased by \$13,553. The primary reason for the increase is an increase in cash and cash equivalents of \$31,401 related primarily to the timing of payments made by the City.
- Noncurrent assets increased by \$21,182. A significant portion of the increase was due to additions to infrastructure and buildings and building improvements in governmental activities and business-type activities.
- Deferred outflows of resources increased by \$119,853, due primarily to an increase in deferred outflows relating to pensions.
- Current and other liabilities increased \$39,350, due to \$44,996 increase in amounts owed to component units, offset by a decrease of \$5,632 in accounts payable and accrued liabilities and intergovernmental payables. These changes are primarily related to the timing of payments made by the City.
- Noncurrent liabilities increased by \$136,504, primarily due to a \$112,258 increase in the net pension liability, and a \$49,650 increase in other post-employment benefits ("OPEB") liabilities, offset by a net \$22,755 decrease in bonds payable.
- Deferred inflows of resources increased \$20,696, due primarily to an increase in deferred inflows relating to pensions.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2016 and June 30, 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 28,340	\$ 27,927	\$ 70,276	\$ 70,491	\$ 98,616	\$ 98,418
Operating grants and contributions	32,188	40,789	-	-	32,188	40,789
Capital grants and contributions	23,821	32,998	-	-	23,821	32,998
General revenues:						
Property taxes	124,896	124,101	-	-	124,896	124,101
Other taxes	24,652	24,437	-	-	24,652	24,437
Intergovernmental	97,471	98,149	223	443	97,694	98,592
Grants and contributions	344	283	-	-	344	283
Investment earnings	3,262	1,610	111	157	3,373	1,767
State aid	168,311	167,725	-	-	168,311	167,725
Miscellaneous	7,971	27,928	-	-	7,971	27,928
Total revenues	<u>511,256</u>	<u>545,947</u>	<u>70,610</u>	<u>71,091</u>	<u>581,866</u>	<u>617,038</u>
Expenses:						
General government support	110,385	87,297	-	-	110,385	87,297
Public safety	274,293	302,214	-	-	274,293	302,214
Streets and sanitation	35,729	39,220	-	-	35,729	39,220
Economic assist. and opportunity	41,623	21,132	-	-	41,623	21,132
Culture and recreation	15,977	10,925	-	-	15,977	10,925
Health and community services	6,941	5,222	-	-	6,941	5,222
Education	70,323	70,323	-	-	70,323	70,323
Interest and fiscal charges	10,166	9,551	-	-	10,166	9,551
Solid Waste and Recycling	-	-	23,548	25,234	23,548	25,234
Parking	-	-	2,594	1,986	2,594	1,986
Water System	-	-	32,249	34,633	32,249	34,633
Total expenses	<u>565,437</u>	<u>545,884</u>	<u>58,391</u>	<u>61,853</u>	<u>623,828</u>	<u>607,737</u>
Excess (deficiency) of revenues over expenses	(54,181)	63	12,219	9,238	(41,962)	9,301
Transfers	<u>6,246</u>	<u>9,246</u>	<u>(6,246)</u>	<u>(9,246)</u>	<u>-</u>	<u>-</u>
Change in net position	(47,935)	9,309	5,973	(8)	(41,962)	9,301
Net position—beginning	<u>477</u>	<u>(8,832)</u>	<u>56,651</u>	<u>56,659</u>	<u>57,128</u>	<u>47,827</u>
Net position—ending	<u>\$ (47,458)</u>	<u>\$ 477</u>	<u>\$ 62,624</u>	<u>\$ 56,651</u>	<u>\$ 15,166</u>	<u>\$ 57,128</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are state aid (32.9%), property taxes (24.4%) and intergovernmental (19.1%).

The largest expense categories for the City’s governmental activities are public safety (48.5%), general government support (19.5%) and education (12.4%). The education category represents the City allocation to the Board.

Significant changes from 2015 to 2016 in revenues and expenses for the City include the following:

- Total revenues decreased by \$35,172 in the current year as compared to last year, primarily due to prior year’s increase in miscellaneous revenues for a one-time transaction to record a refund of prior year expenses related to retroactive wages.
- Total expenses increased by \$16,091. While overall fund expenditures decreased due to a decrease in fringe benefits, general government support, economic assistance and opportunity, culture and recreation, health and community services government-wide expenses were higher than 2015 expenses by \$23,088, \$20,491, \$5,052, \$1,719 and \$615. These increases are a result in expenses that are allocable to the functions, including increases in the pension expense of approximately \$28,900.

Business-type activities—Business-type activities increased the City’s net position by \$5,973. Overall, revenues and expenses remained relatively consistent from 2015 to 2016. The overall increase in net position is due to the following:

- The Solid Waste and Recycling Fund recorded a decrease in net position of \$1,169 as a result of operating expenses and transfers out continuing to exceed operating revenues and transfers in.
- The net position of the Parking Fund increased \$1,944, which was a result of a decrease in transfers out of excess reserves to the General Fund.
- The Water System’s net position increased by \$5,198 as a result of a decrease in both operating expenses and interest expense.

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, 2016, the City’s governmental funds reported combined ending fund balances of \$216,820, a decrease of \$13,100 from the prior year. Approximately 19.3 percent of this amount, \$41,889, 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, \$27,817, (2) restricted for particular purposes, \$74,769, (3) committed to particular purposes, \$36,317, or (4) assigned for particular purposes, \$36,028.

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 \$27,817 consists of \$9,472 of real estate acquired for sale, \$16,754 to cover the deficit in the Solid Waste and Recycling Fund, \$1,561 for prepaid items and \$30 for Permanent Fund principal.

Restricted fund balance in the amount of \$74,769 are amounts constrained to specific purposes and consist of \$41,246 to finance specific capital projects, \$6,972 for future capital outlay, \$19,319 to pay debt service, \$5,181 for federal and state programs, \$710 for state mandated initiatives, \$1,230 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. \$36,317 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$36,028 consists of \$10,031 to liquidate contracts and purchase orders, \$664 for motor vehicle self-insurance, \$10,676 for the subsequent year's budget, \$14,000 for judgments and claims, and \$657 in funds held by the BFSA. These assignments indicate management's intention to utilize these funds for the state purposes. Unassigned fund balance totals \$41,889.

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 \$41,889, while total fund balance decreased to \$149,478. 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 9.0 percent of total General fund expenditures and transfers out, while total fund balance represents approximately 32.3 percent of that same amount. While the City had planned use of fund balance of \$15,000, as a result of recognized savings, particularly in fringe benefits and general government support, during the year the total fund balance of the City's General Fund decreased by \$1,747.

The Debt Service Fund has a total fund balance of \$11,743, which is restricted solely for the purpose of payment of debt service. The decrease in fund balance during the current year in the Debt Service Fund of \$7,950 is due primarily to unbudgeted transfers out to the BFSA Debt Service Fund.

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, Capital Projects Fund fund balance was \$41,323, of which \$41,246 is restricted for encumbrances and future projects. The remaining \$77 is considered to not be in spendable form for prepaid items. The decrease in fund balance of \$429 is related to capital outlay in excess of revenues and proceeds from the issuance of debt.

The BFSA Special Revenue Fund is used to account for the general fund of the BFSA and, therefore, is their chief operating fund. Total fund balance at the end of the current fiscal year was \$1,378. Of this amount, \$657 is restricted by enabling legislation for state aid received on behalf of the City, \$10 is nonspendable for prepaid items and \$711 represents BFSA's assigned fund balance for operations. The \$152 decrease in fund balance is attributable to transfers out made to the BFSA Debt Service Fund for operations.

Other nonmajor governmental funds consist of the Special Revenue Fund, the BFSA 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 \$5,181. This balance is restricted for use in accordance with federal and state grant regulations. The fund balance of the Special Revenue Fund decreased by \$1,178 from the prior year, and is attributable expenditures in excess of revenues related to federal grant

funding. The BFSAs Debt Service Fund has a total fund balance of \$7,576, which is restricted to pay debt service. The fund balance of the BFSAs Debt Service Fund decreased by \$1,644 as a result of 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.

Proprietary 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 \$62,264. The balance includes a deficit balance of \$34,775 for the Solid Waste and Recycling Fund, \$42,853 for the Parking Fund, and \$54,546 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 \$114. This represents an increase of \$29, which is due to revenues exceeding expenditures.

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 funds were 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, 2016 is presented below in Table 3.

Table 3—General Fund Budget

	Budgeted Amounts		Budgetary	Variance with
	Adopted	Final	Actual Amounts	Final Budget
Revenues and other financing sources	\$ 478,211	\$ 478,211	\$ 462,811	\$ (15,400)
Expenditures and other financing uses	<u>493,211</u>	<u>497,328</u>	<u>474,273</u>	<u>23,055</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (15,000)</u>	<u>\$ (19,117)</u>	<u>\$ (11,462)</u>	<u>\$ 7,655</u>

Original budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$3.0 million in public safety, police related to overtime wages, \$2.7 million in other related to payouts of judgments and claims, and \$1.5 million related to streets and sanitation for public works, parks and streets. These were partially offset by a decrease in the budget related to fringe benefit expenditures for the New York State and Local Retirement Systems.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations indicate that certain expenditures exceeded budget. However, overall savings were noted, particularly in fringe benefits.

Capital Assets and Debt Administration

Capital assets—The City’s capital assets for its governmental activities and business-type activities as of June 30, 2016 amounted to \$683,318 (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 as of June 30, 2016 and June 30, 2015 are presented in Table 4 below.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
Land	\$ 10,048	\$ 10,048	\$ 3,362	\$ 3,362	\$ 13,410	\$ 13,410
Buildings and improvements	181,860	180,305	121,538	117,299	303,398	297,604
Improvements other than buildings	25,072	23,620	93	117	25,165	23,737
Machinery and equipment	15,179	17,359	2,570	2,390	17,749	19,749
Infrastructure	263,603	247,308	53,849	53,395	317,452	300,703
Construction in progress	4,729	5,280	1,415	1,654	6,144	6,934
Total	<u>\$ 500,491</u>	<u>\$ 483,920</u>	<u>\$ 182,827</u>	<u>\$ 178,217</u>	<u>\$ 683,318</u>	<u>\$ 662,137</u>

Significant changes from 2015 to 2016 in capital assets include:

- Infrastructure increased \$16,749 largely due to the completion of various projects relating to streets and bridges and a significant investment in curbs and sidewalks.
- Buildings and improvements increased \$5,794 largely due to the completion of various buildings improvements related to a water pumping station and water filtration plant.

The City’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide and proprietary fund financial statements. The City has elected to depreciate their infrastructure assets. Additional information on the City’s capital assets can be found in Note 4 to the financial statements.

Long-term debt—At June 30, 2016, the City had total bonded debt outstanding for governmental activities of \$244,348, including bonds issued by BFSAs, as compared to \$267,479 in the prior year. During the year ended June 30, 2016, the City issued serial bonds of \$21,703 and refunding bonds of \$21,220 for governmental activities. BFSAs issued refunding bonds of \$14,170 during the year. The BFSAs’ total bonded debt outstanding at the end of the current fiscal year is \$34,925.

The bonds outstanding for business-type activities at June 30, 2016 consisted of \$10,896 in general obligation bonds issued by the City and \$130,835 of revenue bonds issued by the Water Authority reported within the Water System. During the year ended June 30, 2016, the City issued serial bonds of \$4,067 for business-type activities.

A summary of the City's long-term liabilities at June 30, 2016 and June 30, 2015 is presented in Table 5 below.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
Bonds payable, net of premiums and discounts	\$ 263,862	\$ 282,296	\$ 148,616	\$ 152,937	\$ 412,478	\$ 435,233
Notes payable	273	541	-	-	273	541
Capital leases	-	-	-	241	-	241
Compensated absences	25,878	29,269	1,190	1,347	27,068	30,616
Workers' compensation	7,584	8,147	2,685	2,744	10,269	10,891
Landfill post-closure monitoring	840	910	-	-	840	910
OPEB	518,248	470,166	27,377	25,809	545,625	495,975
Judgments and claims	14,000	11,900	-	-	14,000	11,900
Net pension liability	122,166	15,909	7,273	1,272	129,439	17,181
Total	\$ 952,851	\$ 819,138	\$ 187,141	\$ 184,350	\$ 1,139,992	\$ 1,003,488

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 nine percent 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 \$651,453. The City had a debt-contracting margin of \$453,978 on July 1, 2016.

Additional information on the City's long-term debt can be found in Note 10 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 2017 budget. The total budgeted appropriations for the City's General Fund operations are \$395,762. This budget is an increase from the fiscal year 2016 total budgeted appropriations of \$1,240. This budget was approved by the BFSAs.

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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 320,251,741	\$ 19,703,626	\$ 339,955,367	\$ 262,501	\$ 334,689
Restricted cash and cash equivalents	128,476,627	25,872,996	154,349,623	38,727,401	333,179
Investments	40,536,499	25,036,844	65,573,343	-	-
Receivables (net of allowances)	20,598,222	9,286,486	29,884,708	1,224,589	1,127,064
Intergovernmental receivables	21,218,910	65,057	21,283,967	58,060,673	2,167,229
Due from component units/ primary government	65,506,438	-	65,506,438	279,359,379	149,740
Internal balances	12,770,681	(12,770,681)	-	-	-
Prepaid items and other assets	1,560,552	-	1,560,552	1,530,481	35,591
Real estate acquired for resale	9,472,256	-	9,472,256	-	3,862,882
Noncurrent net pension asset	-	-	-	173,277,759	-
Capital assets not being depreciated	14,776,798	4,777,701	19,554,499	16,184,688	-
Capital assets, net of accumulated depreciation	<u>485,714,554</u>	<u>178,048,841</u>	<u>663,763,395</u>	<u>1,016,838,949</u>	<u>500,520</u>
Total assets	<u>1,120,883,278</u>	<u>250,020,870</u>	<u>1,370,904,148</u>	<u>1,585,466,420</u>	<u>8,510,894</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	3,448,371	4,316,521	7,764,892	14,483,343	-
Deferred outflows—relating to pensions	<u>133,628,157</u>	<u>7,055,239</u>	<u>140,683,396</u>	<u>56,767,000</u>	<u>1,146,884</u>
Total deferred outflows of resources	<u>137,076,528</u>	<u>11,371,760</u>	<u>148,448,288</u>	<u>71,250,343</u>	<u>1,146,884</u>
LIABILITIES					
Accounts payable and accrued liabilities	43,145,070	10,047,239	53,192,309	74,302,113	2,451,771
Intergovernmental payables	9,782,742	519,797	10,302,539	39,397,896	260,846
Due to component units/primary government	279,509,119	-	279,509,119	65,376,000	130,438
Due to Agency Fund	804	-	804	-	-
Unearned revenue	209,305	175,308	384,613	-	-
Noncurrent liabilities:					
Due within one year	48,522,048	11,891,048	60,413,096	79,300,630	32,345
Due in more than one year	<u>904,328,899</u>	<u>175,249,603</u>	<u>1,079,578,502</u>	<u>1,886,215,295</u>	<u>16,023,496</u>
Total liabilities	<u>1,285,497,987</u>	<u>197,882,995</u>	<u>1,483,380,982</u>	<u>2,144,591,934</u>	<u>18,898,896</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	23,329	23,329	-	-
Deferred inflows—relating to pensions	<u>19,920,060</u>	<u>862,098</u>	<u>20,782,158</u>	<u>62,609,785</u>	<u>204,899</u>
Total deferred inflows of resources	<u>19,920,060</u>	<u>885,427</u>	<u>20,805,487</u>	<u>62,609,785</u>	<u>204,899</u>
NET POSITION					
Net investment in capital assets	346,504,168	64,202,099	410,706,267	62,712,390	500,520
Restricted for:					
Capital outlay	6,971,947	-	6,971,947	203,069	-
Debt service	16,791,445	-	16,791,445	34,470,391	-
Grants	5,180,547	-	5,180,547	-	240,756
State mandated initiatives	710,319	-	710,319	-	-
Real estate held for sale	9,472,256	-	9,472,256	-	-
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	3,156,044	-
Joint Schools Construction Board projects	-	-	-	128,010	-
Perpetual care:					
Expendable	110,801	-	110,801	502,739	-
Unexpendable	30,000	-	30,000	-	-
Other purposes	1,229,598	-	1,229,598	3,823,880	-
Unrestricted	<u>(434,459,322)</u>	<u>(1,577,891)</u>	<u>(436,037,213)</u>	<u>(673,231,479)</u>	<u>(10,187,293)</u>
Total net position	<u>\$ (47,458,241)</u>	<u>\$ 62,624,208</u>	<u>\$ 15,165,967</u>	<u>\$ (550,484,956)</u>	<u>\$ (9,446,017)</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, 2016

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	\$ 110,385,119	\$ 8,995,021	\$ 1,564,110	\$ 2,089,665	\$ (97,736,323)	\$ -	\$ (97,736,323)	\$ -	\$ -
Public safety	274,292,721	12,426,640	4,507,975	-	(257,358,106)	-	(257,358,106)	-	-
Streets and sanitation	35,729,528	1,923,847	1,768,291	19,743,406	(12,293,984)	-	(12,293,984)	-	-
Economic assistance and opportunity	41,623,004	4,649,431	8,489,861	51,331	(28,432,381)	-	(28,432,381)	-	-
Culture and recreation	15,977,380	203,454	11,378	1,936,616	(13,825,932)	-	(13,825,932)	-	-
Health and community services	6,940,881	141,764	15,846,179	-	9,047,062	-	9,047,062	-	-
Education	70,322,757	-	-	-	(70,322,757)	-	(70,322,757)	-	-
Interest and fiscal charges	10,165,708	-	-	-	(10,165,708)	-	(10,165,708)	-	-
Total governmental activities	565,437,098	28,340,157	32,187,794	23,821,018	(481,088,129)	-	(481,088,129)	-	-
Business-type activities:									
Solid Waste and Recycling	23,547,840	19,135,188	-	-	-	(4,412,652)	(4,412,652)	-	-
Parking	2,593,706	8,062,840	-	-	-	5,469,134	5,469,134	-	-
Water System	32,249,422	43,078,346	-	-	-	10,828,924	10,828,924	-	-
Total business-type activities	58,390,968	70,276,374	-	-	-	11,885,406	11,885,406	-	-
Total primary government	\$ 623,828,066	\$ 98,616,531	\$ 32,187,794	\$ 23,821,018	(481,088,129)	11,885,406	(469,202,723)	-	-
Component units:									
BOE	\$ 1,018,065,689	\$ 2,570,266	\$ 137,348,758	\$ -				(878,146,665)	-
BURA	54,788,538	4,747,292	45,391,906	-				-	(4,649,340)
Total component units	\$ 1,072,854,227	\$ 7,317,558	\$ 182,740,664	\$ -				(878,146,665)	(4,649,340)
General revenues:									
Taxes:									
Property taxes					124,896,444	-	124,896,444	-	-
Interest and penalties					3,668,738	-	3,668,738	-	-
Mortgage taxes					3,246,996	-	3,246,996	-	-
Payments in lieu of taxes					7,171,157	-	7,171,157	-	-
Gross utility tax					10,564,641	-	10,564,641	-	-
Intergovernmental—unrestricted					97,470,527	222,552	97,693,079	42,362,699	-
Grants and contributions not restricted to specific programs					344,272	-	344,272	-	-
Investment earnings					3,262,292	110,455	3,372,747	153,529	461,098
Contribution from City of Buffalo					-	-	-	70,322,758	3,870,000
State aid—unrestricted					168,311,274	-	168,311,274	686,246,778	-
Miscellaneous					7,971,447	-	7,971,447	15,190,249	1,359,470
Transfers					6,245,633	(6,245,633)	-	-	-
Total general revenues and transfers					433,153,421	(5,912,626)	427,240,795	814,276,013	5,690,568
Change in net position					(47,934,708)	5,972,780	(41,961,928)	(63,870,652)	1,041,228
Net position—beginning					476,467	56,651,428	57,127,895	(486,614,304)	(10,487,245)
Net position—ending					\$ (47,458,241)	\$ 62,624,208	\$ 15,165,967	\$ (550,484,956)	\$ (9,446,017)

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

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2016

	<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>
ASSETS						
Cash and cash equivalents	\$ 320,168,303	\$ -	\$ -	\$ -	\$ -	\$ 320,168,303
Restricted cash and cash equivalents	29,970,159	12,803,046	77,688,984	710,319	7,304,119	128,476,627
Investments	32,464,534	-	-	-	8,071,965	40,536,499
Receivables:						
Delinquent taxes and assessments	14,308,288	-	-	-	-	14,308,288
Accounts receivable	17,544,210	-	-	-	-	17,544,210
Other receivables	-	988	-	-	4,132	5,120
Due from other agencies	874,640	-	-	-	-	874,640
Intergovernmental receivables	2,958,374	-	3,506,324	13,272,436	104,362	19,841,496
Due from other funds	37,829,768	192,765	14,620	-	49,262	38,086,415
Due from component units	56,852	-	-	-	73,586	130,438
Allowances	(11,294,414)	-	-	-	-	(11,294,414)
Net receivables	62,277,718	193,753	3,520,944	13,272,436	231,342	79,496,193
Prepaid items	1,473,800	-	76,703	10,049	-	1,560,552
Real estate acquired for resale	9,472,256	-	-	-	-	9,472,256
Total assets	<u>\$ 455,826,770</u>	<u>\$ 12,996,799</u>	<u>\$ 81,286,631</u>	<u>\$ 13,992,804</u>	<u>\$ 15,607,426</u>	<u>\$ 579,710,430</u>
LIABILITIES						
Accounts payable	\$ 13,406,537	\$ -	\$ 6,017,714	\$ 10,591	\$ 494,060	\$ 19,928,902
Accrued liabilities	20,136,801	-	-	32,651	515,201	20,684,653
Intergovernmental payables	50,714	-	28,572	-	352,059	431,345
Due to other funds	50,315	1,253,349	15,025,558	7,787,808	1,198,913	25,315,943
Due to component units	255,683,680	-	18,891,553	4,784,146	149,740	279,509,119
Due to retirement systems	8,848,623	-	-	-	-	8,848,623
Unearned revenue	209,305	-	-	-	-	209,305
Total liabilities	<u>298,385,975</u>	<u>1,253,349</u>	<u>39,963,397</u>	<u>12,615,196</u>	<u>2,709,973</u>	<u>354,927,890</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	7,962,778	-	-	-	-	7,962,778
Total deferred inflows of resources	<u>7,962,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,962,778</u>
FUND BALANCES						
Nonspendable	27,699,931	-	76,703	10,049	30,000	27,816,683
Restricted	8,201,545	11,743,450	41,246,531	710,319	12,867,453	74,769,298
Committed	36,316,959	-	-	-	-	36,316,959
Assigned	35,370,696	-	-	657,240	-	36,027,936
Unassigned	41,888,886	-	-	-	-	41,888,886
Total fund balances	<u>149,478,017</u>	<u>11,743,450</u>	<u>41,323,234</u>	<u>1,377,608</u>	<u>12,897,453</u>	<u>216,819,762</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 455,826,770</u>	<u>\$ 12,996,799</u>	<u>\$ 81,286,631</u>	<u>\$ 13,992,804</u>	<u>\$ 15,607,426</u>	<u>\$ 579,710,430</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, 2016

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

Total fund balances—governmental funds (page 24)	\$ 216,819,762	
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 \$950,191,584 and the accumulated depreciation is \$449,703,089.		500,488,495
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 \$70,377 and the accumulated depreciation is \$67,520.		2,857
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.		3,448,371
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.		7,962,778
Deferred outflows and inflows of resources related to pensions (including BFSA) are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to employer contributions	\$ 8,895,691	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	124,732,466	
Deferred inflows related to pension plans	<u>(19,920,060)</u>	113,708,097
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.		114,456
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		65,376,000
Net accrued interest expense for serial bonds is not reported in the funds.		(2,528,110)
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:		
General obligations bonds—City	\$ (209,423,469)	
General obligations bonds—BFSA	(34,925,000)	
Unamortized bond premiums—City	(16,793,146)	
Unamortized bond premiums—BFSA	(2,720,315)	
Notes payable	(272,859)	
Compensated absences	(25,878,223)	
Workers' compensation	(7,584,114)	
Landfill post-closure monitoring costs	(840,000)	
Other post-employment benefits obligation—City	(517,613,000)	
Other post-employment benefits obligation—BFSA	(634,751)	
Judgments and claims	(14,000,000)	
Net pension liability—City	(121,862,828)	
Net pension liability—BFSA	<u>(303,242)</u>	<u>(952,850,947)</u>
Net position of governmental activities		<u>\$ (47,458,241)</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, 2016

	<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	\$ 139,042,507	\$ -	\$ -	\$ -	\$ -	\$ 139,042,507
Utility and other nonproperty tax items	11,168,613	-	-	-	-	11,168,613
Intergovernmental	266,145,088	14,779,118	23,970,483	1,317,570	28,352,455	334,564,714
Investment interest	643,768	40,552	-	-	593,689	1,278,009
License, permit, rentals, fines, and other service charges	26,754,706	92,884	-	-	-	26,847,590
Miscellaneous	8,700,671	-	737,141	-	172,373	9,610,185
Total revenues	<u>452,455,353</u>	<u>14,912,554</u>	<u>24,707,624</u>	<u>1,317,570</u>	<u>29,118,517</u>	<u>522,511,618</u>
EXPENDITURES						
Current:						
General government support	53,466,062	-	-	503,897	4,292,626	58,262,585
Public safety	153,914,181	-	-	-	3,701,967	157,616,148
Streets and sanitation	12,159,579	-	-	-	1,457,660	13,617,239
Economic assistance and opportunity	1,717,612	-	-	-	18,039,706	19,757,318
Culture and recreation	7,153,219	-	-	-	107,878	7,261,097
Health and community services	2,485,003	-	-	-	2,150,683	4,635,686
Education	70,322,757	-	-	-	-	70,322,757
Fringe benefits	130,292,105	-	-	163,319	-	130,455,424
Other	3,937,698	-	-	-	-	3,937,698
Debt service:						
Principal	-	28,288,984	-	-	8,780,000	37,068,984
Interest and fiscal charges	355,287	9,517,386	136,008	-	2,588,263	12,596,944
Capital outlay:						
General government support	-	-	7,480,072	-	-	7,480,072
Public safety	-	-	1,811,728	-	-	1,811,728
Streets and sanitation	-	-	30,158,744	-	-	30,158,744
Economic assistance and opportunity	-	-	2,703,318	-	-	2,703,318
Culture and recreation	-	-	5,044,207	-	-	5,044,207
Total expenditures	<u>435,803,503</u>	<u>37,806,370</u>	<u>47,334,077</u>	<u>667,216</u>	<u>41,118,783</u>	<u>562,729,949</u>
Excess (deficiency) of revenues over expenditures	<u>16,651,850</u>	<u>(22,893,816)</u>	<u>(22,626,453)</u>	<u>650,354</u>	<u>(12,000,266)</u>	<u>(40,218,331)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	9,996,089	25,819,998	400,000	-	12,831,601	49,047,688
Transfers out	(28,394,665)	(11,981,895)	(1,622,772)	(802,723)	-	(42,802,055)
Serial bonds issued	-	-	21,703,468	-	-	21,703,468
Refunding bonds issued	-	21,220,000	-	-	14,170,000	35,390,000
Payment to refunded bond escrow agent	-	(26,030,948)	-	-	(19,360,000)	(45,390,948)
Premium on bonds	-	5,916,947	1,716,375	-	1,536,367	9,169,689
Total other financing sources (uses)	<u>(18,398,576)</u>	<u>14,944,102</u>	<u>22,197,071</u>	<u>(802,723)</u>	<u>9,177,968</u>	<u>27,117,842</u>
Net change in fund balances	(1,746,726)	(7,949,714)	(429,382)	(152,369)	(2,822,298)	(13,100,489)
Fund balances—beginning	151,224,743	19,693,164	41,752,616	1,529,977	15,719,751	229,920,251
Fund balances—ending	<u>\$ 149,478,017</u>	<u>\$ 11,743,450</u>	<u>\$ 41,323,234</u>	<u>\$ 1,377,608</u>	<u>\$ 12,897,453</u>	<u>\$ 216,819,762</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, 2016

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) \$ (13,100,489)

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 exceeded depreciation expense in the current period.

Capital asset additions, net	\$ 50,462,205	
Depreciation expense	(33,507,324)	
Loss on disposition of assets	<u>(382,430)</u>	16,572,451

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. (1,492)

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. 2,015,705

Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds. (12,979,307)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Direct pension contributions	\$ 8,895,691	
Cost of benefits earned net of employee contributions	<u>(22,307,473)</u>	(13,411,782)

The internal service funds are used by management to charge the costs of internal print services. The net revenue of certain activities of internal service funds is reported with governmental activities. 28,945

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 397,558

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 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 bonds—City	\$ (21,703,468)	
Proceeds from refunding bonds—City	(21,220,000)	
Reduction of refunded bonds—City	23,795,000	
Proceeds from refunding bonds—BFSA	(14,170,000)	
Reduction of refunded bonds—BFSA	19,360,000	
Repayment of general obligations bonds—City	28,288,984	
Repayment of general obligations bonds—BFSA	8,780,000	
Premium on general obligations bonds—City	(4,277,435)	
Premium on refunding bonds—City	(3,355,887)	
Premium on refunding bonds—BFSA	(1,536,367)	
Amortization of bond premiums—City	2,489,184	
Amortization of bond premiums—BFSA	1,984,224	
Repayment of notes payable	267,509	
Change in compensated absences	3,391,177	
Change in workers' compensation	563,158	
Change in landfill post-closure monitoring costs	70,000	
Change in other post-employment benefits obligation—City	(48,016,000)	
Change in other post-employment benefits obligation—BFSA	(66,376)	
Change in judgments and claims	<u>(2,100,000)</u>	<u>(27,456,297)</u>

Change in net position of governmental activities \$ (47,934,708)

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, 2016

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 371,642	\$ 3,374,523	\$ 15,957,461	\$ 19,703,626	\$ 83,438
Restricted cash and cash equivalents	175,308	-	25,697,688	25,872,996	-
Investments	-	-	25,036,844	25,036,844	-
Receivables:					
Accounts receivable	10,546,001	2,462,024	20,641,993	33,650,018	35,018
Other receivables	82,651	-	1,300,577	1,383,228	-
Due from other agencies	-	-	127,425	127,425	-
Intergovernmental receivables	-	-	65,057	65,057	-
Due from other funds	-	4,856,071	-	4,856,071	-
Allowances	(9,905,019)	-	(15,969,166)	(25,874,185)	-
Net receivables	<u>723,633</u>	<u>7,318,095</u>	<u>6,165,886</u>	<u>14,207,614</u>	<u>35,018</u>
Total current assets	<u>1,270,583</u>	<u>10,692,618</u>	<u>72,857,879</u>	<u>84,821,080</u>	<u>118,456</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,217,093	145,116	3,362,210	-
Construction in progress	-	26,611	1,388,880	1,415,491	-
Total capital assets not being depreciated	<u>1</u>	<u>3,243,704</u>	<u>1,533,996</u>	<u>4,777,701</u>	<u>-</u>
Capital assets being depreciated:					
Buildings and infrastructure	4,088,220	71,678,839	211,957,389	287,724,448	-
Improvements other than buildings	175,071	61,758	252,393	489,222	-
Machinery and equipment	9,767,704	109,762	1,150,830	11,028,296	-
Accumulated depreciation	(10,322,580)	(31,210,205)	(79,660,340)	(121,193,125)	-
Total capital assets being depreciated	<u>3,708,415</u>	<u>40,640,154</u>	<u>133,700,272</u>	<u>178,048,841</u>	<u>-</u>
Total noncurrent assets	<u>3,708,416</u>	<u>43,883,858</u>	<u>135,234,268</u>	<u>182,826,542</u>	<u>-</u>
Total assets	<u>4,978,999</u>	<u>54,576,476</u>	<u>208,092,147</u>	<u>267,647,622</u>	<u>118,456</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	295,998	4,020,523	4,316,521	-
Deferred outflows—relating to pensions	3,169,374	-	3,885,865	7,055,239	-
Total deferred outflows of resources	<u>3,169,374</u>	<u>295,998</u>	<u>7,906,388</u>	<u>11,371,760</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	938,261	2,527	2,153,817	3,094,605	3,405
Other accrued liabilities	2,610,969	25,679	4,315,986	6,952,634	-
Due to other funds	-	570,860	302,017	872,877	595
Unearned revenue	175,308	-	-	175,308	-
Due to retirement systems	232,659	1,882	285,256	519,797	-
Accrued compensated absences	42,124	-	44,850	86,974	-
Accrued workers' compensation	978,626	-	315,319	1,293,945	-
General obligation and revenue bonds payable within one year, net	-	1,958,455	8,551,674	10,510,129	-
Total current liabilities	<u>4,977,947</u>	<u>2,559,403</u>	<u>15,968,919</u>	<u>23,506,269</u>	<u>4,000</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2016

	<u>Business-type Activities—Enterprise Funds</u>				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Noncurrent liabilities:					
Due to other funds	16,753,875	-	-	16,753,875	-
Accrued compensated absences	520,625	-	582,456	1,103,081	-
Accrued workers' compensation	916,886	-	474,398	1,391,284	-
Accrued other post-employment benefits obligation	16,100,000	44,000	11,233,000	27,377,000	-
General obligation and revenue bonds payable, net	-	9,415,927	128,689,267	138,105,194	-
Net pension liability	3,267,216	-	4,005,828	7,273,044	-
Total noncurrent liabilities	<u>37,558,602</u>	<u>9,459,927</u>	<u>144,984,949</u>	<u>192,003,478</u>	-
Total liabilities	<u>42,536,549</u>	<u>12,019,330</u>	<u>160,953,868</u>	<u>215,509,747</u>	<u>4,000</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	-	23,329	23,329	-
Deferred inflows—relating to pensions	387,274	-	474,824	862,098	-
Total deferred inflows of resources	<u>387,274</u>	<u>-</u>	<u>498,153</u>	<u>885,427</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	3,708,416	32,805,474	27,688,209	64,202,099	-
Unrestricted	<u>(38,483,866)</u>	<u>10,047,670</u>	<u>26,858,305</u>	<u>(1,577,891)</u>	<u>114,456</u>
Total net position	<u>\$ (34,775,450)</u>	<u>\$ 42,853,144</u>	<u>\$ 54,546,514</u>	<u>\$ 62,624,208</u>	<u>\$ 114,456</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, 2016

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Operating revenues:					
Charges for services	\$ 18,876,527	\$ -	\$ 42,519,208	\$ 61,395,735	\$ 81,477
Rent	-	8,062,840	-	8,062,840	-
Other	258,661	-	559,138	817,799	-
Total operating revenues	<u>19,135,188</u>	<u>8,062,840</u>	<u>43,078,346</u>	<u>70,276,374</u>	<u>81,477</u>
Operating expenses:					
Services and supplies	15,325,167	46,372	15,585,284	30,956,823	52,532
Fringe benefits	7,354,556	25,571	5,742,177	13,122,304	-
Depreciation	867,261	1,655,716	5,300,617	7,823,594	-
Other	-	-	355,938	355,938	-
Total operating expenses	<u>23,546,984</u>	<u>1,727,659</u>	<u>26,984,016</u>	<u>52,258,659</u>	<u>52,532</u>
Operating income (loss)	<u>(4,411,796)</u>	<u>6,335,181</u>	<u>16,094,330</u>	<u>18,017,715</u>	<u>28,945</u>
Nonoperating revenues (expenses):					
Interest earnings	194	339	109,922	110,455	-
Interest expense	(856)	(866,047)	(5,265,406)	(6,132,309)	-
Other	-	-	222,552	222,552	-
Total nonoperating revenues (expenses)	<u>(662)</u>	<u>(865,708)</u>	<u>(4,932,932)</u>	<u>(5,799,302)</u>	<u>-</u>
Income (loss) before transfers	(4,412,458)	5,469,473	11,161,398	12,218,413	28,945
Transfers in	3,916,110	-	-	3,916,110	-
Transfers out	<u>(673,078)</u>	<u>(3,525,654)</u>	<u>(5,963,011)</u>	<u>(10,161,743)</u>	<u>-</u>
Change in net position	(1,169,426)	1,943,819	5,198,387	5,972,780	28,945
Total net position—beginning	<u>(33,606,024)</u>	<u>40,909,325</u>	<u>49,348,127</u>	<u>56,651,428</u>	<u>85,511</u>
Total net position—ending	<u>\$ (34,775,450)</u>	<u>\$ 42,853,144</u>	<u>\$ 54,546,514</u>	<u>\$ 62,624,208</u>	<u>\$ 114,456</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, 2016

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 19,051,198	\$ 7,264,054	\$ 43,375,053	\$ 69,690,305	\$ 81,477
Payments to suppliers for goods and services	(9,126,034)	(46,372)	(14,674,626)	(23,847,032)	(67,619)
Payments to employees for services	(11,630,122)	(23,536)	(4,637,882)	(16,291,540)	-
Net cash provided by (used for) operating activities	<u>(1,704,958)</u>	<u>7,194,146</u>	<u>24,062,545</u>	<u>29,551,733</u>	<u>13,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	3,916,110	-	11,785,698	15,701,808	-
Transfers to other funds	(673,078)	(3,525,654)	(17,748,709)	(21,947,441)	-
Advances from other funds	34,827	240,470	7,798,893	8,074,190	595
Advances to other funds	(596,336)	(3,855,998)	(8,541,781)	(12,994,115)	-
Net cash provided by (used for) noncapital financing activities	<u>2,681,523</u>	<u>(7,141,182)</u>	<u>(6,705,899)</u>	<u>(11,165,558)</u>	<u>595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(716,111)	(88,173)	(12,236,621)	(13,040,905)	-
Principal payments on bonds	(240,698)	(2,340,000)	(6,411,797)	(8,992,495)	-
Proceeds from issuance of debt and premium	-	4,867,986	-	4,867,986	-
Interest payments	(856)	(189,918)	(5,353,580)	(5,544,354)	-
Net cash provided by (used for) capital and related financing activities	<u>(957,665)</u>	<u>2,249,895</u>	<u>(24,001,998)</u>	<u>(22,709,768)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on short-term investments	194	339	99,522	100,055	-
Net cash provided by investing activities	<u>194</u>	<u>339</u>	<u>99,522</u>	<u>100,055</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	19,094	2,303,198	(6,545,830)	(4,223,538)	14,453
Cash and cash equivalents—beginning	<u>527,856</u>	<u>1,071,325</u>	<u>73,237,823</u>	<u>74,837,004</u>	<u>68,985</u>
Cash and cash equivalents—ending	<u>\$ 546,950</u>	<u>\$ 3,374,523</u>	<u>\$ 66,691,993</u>	<u>\$ 70,613,466</u>	<u>\$ 83,438</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2016

	<u>Business-type Activities—Enterprise Funds</u>				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)	\$ (4,411,796)	\$ 6,335,181	\$ 16,094,330	\$ 18,017,715	\$ 28,945
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	867,261	1,655,716	5,300,617	7,823,594	-
(Increase) decrease in receivables	(69,365)	(443,016)	1,249,360	736,979	(16,256)
(Increase) in deferred outflow—relating to pensions	(2,706,847)	-	(3,520,679)	(6,227,526)	-
Increase (decrease) in payables	(178,790)	(355,770)	466,515	(68,045)	1,169
Increase (decrease) in other accrued liabilities	784,273	(6,483)	371,938	1,149,728	-
Increase (decrease) in due to retirement systems	(103,276)	1,518	20,020	(81,738)	-
(Decrease) in unearned revenue	(14,625)	-	-	(14,625)	-
(Decrease) in accrued compensated absences	(19,206)	-	(138,104)	(157,310)	-
Increase (decrease) in workers' compensation	41,410	-	(100,143)	(58,733)	-
Increase in accrued other post-employment benefits obligation	1,162,000	7,000	399,000	1,568,000	-
Increase in net pension liability	2,556,729	-	3,444,867	6,001,596	-
Increase in deferred inflow—relating to pensions	387,274	-	474,824	862,098	-
Total adjustments	<u>2,706,838</u>	<u>858,965</u>	<u>7,968,215</u>	<u>11,534,018</u>	<u>(15,087)</u>
Net cash provided by (used for) operating activities	<u>\$ (1,704,958)</u>	<u>\$ 7,194,146</u>	<u>\$ 24,062,545</u>	<u>\$ 29,551,733</u>	<u>\$ 13,858</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, 2016

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 23,910	\$ 1,930,467
Investments	32,912	-
Due from other funds	-	180
Receivables	<u>5,544</u>	<u>804</u>
Total assets	<u>62,366</u>	<u>1,931,451</u>
LIABILITIES		
Accounts payable	-	182,889
Intergovernmental payables	-	23,175
Amounts held in custody for others	<u>-</u>	<u>1,725,387</u>
Total liabilities	<u>-</u>	<u>\$ 1,931,451</u>
NET POSITION		
Restricted	<u>\$ 62,366</u>	

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, 2016

	Private Purpose Trust
ADDITIONS	
Investment earnings:	
Interest	\$ 14
DEDUCTIONS	
Awards	-
Total deductions	-
Change in net position	14
Net position—beginning	62,352
Net position—ending	\$ 62,366

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, 2016

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 and that they 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 10). 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 Control 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. It is the City’s policy to record transactions between funds as operating transfers. Interfund services provided and used are not eliminated in the process of consolidation.

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.

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*—The Water System 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 Private Purpose Trust fund represent certain trust arrangements, while activities in the Agency Fund represent monies held for prisoners, deposits 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.

Measurement Focus and Basis of Accounting

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

The government-wide 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 the 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 include 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 carrying 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 for amounts with constraints placed on their use by either external parties and/or statute and for unearned revenues.

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 Acquired 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 (Years)</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 (Years)</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. BURA defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life exceeding five years. 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, 2016, the City has two items that qualify for reporting in this category. The first item is deferred loss on refunding. The second item is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the City’s proportion of the collective net position asset or liability, the difference during the measurement period between the City’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

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, 2016, the City has three items that qualify for reporting in this category. These items include a deferred gain on refunding and unavailable revenue from property taxes. The final item represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements as well as within the individual proprietary funds.

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 Expenses/Expenditures

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 of New York 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, 2016, the City had a legal tax margin of approximately \$43.4 million.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2016, the City reported unearned revenues within the General Fund and Solid Waste and Recycling Fund in the amounts of \$209,305 and \$175,308, 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.

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

Pensions—The City is mandated by New York State law to participate in the New York State Teacher’s Retirement System (“TRS”), New York State Local Employees’ Retirement System (“ERS”) and the New York State Police and Fire Retirement System (“PFRS”). For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the City provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 7.

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 statement presentation to conform to the City’s reporting presentation. In the Board’s statement of net position, \$4,784,145 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, \$284,519,722 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, 2016, the City implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes as well as, guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans*; and No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, effective for the fiscal year ending June 30, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending June 30, 2018. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 77, 78, 80, 81 and 82 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, 2016, the Solid Waste and Recycling Fund had a total net position deficit of \$34,775,450. This net deficit includes accrued post-employment benefits obligation of \$16,100,000. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$16,753,875. 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 \$550,484,956 at June 30, 2016, which is caused primarily by its recognition of long-term liabilities including other post-employment benefits obligation.

BURA has a total net position deficit of \$9,446,017 at June 30, 2016, which is caused primarily by the 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. 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, 2016, of which the bank carrying balance at June 30, 2016, was \$500,631,590.

Cash, cash equivalents and investments at June 30, 2016 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,700	\$ -	\$ -	\$ 8,700
Deposits	448,719,668	45,576,622	1,954,377	496,250,667
Investments	40,536,499	25,036,844	32,912	65,606,255
Total	<u>\$ 489,264,867</u>	<u>\$ 70,613,466</u>	<u>\$ 1,987,289</u>	<u>\$ 561,865,622</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 320,251,741	\$ 19,703,626	\$ -	\$ 339,955,367
Restricted cash and cash equivalents	128,476,627	25,872,996	-	154,349,623
Cash held in fiduciary funds	-	-	1,954,377	1,954,377
Total	<u>\$ 448,728,368</u>	<u>\$ 45,576,622</u>	<u>\$ 1,954,377</u>	<u>\$ 496,259,367</u>

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.

Investments—At June 30, 2016, total investments of \$65,606,255 consisted of investments held by the City of \$57,562,850, held by the BFSAs of \$8,010,493, and maintained in fiduciary funds of \$32,912. Investments at June 30, 2016, consisted of the following:

	Cost	Fair Value
Certificates of deposit	\$ 57,595,762	\$ 57,595,762
U.S. Treasury SLGs	1,948,470	1,948,470
Federal National Mortgage Association discount notes	2,141,991	2,185,392
Federal Home Loan Mortgage Corp. Med. Term note	1,724,177	1,753,388
Federal Home Loan Banks	1,614,106	1,629,411
Federal Farms Credit Banks	486,148	493,832
Total	<u>\$ 65,510,654</u>	<u>\$ 65,606,255</u>

Investments in the City consist of certificates of deposit issued with thirteen week maturities. Investments in fiduciary funds consist solely of certificates of deposit at June 30, 2016. 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's investments are generally short-term with certificates of deposit issued with 30-day maturities and commercial paper due within 45 days.

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 \$3,823,880 represent monies set aside as part of the funding requirements of the State for the settlement of a 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, \$17,735,429 in restricted cash in the General Fund represents additional cash held in a bank custodial account. The Debt Service Fund restricted assets of \$12,803,046 are held by a trustee for future debt service payments. Restricted cash of \$77,688,984 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 \$8,201,545, \$710,319, \$7,132,308, \$96,614, and \$75,197 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. Finally, the City reports \$209,305 of restricted cash related to unearned revenues within the General Fund.

Business-Type Activities Restricted Cash and Cash Equivalents—Business-type restricted cash within the Water System represents monies raised from the issuance of debt to fund additions to enterprise plant assets and may only be used for this purpose. The Solid Waste Fund reports restricted cash of \$175,308 related to unearned revenues.

The restricted cash consists primarily of Treasury notes, Treasury bills, and certificates of deposit with a commercial bank. At June 30, 2016, \$720,953 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 restricted money market accounts with fair values totaling \$24,976,735 at June 30, 2016.

Board of Education

At June 30, 2016, cash in banks was \$262,501, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$38,727,401 at June 30, 2016, for various purposes as follows:

- \$552,017 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.
- \$21,835,664 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 2008, 2009, 2011 and 2013 bond proceeds to be deposited and maintained by a trustee. Such cash is held with a fiscal agent.
- \$12,634,727 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.
- \$3,516,340 represents endowment funds and can be used in accordance with the respective endowment document.
- \$188,653 is restricted to support obligations related to workers’ compensation claims.

Buffalo Urban Renewal Agency

Restricted Cash and Cash Equivalents—Restricted cash reported in BURA’s General Fund for funds held in escrow and also in its special revenue funds as grant funds held prior to disbursement of approved expenditures. At June 30, 2016, BURA reported \$333,179 of restricted cash. BURA’s deposits are maintained in demand deposit or savings accounts. By State statute, all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2016, BURA’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in BURA’s name.

3. RECEIVABLES

Receivables at June 30, 2016, for the City's individual funds and related allowances for estimated uncollectible amounts are as follows:

Receivables:	Gross Receivable	Allowance	Net Receivable
Governmental funds:			
General Fund:			
Taxes	\$ 14,308,288	\$ (5,007,684)	\$ 9,300,604
Accounts receivable	17,544,210	(6,286,730)	11,257,480
Due from other agencies	874,640	-	874,640
Intergovernmental receivables	2,958,374	-	2,958,374
Due from other funds	37,829,768	-	37,829,768
Due from component units	56,852	-	56,852
Total	<u>\$ 73,572,132</u>	<u>\$ (11,294,414)</u>	<u>\$ 62,277,718</u>
Debt Service Fund:			
Other receivables	\$ 988	\$ -	\$ 988
Due from other funds	192,765	-	192,765
Total	<u>\$ 193,753</u>	<u>\$ -</u>	<u>\$ 193,753</u>
Capital Projects Fund:			
Intergovernmental receivables	\$ 3,506,324	\$ -	\$ 3,506,324
Due from other funds	14,620	-	14,620
Total	<u>\$ 3,520,944</u>	<u>\$ -</u>	<u>\$ 3,520,944</u>
BFSA Special Revenue Fund:			
Intergovernmental receivables	\$ 13,272,436	\$ -	\$ 13,272,436
Nonmajor governmental funds:			
Other receivables	\$ 4,132	\$ -	\$ 4,132
Intergovernmental receivables	104,362	-	104,362
Due from other funds	49,262	-	49,262
Due from component units	73,586	-	73,586
Total	<u>\$ 231,342</u>	<u>\$ -</u>	<u>\$ 231,342</u>
Total governmental funds	<u>\$ 90,790,607</u>	<u>\$ (11,294,414)</u>	<u>\$ 79,496,193</u>

Receivables:	Gross Receivable	Allowance	Net Receivable
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 10,546,001	\$ (9,845,466)	\$ 700,535
Other receivables	82,651	(59,553)	23,098
Total	<u>\$ 10,628,652</u>	<u>\$ (9,905,019)</u>	<u>\$ 723,633</u>
Parking Fund:			
Accounts receivable	\$ 2,462,024	\$ -	\$ 2,462,024
Due from other funds	4,856,071	-	4,856,071
Total	<u>\$ 7,318,095</u>	<u>\$ -</u>	<u>\$ 7,318,095</u>
Water System:			
Accounts receivable	\$ 20,641,993	\$ (15,969,166)	\$ 4,672,827
Other receivables	1,300,577	-	1,300,577
Due from other agencies	127,425	-	127,425
Intergovernmental receivables	65,057	-	65,057
Total	<u>\$ 22,135,052</u>	<u>\$ (15,969,166)</u>	<u>\$ 6,165,886</u>
Internal Service Fund:			
Accounts receivable	\$ 35,018	\$ -	\$ 35,018
Total proprietary funds	<u>\$ 40,116,817</u>	<u>\$ (25,874,185)</u>	<u>\$ 14,242,632</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York, State, or other local governments. Amounts are shown net of related advances from New York State. Intergovernmental receivables at June 30, 2016 are shown below:

Intergovernmental receivables:

Governmental funds:

General Fund:

Due from Erie County	\$ 122,793
Due from New York State	2,751,808
Due from federal government	83,773

 Total \$ 2,958,374

Capital Projects Fund:

Due from Erie County	\$ 47,837
Due from New York State	3,347,759
Due from Buffalo Sewer Authority	110,728

 Total \$ 3,506,324

BFSA Special Revenue Fund:

Due from New York State	\$ 13,272,436
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Nonmajor governmental funds:

Special Revenue Fund:

Due from Erie County	\$ 3,551
Due from federal government	100,811

 Total \$ 104,362

 Total governmental funds \$ 19,841,496

Board of Education

Significant revenues accrued by the Board include the following:

Receivables at June 30, 2016, consisted of the following:

General Fund:	
Tuition billing	\$ 394,049
Health Services	568,353
Miscellaneous revenues	62,636
Special Aid Fund	55,835
Nonmajor governmental funds	<u>143,716</u>
Total	<u>\$ 1,224,589</u>

Intergovernmental receivables at June 30, 2016, consisted of the following:

General Fund:	
State aid - basic	\$ 14,407,818
State aid - excess	15,922,858
State and federal aid - Medicaid	2,432,875
Special Aid Fund: Federal and State aid*	23,296,379
School Lunch Fund: Federal and state reimbursements	<u>2,000,743</u>
Total	<u>\$ 58,060,673</u>

*Amount reported net of unearned revenue

In addition, the Board reports amounts owed from the City of \$279,359,379 as due from primary government at June 30, 2016.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2016 consisted of the following:

	General	Community Development Block Grant	HOME Program	Total Nonmajor Funds	Total
Program loans receivable	\$ -	\$ 24,988,027	\$ 57,709,975	\$ 530,878	\$ 83,228,880
Notes receivable	2,712,949	-	-	-	2,712,949
Allowance for uncollectibles	<u>(1,585,885)</u>	<u>(24,988,027)</u>	<u>(57,709,975)</u>	<u>(530,878)</u>	<u>(84,814,765)</u>
Total receivables	<u>\$ 1,127,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,064</u>

Program Loans Receivable—Represents amounts due to BURA of \$83,228,880, which are entirely allowed for.

Notes Receivable—Represents amounts due from various sources for projects designed to stimulate economic development and housing improvements in the City, provided net of allowances for uncollectible accounts. BURA reports amounts of \$2,712,949 which are allowed for in the amount of \$1,585,885.

Intergovernmental Receivables— Represent amounts due from other units of government, such as federal or City government. Intergovernmental receivables at June 30, 2016 consisted of the following:

	General	Community Development Block Grant	HOME Program	Total Nonmajor Funds	Total
Due from federal government	\$ -	\$ 618,413	\$ 1,508,321	\$ 40,495	\$ 2,167,229
Due from City of Buffalo	48,927	80,359	20,454	-	149,740
Total	<u>\$ 48,927</u>	<u>\$ 698,772</u>	<u>\$ 1,528,775</u>	<u>\$ 40,495</u>	<u>\$ 2,316,969</u>

4. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government's governmental activities, for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 10,048,121	\$ -	\$ -	\$ 10,048,121
Construction in progress	5,280,464	4,728,677	5,280,464	4,728,677
Total capital assets, not being depreciated	<u>15,328,585</u>	<u>4,728,677</u>	<u>5,280,464</u>	<u>14,776,798</u>
Capital assets, being depreciated:				
Buildings and building improvements	298,655,394	8,846,182	672,023	306,829,553
Improvements other than buildings	56,559,122	3,982,673	11,142	60,530,653
Machinery and equipment	65,713,989	3,115,988	2,819,854	66,010,123
Infrastructure	467,044,685	35,070,149	-	502,114,834
Total capital assets, being depreciated	<u>887,973,190</u>	<u>51,014,992</u>	<u>3,503,019</u>	<u>935,485,163</u>
Less accumulated depreciation for:				
Buildings and building improvements	118,349,961	6,919,645	300,678	124,968,928
Improvements other than buildings	32,939,421	2,530,210	11,142	35,458,489
Machinery and equipment	48,355,550	5,284,579	2,808,769	50,831,360
Infrastructure	219,736,450	18,775,382	-	238,511,832
Total accumulated depreciation	<u>419,381,382</u>	<u>33,509,816</u>	<u>3,120,589</u>	<u>449,770,609</u>
Total capital assets, being depreciated, net	<u>468,591,808</u>	<u>17,505,176</u>	<u>382,430</u>	<u>485,714,554</u>
Governmental activities capital assets, net	<u>\$ 483,920,393</u>	<u>\$ 22,233,853</u>	<u>\$ 5,662,894</u>	<u>\$ 500,491,352</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 3,362,210	\$ -	\$ -	\$ 3,362,210
Construction in progress	1,654,302	5,610,124	5,848,935	1,415,491
Total capital assets, not being depreciated	<u>5,016,512</u>	<u>5,610,124</u>	<u>5,848,935</u>	<u>4,777,701</u>
Capital assets, being depreciated:				
Buildings and building improvements	176,893,485	9,094,359	3,271,038	182,716,806
Improvements other than buildings	504,581	-	15,359	489,222
Machinery and equipment	9,999,295	1,179,405	150,404	11,028,296
Infrastructure	102,001,690	3,005,952	-	105,007,642
Total capital assets, being depreciated	<u>289,399,051</u>	<u>13,279,716</u>	<u>3,436,801</u>	<u>299,241,966</u>
Less accumulated depreciation for:				
Buildings and building improvements	59,594,705	4,273,385	2,688,830	61,179,260
Improvements other than buildings	387,449	24,041	15,359	396,131
Machinery and equipment	7,609,796	973,715	125,343	8,458,168
Infrastructure	48,607,113	2,552,453	-	51,159,566
Total accumulated depreciation	<u>116,199,063</u>	<u>7,823,594</u>	<u>2,829,532</u>	<u>121,193,125</u>
Total capital assets, being depreciated, net	<u>173,199,988</u>	<u>5,456,122</u>	<u>607,269</u>	<u>178,048,841</u>
Business-type activities capital assets, net	<u>\$ 178,216,500</u>	<u>\$ 11,066,246</u>	<u>\$ 6,456,204</u>	<u>\$ 182,826,542</u>

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

Governmental activities:	
General government support	\$ 3,756,506
Public safety	6,602,167
Streets and sanitation	18,055,579
Economic assistance and opportunity	28,179
Culture and recreation	4,649,180
Health and community services	418,205
Total governmental activities depreciation expense	<u>\$ 33,509,816</u>
Business-type activities:	
Solid waste and recycling	\$ 867,261
Parking	1,655,716
Water system	5,300,617
Total business-type activities depreciation expense	<u>\$ 7,823,594</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 3,006,700	\$ -	\$ -	\$ 3,006,700
Construction in progress	14,804,802	8,440,237	10,067,051	13,177,988
Total capital assets, not being depreciated	<u>17,811,502</u>	<u>8,440,237</u>	<u>10,067,051</u>	<u>16,184,688</u>
Capital assets, being depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvement	1,717,596,660	16,825,439	279,219	1,734,142,880
Equipment	24,735,468	777,329	633,184	24,879,613
Total capital assets, being depreciated	<u>1,747,874,814</u>	<u>17,602,768</u>	<u>912,403</u>	<u>1,764,565,179</u>
Less accumulated depreciation for:				
Land improvements	4,297,005	92,964	-	4,389,969
Buildings and building improvement	647,730,433	76,435,912	279,219	723,887,126
Equipment	17,989,256	2,076,260	616,381	19,449,135
Total accumulated depreciation	<u>670,016,694</u>	<u>78,605,136</u>	<u>895,600</u>	<u>747,726,230</u>
Total capital assets being depreciated, net	<u>1,077,858,120</u>	<u>(61,002,368)</u>	<u>16,803</u>	<u>1,016,838,949</u>
Board capital assets, net	<u>\$ 1,095,669,622</u>	<u>\$ (52,562,131)</u>	<u>\$ 10,083,854</u>	<u>\$ 1,033,023,637</u>

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Capital assets, being depreciated:				
Buildings	\$ 2,392,330	\$ -	\$ 1,620,276	\$ 772,054
Equipment	623,896	-	591,661	32,235
Vehicles	105,558	-	105,558	-
Total capital assets, being depreciated	<u>3,121,784</u>	<u>-</u>	<u>2,317,495</u>	<u>804,289</u>
Less accumulated depreciation for:				
Buildings	1,613,980	27,830	1,370,276	271,534
Equipment	617,676	1,165	586,606	32,235
Vehicles	105,558	-	105,558	-
Total accumulated depreciation	<u>2,337,214</u>	<u>28,995</u>	<u>2,062,440</u>	<u>303,769</u>
BURA capital assets, net	<u>\$ 784,570</u>	<u>\$ (28,995)</u>	<u>\$ 255,055</u>	<u>\$ 500,520</u>

During the year ended June 30, 2016, BURA performed an inventory which resulted in the adjustment of transferred and obsolete items.

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2016, were as follows:

	General Fund	BFSA Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 20,136,801	\$ 32,651	\$ -	\$ 20,169,452
Other accruals	-	-	515,201	515,201
Total accrued liabilities	<u>\$ 20,136,801</u>	<u>\$ 32,651</u>	<u>\$ 515,201</u>	<u>\$ 20,684,653</u>

6. PENSION OBLIGATIONS

The City participates in the New York State and Local Police and Fire Retirement System (“PFRS”) and the New York State and Local Employees’ Retirement System (“ERS”), which are collectively referred to as the New York State and Local Retirement System (the “System”). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law (“NYSRSSL”).

Plan Descriptions and Benefits Provided

New York State and Local Police and Fire Retirement System (“PFRS”) and Employees’ Retirement System (“ERS”)—The City participates in the PFRS and ERS. These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The City also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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 1, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2016, the City reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2015, with update procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the City.

	Governmental activities		Business-type activities
	PFRS	ERS	ERS
	March 31, 2016	March 31, 2016	March 31, 2016
Measurement date	March 31, 2016	March 31, 2016	March 31, 2016
Net pension liability	\$ 94,187,680	\$ 27,675,148	\$ 7,273,044
City's portion of the Plan's total net pension liability	3.1811703%	0.1724299%	0.0453121%

For the year ended June 30, 2016, the City’s governmental activities recognized pension expenses of \$35,520,192 and \$10,154,640 for PFRS and ERS, respectively. Business-type activities recognized pension expense of \$2,668,640 for ERS. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Governmental activities		Business-type activities	Governmental activities		Business-type activities
	PFRS	ERS	ERS	PFRS	ERS	ERS
Differences between expected and actual experiences	\$ 844,780	\$ 139,850	\$ 36,752	\$ 14,240,046	\$ 3,280,427	\$ 862,098
Changes of assumptions	40,603,999	7,380,130	1,939,499	-	-	-
Net difference between projected and actual earnings on pension plan investments	52,784,580	16,418,423	4,314,762	-	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	5,360,154	937,226	246,302	2,335,254	-	-
City contributions subsequent to the measurement date	6,911,485	1,970,748	517,924	-	-	-
Total	<u>\$ 106,504,998</u>	<u>\$ 26,846,377</u>	<u>\$ 7,055,239</u>	<u>\$ 16,575,300</u>	<u>\$ 3,280,427</u>	<u>\$ 862,098</u>

The City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ending June 30,	Governmental activities		Business-type activities
	PFRS	ERS	ERS
2017	\$ 19,736,858	\$ 5,507,226	\$ 1,447,220
2018	19,736,858	5,507,226	1,447,220
2019	19,736,858	5,507,226	1,447,220
2020	19,001,898	5,073,524	1,333,557
2021	4,805,741	-	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

	PFRS	ERS
Measurement date	March 31, 2016	March 31, 2016
Actuarial valuation date	April 1, 2015	April 1, 2015
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

Measurement date	Target Allocation	Long-Term Expected Real Rate of Return
	PFRS and ERS	
	March 31, 2016	
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the City’s proportionate share of the net pension liabilities calculated using the discount rate of 7.0%, as well as what the City’s proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability—PFRS	\$ 210,378,093	\$ 94,187,680	\$ (3,205,065)
Employer's proportionate share of the net pension liability—ERS	78,805,634	34,948,192	(2,109,473)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2015	April 1, 2015	
Employers' total pension liability	\$ 30,347,727	\$ 172,303,544	\$ 202,651,271
Plan fiduciary net position	<u>27,386,940</u>	<u>156,253,265</u>	<u>183,640,205</u>
Employers' net pension liability	<u>\$ 2,960,787</u>	<u>\$ 16,050,279</u>	<u>\$ 19,011,066</u>
System fiduciary net position as a percentage of total pension liability	90.24%	90.68%	90.62%

Payables to the Pension Plan—Employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid System wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$6,911,485 and \$2,456,935 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSFA also participates in the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2016, the BFSFA reported a liability of \$303,242 for its proportionate share of the net pension liability. At the March 31, 2016 measurement date, the BFSFA's proportion was 0.0018893%.

For the year ended June 30, 2016, BFSFA recognized pension expense of \$100,111. At June 30, 2016, the BFSFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experiences	\$ 1,532	\$ 35,944
Changes of assumptions	80,866	
Net difference between projected and actual earnings on pension plan investments	179,900	-
Changes in proportion and differences between BFSFA's contributions and proportionate share of contributions	1,035	28,389
BFSFA contributions subsequent to the measurement date	<u>13,449</u>	<u>-</u>
Total	<u>\$ 276,782</u>	<u>\$ 64,333</u>

The BFSA’s contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2017. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>ERS</u>
2017	\$ 49,106
2018	49,106
2019	49,106
2020	51,682

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart on the following page presents the BFSA’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the BFSA’s proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension liability	\$ 683,789	\$ 303,242	\$ (18,304)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2016 amounted to \$13,449.

Board of Education

The Board participates in the ERS and the Teachers’ Retirement System (“TRS”).

Plan Descriptions and Benefits Provided

Teachers’ Retirement System—The Board participates in the TRS. This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law (“NYSRSSL”). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers’ Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS’ website at www.nystrs.org.

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2016, the Board reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The Board's proportion of the net pension (asset)/liability was based on a projection of the Board's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and TRS in reports provided to the Board.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Net pension (asset)/liability	\$ (173,277,759)	\$ 22,702,665
Board's portion of the Plan's total net pension (asset)/liability	1.668248%	0.141447%

For the year ended June 30, 2016, the Board recognized an actuarial increase of \$11,403,250 for the TRS and pension expense of \$8,092,646 for ERS. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ -	\$ 114,722	\$ 4,802,267	\$ 2,691,022
Changes of assumptions	-	6,054,116	-	-
Net difference between projected and actual earnings on pension plan investments	-	13,468,467	54,774,001	-
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	854,035	837,312	320,047	22,448
Board's contributions subsequent to the measurement date	<u>33,792,412</u>	<u>1,645,936</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 34,646,447</u>	<u>\$ 22,120,553</u>	<u>\$ 59,896,315</u>	<u>\$ 2,713,470</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as shown below:

Year Ending June 30,	TRS	ERS
2017	\$ (22,036,148)	\$ 4,521,725
2018	(22,036,148)	4,521,725
2019	(22,036,148)	4,521,725
2020	9,165,512	4,195,972
2021	(542,233)	-
Thereafter	(1,557,115)	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the actuarial assumptions presented on the following page.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.00%	7.00%
Salary scale	4.01-10.91%	3.80%
Decrement tables	July 1, 2005- June 30, 2010	April 1, 2010- March 31, 2015
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005-June 30, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale AA. The actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2016	March 31, 2016
Asset class:				
Domestic equities	37.0 %	38.0 %	6.5 %	7.3 %
International equities	18.0	13.0	7.7	8.6
Private equity	0.0	10.0	0.0	11.0
Real estate	10.0	8.0	4.6	8.3
Alternative investments	7.0	0.0	9.9	0.0
Absolute return strategies	20.0	3.0	1.9	6.8
Opportunistic portfolio	0.0	3.0	0.0	8.6
Real assets	0.0	3.0	0.0	8.7
Bonds and mortgages	8.0	18.0	3.4	4.0
Cash	0.0	2.0	0.0	2.3
Inflation-indexed bonds	0.0	2.0	0.0	4.0
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Board’s proportionate share of the net pension liabilities calculated using the discount rate of 7.0% for ERS and 8.0% for TRS, as well as what the Board’s proportionate share of the net pension (asset)/liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0% for ERS and 7.0% for TRS) or one percentage-point higher (8.0% for ERS and 9.0% for TRS) than the current assumption.

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension (asset)/liability	\$ 11,819,777	\$ (173,277,759)	\$ (331,127,089)
ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension (asset)/liability	\$ 51,192,861	\$ 22,702,665	\$ (1,370,333)

Pension Plan Fiduciary Net Position—The components of the current-year net pension (asset)/liability of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Measurement date	June 30, 2015	March 31, 2016	
Employers' total pension (asset)/liability	\$ 99,332,104	\$ 172,303,544	\$ 271,635,648
Plan fiduciary net position	<u>109,718,917</u>	<u>156,253,265</u>	<u>265,972,182</u>
Employers' net pension (asset)/liability	<u>\$ (10,386,813)</u>	<u>\$ 16,050,279</u>	<u>\$ 5,663,466</u>
System fiduciary net position as a percentage of total pension liability	110.46%	90.68%	97.92%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the employer’s contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions for TRS as of June 30, 2016 amounted to \$36,318,979. For ERS, accrued retirement contributions as of June 30, 2016 amounted to \$1,645,936.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer’s contribution rate, by tier.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2016, BURA reported a liability of \$1,196,017 for its proportionate share of the net pension liability. At the March 31, 2016 measurement date, BURA’s proportion was 0.0074517%.

For the year ended June 30, 2015, BURA recognized pension expense of \$411,776. At June 30, 2016, BURA reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown on the following page.

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 6,044	\$ 141,768
Changes of assumptions	318,942	-
Net difference between projected and actual earnings on pension plan investments	709,543	-
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	17,885	63,131
BURA contributions subsequent to the measurement date	<u>94,470</u>	<u>-</u>
Total	<u>\$ 1,146,884</u>	<u>\$ 204,899</u>

BURA's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	ERS
2017	\$ 210,929
2018	210,929
2019	210,929
2020	214,728

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents BURA's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what BURA's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability	\$ 2,696,932	\$ 1,196,017	\$ (72,192)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability of the employers as of the valuation dates, were as follows:

	<u>(Dollars in Thousands)</u>
	<u>ERS</u>
Valuation date	April 1, 2015
Employers' total pension liability	\$ 172,303,544
Plan fiduciary net position	<u>156,253,265</u>
Employers' net pension liability	<u>\$ 16,050,279</u>
System fiduciary net position as a percentage of total pension liability	90.68%

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2016 amounted to \$94,470.

7. 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 146 firefighters that receive such compensation.

There have been no significant changes in the number of employees covered. The number of participants as of July 1, 2014, the effective date of the biannual OPEB valuation, is as follows:

Active employees	2,526
Retired employees	2,697
Spouses of retirees	1,640
Dependents	<u>863</u>
Total	<u>7,726</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, 2016, the City's annual OPEB cost (expense) is \$99,178,000 while the Annual Required Contribution ("ARC") is \$98,672,000. Considering the annual expense, as well as payment for current health insurance premiums which totaled approximately \$49,594,000 for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of approximately \$49,584,000 for the year ended June 30, 2016.

The following table shows the components of the City's annual OPEB cost of the 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")	\$ 1,339,493	\$ 70,991	\$ 68,384	\$ 1,478,868
Unfunded actuarial accrued liability ("UAAL")	\$ 1,339,493	\$ 70,991	\$ 68,384	\$ 1,478,868
Normal cost — beginning of the year	\$ 36,985	\$ 1,383	\$ 1,858	\$ 40,226
Amortization factor based on 30 years	26.2	26.2	26.2	26.2
Annual covered payroll	\$ 180,257	\$ 2,779	\$ 14,024	\$ 197,060
UAAL as a percentage of covered payroll	743.1%	2554.6%	487.6%	750.5%
Level Dollar Amortization				
Calculation of ARC Under Projected Unit Credit Method				
ARC normal cost with interest — end of year	\$ 36,985	\$ 1,383	\$ 1,858	\$ 40,226
UAAL over 30 years with interest — end of year	51,185	2,713	2,613	56,511
Interest	1,764	82	89	1,935
Annual required contribution ("ARC")	89,934	4,178	4,560	98,672
Interest on net OPEB obligation	15,416	3,367	1,032	19,815
Adjustment to ARC	(15,022)	(3,281)	(1,006)	(19,309)
Annual OPEB cost (expense)	90,328	4,264	4,586	99,178
Contributions for the year ended June 30, 2016	(41,265)	(5,311)	(3,018)	(49,594)
Increase in net OPEB obligation	49,063	(1,047)	1,568	49,584
Net OPEB obligation — June 30, 2015	385,411	84,186	25,809	495,406
Net OPEB obligation — June 30, 2016	\$ 434,474	\$ 83,139	\$ 27,377	\$ 544,990
Percent of annual OPEB cost contributed	46%	125%	66%	50%

Funding Status and Funding Progress—As of July 1, 2014, calculations were based on plan data as of July 1, 2014 and financial data as of July 1, 2014. The actuarial accrued liability for benefits was \$1,428,411,700, all of which was unfunded. Based on an interim valuation the City estimates the unfunded accrued liability to be \$1,478,868,000 at June 30, 2016. The covered payroll (annual payroll of active employees covered by the Plan) was \$197,060,000 and the ratio of the unfunded actuarial accrued liability ("UAAL") to the covered payroll was 750.5%.

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. This schedule presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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)				
2016	\$ 99,178	\$ 49,594	50.0%	\$ 544,990
2015	95,584	45,987	48.1%	495,406
2014	107,857	46,490	43.1%	445,808

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, 2014 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% and for NYS fire disability, 1.5% annual growth after 5 years of retirement. The valuation assumes healthcare cost trends as follows: all plans pre-Medicare/Medicare inflation rates, 8.2%; all reduced by decrements to reach a rate of 4.4% in 2088.

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 BFSFA 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, 2016 there were no retirees of the BFSFA receiving benefits.

The BFSFA’s annual OPEB expense is calculated based on the annual required contribution of the BFSFA. The BFSFA 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 BFSFA’s annual OPEB for the year ended June 30, 2016.

Annual OPEB Cost and Net OPEB Obligation		(000's omitted)
Normal cost		\$ 89
Amortization of UAAL		<u>12</u>
Annual required contribution ("ARC")		101
Interest on net OPEB obligation		23
Adjustment to ARC		<u>(57)</u>
Annual OPEB cost		67
Contributions for the year ended June 30, 2015		<u>-</u>
Increase in net OPEB obligation		67
Net OPEB obligation—beginning		<u>568</u>
Net OPEB obligation—ending		<u><u>\$ 635</u></u>

The BFSFA’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)			
2016	\$ 67	0.0%	\$ 635
2015	96	0.0%	568
2014	44	0.0%	472

As of June 30, 2016, the most recent alternative measurement method date, the actuarial accrued liability for future benefits was \$568,375, all of which is unfunded. The annual payroll of employees eligible to be covered by the Plan was \$681,151, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 149%.

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 vision plan was based on a rate of 3%.

Health insurance premiums – 2015 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, 2016, are shown below:

Annual OPEB Cost and Net OPEB Obligation	(000's omitted)
Annual required contribution (ARC)	\$ 194,698
Interest on net OPEB obligation	30,813
Adjustment to ARC	<u>(44,548)</u>
Annual OPEB cost (expense)	180,963
Contributions for the year ended June 30, 2014	<u>(61,387)</u>
Increase in net OPEB obligation	119,576
Net OPEB obligation—beginning	<u>770,325</u>
Net OPEB obligation—ending	<u>\$ 889,901</u>
Percent of annual OPEB cost contributed	33.9%

Funding Status and Funding Progress—As of June 30, 2016, the most recent interim actuarial valuation performed, the actuarial accrued liability for benefits was \$2,121,315,000, all of which was unfunded.

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	Net OPEB Obligation
(000's omitted)				
2016	\$ 180,963	\$ 61,387	33.9%	\$ 889,901
2015	151,369	61,575	40.7%	770,325
2014	158,587	62,414	39.4%	680,531

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 actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The June 30, 2016 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 seven 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 four 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—In addition to pension benefits, BURA provides continuation of medical insurance coverage to employees that retire under the System 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. Health care benefits for non-union employees are similar to those of union employees. The retiree’s share of premium cost range from 0%-25%, depending on the employee hire date.

Funding Policy—BURA currently pays for post-employment health 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.

BURA’s annual other post-employment benefits (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. BURA elected to determine its OPEB liability under the Alternative Measurement Method permitted by GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The table below shows the components of BURA's annual OPEB cost for the year, the amount contributed to the plan, and changes in the BURA's net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation		(000's omitted)
Annual required contribution ("ARC")	\$	1,374
Interest on net OPEB obligation		324
Adjustment to ARC		-
Annual OPEB cost (expense)		1,698
Contributions made		(645)
Increase in net OPEB obligation		1,053
Net OPEB obligation—beginning		12,939
Net OPEB obligation—ending	\$	<u>13,992</u>

Funding Status and Funding Progress— As of June 30, 2014, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$16,499,280.

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 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'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)				
2016	\$ 1,698	\$ 645	38.0%	\$ 13,992
2015	1,374	449	32.7%	12,939
2014	1,347	794	58.9%	12,014

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 Methods and Assumptions—Calculations 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) at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 30, 2014 actuarial valuation, the Age Adjusted Contribution Actuarial Cost Method was used, using an age adjustment factor of 1.03. The actuarial assumptions included a valuation date of

June 30, 2014 and measurement date of June 30, 2015. The discount rate and payroll growth rate used were 2.5% and 2.0%, respectively. The unfunded actuarial accrued liability is being amortized over 30 years on a level percent of pay, open group basis, therefore the remaining amortization period at June 30, 2016 was twenty-three years.

8. 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, 2014, 2015, and 2016, the City incurred expenditures of \$4,098,492, \$3,542,084 and \$3,696,098, respectively, for property damage and personal injury claims. For the fiscal years ended June 30, 2014, 2015, and 2016, the City expensed \$7,291,697, \$6,809,060, and \$7,136,661 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, 2016, the City estimated the following general liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 3,063,889	\$ -
Workers' compensation — other employees	<u>4,520,225</u>	<u>2,685,229</u>
	<u>\$ 7,584,114</u>	<u>\$ 2,685,229</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, 2014, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2014	\$ 8,563,791	\$ 2,610,005
Claims incurred	5,445,229	1,081,269
Payments 2014-2015	<u>(5,861,748)</u>	<u>(947,312)</u>
Estimated claims — June 30, 2015	8,147,272	2,743,962
Claims incurred	5,396,347	1,118,423
Payments 2015-2016	<u>(5,959,505)</u>	<u>(1,177,156)</u>
Estimated claims — June 30, 2016	<u>\$ 7,584,114</u>	<u>\$ 2,685,229</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$14,000,000 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 \$8,200,000 to \$11,600,000.

9. LEASE OBLIGATIONS

Capital Leases—The City has entered into a lease agreement as a lessee for financing the acquisition of recycling totes. This lease has been recorded in the Solid Waste and Recycling Fund. The City's capital lease has been paid off in full in the year ended June 30, 2016.

The assets acquired through the capital lease are as follows:

	<u>Business-type Activities</u>
Assets:	
Equipment	\$ 2,800,000
Total assets	2,800,000
Less: accumulated depreciation	<u>(2,800,000)</u>
Total assets, net	<u>\$ -</u>

Operating Leases—Operating lease obligations are primarily for rental of space and equipment. Lease expenditures/expenses for the year were approximately \$203,340. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	
2017	\$ 169,345
2018	122,510
2019	109,190
2020	<u>109,190</u>
Total	<u>\$ 510,235</u>

Buffalo Fiscal Stability Authority

The BFSFA has an operating lease agreement for office space. Rental expense totaled \$38,865 for the year ended June 30, 2016. Future minimum annual rental payments required under the lease are:

<u>Fiscal Year Ending June 30,</u>	
2017	\$ 42,640
2018	43,615
2019	43,940
2020	43,940
2021	<u>10,985</u>
Total	<u>\$ 185,120</u>

Board of Education

Operating lease obligations are primarily for rental of space and equipment. Lease expenses for the year were approximately \$3,447,305. The future minimum rental payments required for noncancelable leases are shown below:

Fiscal Year Ending June 30,	
2017	\$ 3,617,377
2018	3,761,214
2019	3,352,635
2020	3,430,367
2021	3,523,938
2022-2026	15,629,399
2027-2028	<u>5,682,019</u>
Total	<u>\$ 38,996,949</u>

10. 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 costs, other post-employment benefits (“OPEB”) obligations, judgments and claims, and net pension liability.

A summary of changes in the City’s long-term debt at June 30, 2016 is presented on the following page.

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 218,583,985	\$ 42,923,468	\$ 52,083,984	\$ 209,423,469	\$ 28,042,270
General obligations bonds, net - BFSA	48,895,000	14,170,000	28,140,000	34,925,000	7,150,000
Premiums on bonds - City	11,649,008	7,633,322	2,489,184	16,793,146	3,134,495
Premiums on bonds - BFSA	3,168,172	1,536,367	1,984,224	2,720,315	485,523
Total bonds payable	<u>282,296,165</u>	<u>66,263,157</u>	<u>84,697,392</u>	<u>263,861,930</u>	<u>38,812,288</u>
Notes payable	540,368	-	267,509	272,859	272,859
Compensated absences	29,269,400	18,923,062	22,314,239	25,878,223	1,468,086
Workers' compensation	8,147,272	5,396,347	5,959,505	7,584,114	4,688,815
Landfill post-closure monitoring costs	910,000	-	70,000	840,000	70,000
OPEB obligation - City	469,597,000	94,592,000	46,576,000	517,613,000	-
OPEB obligation - BFSA	568,375	66,376	-	634,751	-
Judgments and claims	11,900,000	5,321,643	3,221,643	14,000,000	3,210,000
Net pension liability - City*	15,847,118	106,015,710	-	121,862,828	-
Net pension liability - BFSA*	62,198	241,044	-	303,242	-
Total governmental activities	<u>\$ 819,137,896</u>	<u>\$ 296,819,339</u>	<u>\$ 163,106,288</u>	<u>\$ 952,850,947</u>	<u>\$ 48,522,048</u>
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 8,850,000	\$ 4,066,532	\$ 2,340,000	\$ 10,576,532	\$ 1,892,730
General obligations bonds - Water	651,416	-	331,797	319,619	152,152
Water System revenue bonds	136,915,000	-	6,080,000	130,835,000	8,000,000
Premiums on bonds	6,759,521	801,454	449,407	7,111,568	476,122
Discounts on bonds	(238,510)	-	(11,114)	(227,396)	(10,875)
Total bonds payable	<u>152,937,427</u>	<u>4,867,986</u>	<u>9,190,090</u>	<u>148,615,323</u>	<u>10,510,129</u>
Capital leases	240,698	-	240,698	-	-
Compensated absences	1,347,365	1,190,055	1,347,365	1,190,055	86,974
Workers' compensation	2,743,962	1,118,423	1,177,156	2,685,229	1,293,945
OPEB obligation	25,809,000	4,586,000	3,018,000	27,377,000	-
Net pension liability*	1,271,448	6,001,596	-	7,273,044	-
Total business-type activities	<u>\$ 184,349,900</u>	<u>\$ 17,764,060</u>	<u>\$ 14,973,309</u>	<u>\$ 187,140,651</u>	<u>\$ 11,891,048</u>

(*additions to the net pension liability are shown net of reductions)

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.

On April 14, 2016, the City issued \$25,770,000 in Series 2016A general improvement serial bonds of which \$21,703,468 were for governmental activities and \$4,066,532 for business-type activities. The serial bonds were issued at a premium of \$5,078,889 and at an interest rate of 2.0%-5.0%. Principal payments on the bonds begin April 1, 2017 and mature on April 1, 2028.

On April 14, 2016, the City issued \$21,220,000 in Series 2016B general obligation refunding funds, which partially refunded the previously issued 2008A and 2009A general improvement serial bonds and 2004C, 2008B and 2009B school serial bonds. The Series 2016B refunding bonds were issued at a premium of \$3,355,887 and included issuance costs of \$99,354. The interest on the refunding bond ranges from 2.0 percent to 4.0 percent. The City deposited \$26,030,948 with an escrow agent and as a result, the bonds, as described above, are considered refunded and the liability of these bonds, \$23,795,000 has been removed from the financial statements. The difference between the reacquisition price and the amount refunded, less premium on refunded bonds, is reported as a deferred outflow of resources and is amortized over the life of the refunding issuance. The refunding bonds will produce a net present value debt service savings of approximately \$2,000,817. Principal payments on the bonds begin on November 15, 2016 and mature on November 15, 2023.

In December 2015, BFSA issued \$14,710,000 in sales tax and State aid and secured bonds with a net interest cost of 1.50% to advance refund \$7,200,000 and \$12,160,000, respectively, of outstanding Series 2005A and Series 2006A serial bonds with interest rates ranging from 4.6% to 5.0%. Proceeds of \$20,543,653 (including a premium of \$1,536,367 and additional BFSA and City contributions of \$4,837,286) were used to purchase U.S. Government Securities of \$20,062,352 and to fund estimated costs of issuance. The securities were placed in an irrevocable trust with an escrow agent to pay for all future debt service payments of the original bonds until their call dates of January 20, 2016 and September 1, 2016. As a result, the original bonds are considered to be defeased and the liability has been removed from the financial statements. The amount outstanding on the original bonds at June 30, 2016 was \$12,160,000. The refunding, which includes the additional contributions by BFSA and the City, decreased the total debt service payment for the next 10 years by \$6,349,756; after eliminating the impact from the contributions, the total estimated net economic impact is \$1,348,694 at net present value.

A summary of additions and payments for the year ended June 30, 2016 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2015	Additions	Payments	Balance 6/30/2016	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2004	\$ 15,245,000	2-4.2	2016	\$ 1,655,000	\$ -	\$ 1,655,000	\$ -	\$ -
2005	26,167,250	5.0	2025	7,114,440	-	1,137,672	5,976,768	1,090,520
2005	34,346,833	5.0	2019	3,191,223	-	1,525,842	1,665,381	707,848
2006	25,275,917	5.0	2022	11,072,000	-	4,487,185	6,584,815	1,555,366
2007	22,226,126	5.0	2023	13,255,205	-	1,388,740	11,866,465	1,457,077
2008	22,000,000	3.0-5.3	2023	13,385,000	-	10,335,000	3,050,000	1,485,000
2009	21,500,000	1.4-6.0	2024	14,240,000	-	9,975,000	4,265,000	1,365,000
2010	21,985,000	2.0-5.0	2025	16,060,000	-	1,295,000	14,765,000	1,360,000
2011	12,825,000	3.0-5.0	2021	2,870,000	-	1,320,000	1,550,000	515,000
2012	22,265,000	2.0-4.0	2026	17,210,000	-	1,300,000	15,910,000	1,355,000
2012	3,480,000	3.0-4.0	2022	3,480,000	-	1,255,000	2,225,000	1,295,000
2012	21,640,000	2.0-5.0	2023	16,450,000	-	1,805,000	14,645,000	1,860,000
2012	4,255,000	2.0-4.0	2024	1,355,000	-	295,000	1,060,000	265,000
2013	7,540,000	0.8-3.5	2025	6,360,000	-	575,000	5,785,000	585,000
2014	25,639,769	4.0-5.0	2023	22,905,000	-	2,725,000	20,180,000	2,745,000
2015	29,088,985	2.0-5.0	2026	29,088,985	-	2,848,985	26,240,000	2,815,000
2016	21,703,468	2.0-5.0	2028	-	21,703,468	-	21,703,468	1,482,270
2016	15,375,000	3.0-4.0	2024	-	15,375,000	-	15,375,000	-
Total				<u>179,691,853</u>	<u>37,078,468</u>	<u>43,923,424</u>	<u>172,846,897</u>	<u>21,938,081</u>
Governmental activities general obligations bonds issued by the City of Buffalo on behalf of discretely presented component unit – Board of Education:								
2004	\$ 2,700,000	2.0-4.9	2022	\$ 1,335,000	\$ -	\$ 1,335,000	\$ -	\$ -
2005	7,258,477	5.0	2016	817,361	-	817,361	-	-
2006	2,483,000	5.0	2020	1,088,000	-	197,000	891,000	207,000
2007	5,889,000	5.0	2019	2,363,000	-	548,000	1,815,000	576,000
2008	8,920,000	3.0-5.3	2023	5,430,000	-	4,200,000	1,230,000	600,000
2009	3,530,000	2.5-5.0	2024	2,335,000	-	1,630,000	705,000	225,000
2010	4,900,000	2.5-4.0	2025	3,485,000	-	300,000	3,185,000	310,000
2011	21,825,000	3.0-4.0	2021	11,775,000	-	3,635,000	8,140,000	6,035,000
2012	4,900,000	3.0-4.0	2026	3,790,000	-	290,000	3,500,000	300,000
2012	15,355,000	2.0-5.0	2021	12,750,000	-	2,250,000	10,500,000	135,000
2012	5,000,000	2.0-3.3	2027	4,125,000	-	300,000	3,825,000	305,000
2012	6,720,000	2.0-4.0	2025	4,275,000	-	365,000	3,910,000	380,000
2012	11,230,000	1.0-4.0	2023	8,640,000	-	875,000	7,765,000	890,000
2012	20,515,000	1.0-5.0	2024	15,585,000	-	1,520,000	14,065,000	1,570,000
2016	5,845,000	2.0-4.0	2023	-	5,845,000	-	5,845,000	165,000
Total				<u>77,793,361</u>	<u>5,845,000</u>	<u>18,262,361</u>	<u>65,376,000</u>	<u>11,698,000</u>
Less bonds issued by City to BFSAs:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (7,114,440)	\$ -	\$ (1,137,672)	\$ (5,976,768)	\$ (1,090,520)
2005BC	41,605,310	5.0	2019	(4,008,584)	-	(2,343,203)	(1,665,381)	(707,848)
2006A	27,758,917	4.0-5.0	2020	(12,160,001)	-	(4,684,186)	(7,475,815)	(1,762,366)
2007A	28,115,126	4.0-5.0	2023	(15,618,204)	-	(1,936,740)	(13,681,464)	(2,033,077)
Total mirror bonds				<u>(38,901,229)</u>	<u>-</u>	<u>(10,101,801)</u>	<u>(28,799,428)</u>	<u>(5,593,811)</u>
Net governmental activities general obligation bonds issued by the City of Buffalo				<u>218,583,985</u>	<u>42,923,468</u>	<u>52,083,984</u>	<u>209,423,469</u>	<u>28,042,270</u>

(continued)

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2015	Additions	Payments	Balance 6/30/2016	Due Within One Year
Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:								
2005A	\$ 28,030,000	4.0-5.0	2025	\$ 9,340,000	\$ -	\$ 9,340,000	\$ -	\$ -
2005BC	47,065,000	5.0	2019	7,290,000	-	2,630,000	4,660,000	2,675,000
2006A	27,270,000	4.0-5.0	2020	14,255,000	-	14,255,000	-	-
2007A	28,470,000	4.0-5.0	2023	18,010,000	-	1,915,000	16,095,000	2,010,000
2015A	14,170,000	3.0-5.0	2025	-	14,170,000	-	14,170,000	2,465,000
Total				<u>48,895,000</u>	<u>14,170,000</u>	<u>28,140,000</u>	<u>34,925,000</u>	<u>7,150,000</u>
Total governmental activities bonds				<u>267,478,985</u>	<u>57,093,468</u>	<u>80,223,984</u>	<u>244,348,469</u>	<u>35,192,270</u>
Unamortized premium - City				11,649,008	7,633,322	2,489,184	16,793,146	3,134,495
Unamortized premium - BFSA				<u>3,168,172</u>	<u>1,536,367</u>	<u>1,984,224</u>	<u>2,720,315</u>	<u>485,523</u>
Total governmental activities bonds, net				<u>\$ 282,296,165</u>	<u>\$ 66,263,157</u>	<u>\$ 84,697,392</u>	<u>\$ 263,861,930</u>	<u>\$ 38,812,288</u>
Business-type activities — general obligation bonds:								
Parking:								
2012	\$ 8,415,000	2.0-5.0	2022	\$ 8,090,000	\$ -	\$ 1,580,000	\$ 6,510,000	\$ 1,615,000
2012	2,250,000	2.0-4.0	2024	760,000	-	760,000	-	-
2016	4,066,532	2.0-5.0	2028	-	4,066,532	-	4,066,532	277,730
Subtotal — Parking				<u>8,850,000</u>	<u>4,066,532</u>	<u>2,340,000</u>	<u>10,576,532</u>	<u>1,892,730</u>
Water System:								
2005	6,552,147	5.0	2018	651,416	-	331,797	319,619	152,152
Total				<u>9,501,416</u>	<u>4,066,532</u>	<u>2,671,797</u>	<u>10,896,151</u>	<u>2,044,882</u>
Business-type activities — Water System Revenue Bonds:								
2002	\$ 11,785,000	2.5-4.8	2018	\$ 990,000	\$ -	\$ 315,000	\$ 675,000	\$ 330,000
2003	3,901,741	5.6-6.3	2031	125,000	-	125,000	-	-
2006	19,917,236	3.6-4.8	2028	13,140,000	-	835,000	12,305,000	860,000
2007	13,010,000	3.6-4.4	2038	11,220,000	-	300,000	10,920,000	310,000
2007	29,220,000	5	2027	21,850,000	-	3,395,000	18,455,000	3,565,000
2010	23,975,000	2.0-6.9	2041	22,075,000	-	505,000	21,570,000	520,000
2011	2,720,000	1.5-5.1	2022	1,835,000	-	235,000	1,600,000	245,000
2012	17,150,000	1.8-4.0	2043	16,450,000	-	370,000	16,080,000	380,000
2012	2,575,000	5.6-6.3	2031	2,575,000	-	-	2,575,000	130,000
2015	46,655,000	2.0-5.0	2036	46,655,000	-	-	46,655,000	1,660,000
Total				<u>136,915,000</u>	<u>-</u>	<u>6,080,000</u>	<u>130,835,000</u>	<u>8,000,000</u>
Total business-type activities bonds				<u>146,416,416</u>	<u>4,066,532</u>	<u>8,751,797</u>	<u>141,731,151</u>	<u>10,044,882</u>
Unamortized premium				6,759,521	801,454	449,407	7,111,568	476,122
Unamortized discount				<u>(238,510)</u>	<u>-</u>	<u>(11,114)</u>	<u>(227,396)</u>	<u>(10,875)</u>
Total business-type activities bonds, net				<u>\$ 152,937,427</u>	<u>\$ 4,867,986</u>	<u>\$ 9,190,090</u>	<u>\$ 148,615,323</u>	<u>\$ 10,510,129</u>

(concluded)

Amortization of Bond Premiums and Discounts—As noted above, on April 14, 2016, the City issued general improvement serial bonds Series 2016A totaling \$25,770,000 and received a bond premium of \$5,078,889. The premium is being amortized on a straight-line annual basis over the life of the bonds, which mature on April 1, 2028. In addition, on April 14, 2016 the City issued \$21,220,000 in Series 2016B refunding bonds and received a premium of \$3,355,887. The premium is being amortized on a straight-line annual basis over the life of the bonds, which mature on April 1, 2024. In December 2015, the BFA issued bonds totaling \$14,170,000 and received a bond premium of \$1,536,367. The total remaining unamortized premiums on bonds at June 30, 2016 are \$19,513,461 and \$7,111,568 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$227,396 are reported in business-type activities at June 30, 2016.

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
2017	\$ 21,938,081	\$ 8,617,053	\$ 30,555,134
2018	20,879,841	7,771,182	28,651,023
2019	20,594,464	6,399,168	26,993,632
2020	20,722,592	4,904,394	25,626,986
2021	18,523,389	3,890,288	22,413,677
2022-2026	65,665,919	8,234,824	73,900,743
2027-2028	4,522,609	341,932	4,864,541
Total	<u>\$ 172,846,895</u>	<u>\$ 40,158,841</u>	<u>\$ 213,005,736</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 11,698,000	\$ 2,422,191	\$ 14,120,191
2018	8,716,000	2,008,467	10,724,467
2019	8,973,000	1,688,220	10,661,220
2020	8,624,000	1,135,044	9,759,044
2021	8,695,000	809,800	9,504,800
2022-2026	18,265,000	1,311,281	19,576,281
2027	405,000	13,163	418,163
Total	<u>\$ 65,376,000</u>	<u>\$ 9,388,166</u>	<u>\$ 74,764,166</u>

Governmental Activities — Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 7,150,000	\$ 1,724,250	\$ 8,874,250
2018	5,520,000	1,140,900	6,660,900
2019	5,685,000	879,063	6,564,063
2020	5,440,000	612,262	6,052,262
2021	4,690,000	373,575	5,063,575
2022-2026	6,440,000	444,450	6,884,450
Total	<u>\$ 34,925,000</u>	<u>\$ 5,174,500</u>	<u>\$ 40,099,500</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 10,044,882	\$ 6,597,713	\$ 16,642,595
2018	9,611,518	6,216,664	15,828,182
2019	9,640,097	5,777,381	15,417,478
2020	9,663,511	5,336,969	15,000,480
2021	7,188,501	4,954,476	12,142,977
2022-2026	34,950,251	19,888,966	54,839,217
2027-2031	32,777,391	10,974,933	43,752,324
2032-2036	14,270,000	5,476,005	19,746,005
2037-2041	11,765,000	1,967,552	13,732,552
2042 and thereafter	1,820,000	73,600	1,893,600
Total	<u>\$ 141,731,151</u>	<u>\$ 67,264,259</u>	<u>\$ 208,995,410</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, 2016 of \$272,859 is scheduled to be paid in full in the next fiscal year.

Capital Leases—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 remaining balance was paid off in full during the year ended June 30, 2016. Refer to Note 9 for additional information related to the City’s capital leases.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$25,878,223 for governmental activities and \$1,190,055 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 \$1,468,086 and \$86,974 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers' Compensation—Accrued workers' compensation, which totals \$7,584,114 and \$2,685,229 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 \$4,688,815 and \$1,293,945 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 8 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 12 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, 2016 was \$840,000.

OPEB Obligation—As explained in Note 7, 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. Typically, the General Fund has been used to liquidate this liability within the governmental funds. The long-term OPEB liability is estimated to be \$518,247,951 and \$27,377,000 in the governmental activities and business-type activities, respectively.

Judgments and Claims—As explained in Note 8, the City records a liability for general liability claims in the government-wide financial statements. The City's judgments and claims liability, which totals \$14,000,000 at June 30, 2016, 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 \$3,210,000 of the aforementioned claims will be paid in the next fiscal year.

Net Pension Liability—The City reports a liability for its proportionate share of the net pension liability for the Employee Retirement System and Police and Fire Retirement System. The net pension liability is estimated to be \$122,166,070 and \$7,273,044 in the governmental activities and business-type activities, respectively. Typically, the General Fund has been used to liquidate this liability within the governmental funds. Refer to Note 6 for additional information related to the City's net pension liability.

Debt Contracting Limitation and Unissued Bonds—The City's debt contracting limitation under its legal debt margin at July 1, 2016, was approximately \$651.4 million. The effective borrowing capacity is \$436.0 million.

The list of the City's authorized and unissued bonds at June 30, 2016, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 17,931,141</u>

Board of Education

A summary of changes in the Board's long-term liabilities for the year ended June 30, 2016, is as follows:

Governmental activities:	Balance	Additions	Reductions	Balance	Due Within
	7/1/2015			6/30/2016	One Year
Due to other governments	\$ 10,980,000	\$ -	\$ 713,334	\$ 10,266,666	\$ 713,334
Revenue bonds payable	12,730,000	-	590,000	12,140,000	610,000
JSCB bonds payable	908,360,000	-	41,995,000	866,365,000	52,640,000
Premium on bonds	104,629,850	879,020	8,537,955	96,970,915	8,543,209
Compensated absences	20,914,123	7,802,607	8,387,043	20,329,687	8,152,584
Pension deferral	3,192,902	-	239,711	2,953,191	248,725
Workers' compensation	43,112,284	9,627,834	8,853,317	43,886,801	8,392,778
OPEB obligation	770,325,000	180,963,000	61,387,000	889,901,000	-
Net pension liability*	4,813,758	17,888,907	-	22,702,665	-
Total	\$ 1,879,057,917	\$ 217,161,368	\$ 130,703,360	\$ 1,965,515,925	\$ 79,300,630

(*additions to the net pension liability are shown net of reductions)

Source of Funding—Amounts due to other governments, due to City of Buffalo (bonded debt), and revenue bonds payable 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 below.

Fiscal Year Ending	Principal
June 30,	
2017	\$ 713,334
2018	713,334
2019	713,332
2020	713,334
2021	713,334
2022-2026	3,566,666
2027-2031	2,899,999
2032-2036	233,333
	<u>\$ 10,266,666</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	
2017	\$ 610,000	\$ 472,141	\$ 1,082,141	
2018	630,000	453,641	1,083,641	
2019	645,000	40,891	685,891	
2020	665,000	421,141	1,086,141	
2021	695,000	390,466	1,085,466	
2022-2026	4,025,000	1,390,131	5,415,131	
2027-2031	4,870,000	545,766	5,415,766	
Total	<u>\$ 12,140,000</u>	<u>\$ 3,714,177</u>	<u>\$ 15,854,177</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. \$268,240,000 of these bonds defeased in the prior years is outstanding at June 30, 2016.

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

Fiscal Year Ending				
June 30,	Principal	Interest	Total	
2017	\$ 52,640,000	\$ 43,617,363	\$ 96,257,363	
2018	55,330,000	40,990,163	96,320,163	
2019	58,165,000	38,228,663	96,393,663	
2020	61,145,000	35,325,513	96,470,513	
2021	70,915,000	32,270,913	103,185,913	
2022-2026	362,690,000	105,535,338	468,225,338	
2027-2031	199,175,000	27,559,900	226,734,900	
2032	6,305,000	331,013	6,636,013	
Total	<u>\$ 866,365,000</u>	<u>\$ 323,858,866</u>	<u>\$ 1,190,223,866</u>	

Pension Deferral—As explained in Note 6, the Board participates in the New York and Local Employees’ Retirement System (“ERS”). In the prior year, the Board elected to participate in the alternate contribution stabilization program for ERS as enacted by New York State under Chapter 57, Laws of 2013. The program provides short-term cash relief by allowing municipalities to defer payment on a portion of the annual contribution, but requires repayment with interest in the following year. The Board made a payment of \$239,711 under this program and deferred payment of the remaining \$2,953,191.

Compensated Absences—Compensated absences, which totaled \$20,329,687 at June 30, 2016, 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 \$8,152,584 will be paid in the next fiscal year.

Workers’ Compensation—Workers’ compensation obligations total \$43,886,801 at June 30, 2016, representing estimated amounts due for various outstanding claims.

OPEB Obligation—Refer to Note 7.

Net Pension Liability—The Board reported a liability, \$22,702,665, for its proportionate share of the net pension liability of the Employees’ Retirement System. Refer to Note 6 for additional information related to the Board’s net pension liability.

Buffalo Urban Renewal Agency

BURA’s outstanding long-term liabilities include Section 108 debt, compensated absences, other post-employment benefits (“OPEB”) obligation, New York State retirement liability, and net pension liability.

A summary of changes in BURA’s long-term liabilities at June 30, 2016 follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Governmental activities:					
Section 108 debt	\$ 3,870,000	\$ -	\$ 3,870,000	\$ -	\$ -
Compensated absences*	229,600	-	7,640	221,960	11,098
OPEB obligation	12,939,511	1,697,531	645,031	13,992,011	-
Long-term retirement liability	164,972	-	21,893	143,079	21,247
Net pension liability*	272,042	923,975	-	1,196,017	-
Long-term due to other governments	-	502,774	-	502,774	-
Total	<u>\$ 17,476,125</u>	<u>\$ 3,124,280</u>	<u>\$ 4,544,564</u>	<u>\$ 16,055,841</u>	<u>\$ 32,345</u>

(*compensated absences and net pension activity is shown as net)

Section 108 Debt—BURA is indebted to the Federal Financing Bank (“FFB”) under promissory notes for advances received under HUD Section 108 Loan Guarantee Program. There are two types of HUD Section 108 loan programs. Under the first type, promissory notes are payable in 20 annual installments of principal and interest. Under the second type, interest on promissory notes is payable in 12 semi-annual installments, starting with the first February or August after loan issuance. The

entire principal amount of the loan is due at the same time as the 12th semi-annual 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.

BURA has loaned the advances from the FFB to the Buffalo Economic Renaissance Corporation (“BERC”) which, in turn, has loaned these funds to various business for economic development purposes. BURA’s future obligations for interest and principal payments to the FFB on such loans are to be provided by BERC, through interest and principal repayments from the individual borrowers. BURA has an agreement with City of Buffalo that the City will make payments on the amounts due to FFB in the event of default by the individual borrowers on such loans. BURA records contributions from the City in the amount paid on their behalf. During the year ended June 30, 2016, BERC sold property for which the Section 108 debt was issued. A portion of the proceeds of this sale, \$2,260,000, was given by BERC to the City to repay the Section 108 debt. In addition to this, the City contributed the remaining \$1,610,000 of the total outstanding principal balance of the \$3,870,000 to BURA for principal reduction of the debt which is recorded in the Section 108 Loan Program Fund. As such, the Section 108 debt has been paid off as of June 30, 2016.

Compensated Absences—BURA records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2016, for governmental activities is \$221,960. Management estimates that \$11,098 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, BURA provides health insurance coverage for certain retirees. BURA’s annual other post-employment benefits (“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 estimated long-term OPEB liability is \$13,992,011 as of June 30, 2016.

Long-Term Retirement Liability—As explained in Note 6, BURA participates in the New York and Local Employees’ Retirement System (“ERS”). BURA elected to amortize certain payments relating to ERS during 2011 and 2013 over ten years in accordance with Chapter 260 of the Laws of 2004 of the State of New York. Accordingly, at June 30, 2016, BURA has recorded a liability in the amount of \$143,079, of which \$21,247 is considered due within one year.

Net Pension Liability—BURA reported a liability, \$1,196,017, for its proportionate share of the net pension liability of the Employees’ Retirement System. Refer to Note 6 for additional information related to BURA’s net pension liability.

Long-Term Due to Other Governments—BURA reports a long-term liability, \$502,774, which is owed to the City to be used to pay HUD for claims related to prior years’ activity. Repayment is based on the future sale of property and availability of funds. The City has recorded an intergovernmental payable for \$502,774 and a corresponding intergovernmental receivable on its statement of net position.

11. 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. A reconciliation of the City’s governmental and business-type activities net investment in capital assets are shown below.

Governmental activities:

Capital assets, net of accumulated depreciation		\$ 500,491,352
Related debt:		
Serial bonds issued for capital assets	\$ (178,972,469)	
Unspent debt proceeds	<u>41,323,234</u>	
Bonds payable issued for capital assets		(137,649,235)
Deferred loss on refunding		3,448,371
Unamortized premiums		(19,513,461)
Notes payable		<u>(272,859)</u>
Net investment in capital assets—governmental activities		<u>\$ 346,504,168</u>

Business-type activities:

Capital assets, net of accumulated depreciation		\$ 182,826,542
Related debt:		
Serial bonds issued for capital assets	(141,731,151)	
Unspent debt proceeds	<u>25,697,688</u>	
Bonds payable issued for capital assets		(116,033,463)
Deferred gain on refunding		(23,329)
Deferred loss on refunding		4,316,521
Unamortized premium		(7,111,568)
Unamortized discount		<u>227,396</u>
Net investment in capital assets—business-type activities		<u>\$ 64,202,099</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.

Nonspendable Fund Balance—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, 2016 include:

Real estate acquired for sale	\$ 9,472,256
Long-term due from other funds	16,753,875
Prepaid items	1,560,552
Permanent Fund - corpus	<u>30,000</u>
Total	<u>\$ 27,816,683</u>

- **Real Estate Acquired 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 Recycling 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.

Restricted Fund Balance—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, 2016 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 41,246,531	\$ -	\$ -	\$ 41,246,531
Capital outlay	6,971,947	-	-	-	-	6,971,947
Debt service	-	11,743,450	-	-	7,576,105	19,319,555
Grants	-	-	-	-	5,180,547	5,180,547
State mandated initiatives	-	-	-	710,319	-	710,319
Emergency medical services	1,229,598	-	-	-	-	1,229,598
Permanent fund - interest	-	-	-	-	110,801	110,801
Total	<u>\$ 8,201,545</u>	<u>\$ 11,743,450</u>	<u>\$ 41,246,531</u>	<u>\$ 710,319</u>	<u>\$ 12,867,453</u>	<u>\$ 74,769,298</u>

- **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 \$5,180,547 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, 2016, \$710,319 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.

Committed Fund Balance—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, 2016, the City reported the commitment described below:

- **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, 2016, the City reported \$36,316,959 within its Emergency Stabilization fund.

Assigned Fund Balance—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, 2016 assigned fund balance includes:

	General Fund	BFSA Special Revenue Fund	Total
Encumbrances	\$ 10,030,276	\$ -	\$ 10,030,276
Motor vehicle self-insurance	664,128	-	664,128
Subsequent year's expenditures	10,676,292	-	10,676,292
Judgments and claims	14,000,000	-	14,000,000
Specific use	-	657,240	657,240
Total	<u>\$ 35,370,696</u>	<u>\$ 657,240</u>	<u>\$ 36,027,936</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 2016-2017 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.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally 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, 2016 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 38,189,768	\$ 50,315
Debt Service Fund	192,765	1,250,349
Capital Projects Fund	14,620	15,025,558
BFSA Special Revenue Fund	-	7,787,808
Nonmajor governmental funds	49,262	1,198,913
Total governmental funds	<u>38,446,415</u>	<u>25,312,943</u>
Proprietary funds:		
Solid Waste and Recycling Fund	-	16,753,875
Parking Fund	4,856,071	930,860
Water System	-	302,017
Internal Service Fund	-	595
Total proprietary funds	<u>4,856,071</u>	<u>17,987,347</u>
Agency Fund	804	-
Total	<u>\$ 43,303,290</u>	<u>\$ 43,300,290</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 of 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.

Included within the General Fund's due from other funds totaling \$38,189,768 is a portion in the amount of \$16,753,875, which is considered long-term and has been reserved within nonspendable fund balance.

The City made the following transfers during the year ended June 30, 2016:

Transfers out:	Transfers in:					Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Solid Waste & Recycling Fund	
General Fund	\$ -	\$ 24,766,618	\$ 400,000	\$ 28,047	\$ 3,200,000	\$ 28,394,665
Debt Service Fund	-	-	-	11,981,895	-	11,981,895
Capital Projects Fund	-	887,726	-	18,936	716,110	1,622,772
BFSA Special Revenue Fund	-	-	-	802,723	-	802,723
Solid Waste & Recycling Fund	673,078	-	-	-	-	673,078
Parking Fund	3,720,000	165,654	-	-	-	3,885,654
Water System	5,963,011	-	-	-	-	5,963,011
Total	\$ 10,356,089	\$ 25,819,998	\$ 400,000	\$ 12,831,601	\$ 3,916,110	\$ 53,323,798

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.

13. LABOR RELATIONS

Approximately 2,512 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
Blue Collar	6/30/11
Building Inspectors	6/30/12
Operating Engineers	6/30/13
Crossing Guards	8/31/15
Pipe Caulkers	6/30/16
Firefighters	6/30/17
White Collar	6/30/19
Police	6/30/19

14. 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 \$56,113,944 encumbrances outstanding at June 30, 2016. In the General Fund, encumbrances of \$10,030,276 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$32,308,858 and \$13,774,810 of outstanding encumbrances, respectively. As of June 30, 2016, the City had the following significant encumbrances:

Description	Capital Projects Fund	Special Revenue Fund
Buildings	\$ -	\$ 3,000,000
Building Rehabilitation	-	1,500,000
General improvements	1,055,385	-
Parks	839,392	-
Bridges	1,238,432	-
Streets	16,387,612	-
Equipment	1,931,354	-

Board of Education

Encumbrances—At June 30, 2016, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$4,350,389 in the Board’s general fund.

Construction Commitment—As of June 30, 2016, the Board has approximately \$4,943,000 committed to various renovations.

15. 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.

Landfill Postclosure—As discussed in Note 10, the City is responsible to perform specified operation and maintenance functions at a landfill site for a period of thirty years. At June 30, 2016, the liability is \$840,000. The landfill postclosure care liability is an estimate and is subject to changes resulting from inflation, deflation, technology or changes in applicable laws or regulations.

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, 2016 are subject to potential revision.

Grants—The Board has received grants, which are subject to audit by agencies of the State and federal governments. Such audits may result in disallowances and 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

Grants—In the normal course of operations, the Agency 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 granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the Agency. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

Litigation—Various legal actions are pending against the Agency. 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 financial condition or results of operation of the Agency.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2016, which is the date the financial statements are available for issuance, and have determined there are no subsequent events, except for the item listed below, that require disclosure under generally accepted accounting principles.

- On October 17, 2016, the Board of Education and Buffalo Teachers Federation ratified their contract.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended June 30, 2016
(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, 2014	\$ -	\$ 1,428,412	\$ 1,428,412	0.0%	\$ 197,060	724.9%
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%
Buffalo Fiscal Stability Authority:						
As of June 30, 2016	\$ -	\$ 568	\$ 568	0.0%	\$ 381	149.1%
As of June 30, 2015	-	338	338	0.0%	361	93.6%
As of June 30, 2012	-	116	116	0.0%	319	36.4%
Board of Education:						
As of June 30, 2015	\$ -	\$ 2,121,315	\$ 2,121,315	0.0%	\$ 299,214	709.0%
As of June 30, 2014	-	1,825,333	1,825,333	0.0%	296,956	614.7%
As of June 30, 2013	-	1,896,318	1,896,318	0.0%	293,169	646.8%
Buffalo Urban Renewal Agency:						
As of June 30, 2014	\$ -	\$ 12,014	\$ 12,014	0.0%	\$ 1,936	620.6%
As of June 30, 2011	-	11,818	11,818	0.0%	2,290	516.1%

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability (Asset)—Teachers' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Board of Education ("BOE"):			
Measurement date	June 30, 2015	June 30, 2014	June 30, 2013
BOE's proportion of the net pension liability (asset)	1.668248%	1.695591%	1.695591%
BOE's proportionate share of the net pension liability (asset)	<u>\$ (173,277,759)</u>	<u>\$ (188,878,283)</u>	<u>\$ (10,757,018)</u>
BOE's covered-employee payroll	\$ 264,357,397	\$ 259,159,687	\$ 258,505,177
BOE's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.5%	72.9%	4.2%
Plan fiduciary net position as a percentage of the total pension liability	110.5%	111.5%	100.7%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Teachers' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Board of Education ("BOE"):			
Contractually required contribution	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597
Contributions in relation to the contractually required contribution	<u>(33,792,412)</u>	<u>(43,929,324)</u>	<u>(40,700,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOE's covered-employee payroll	\$ 264,357,397	\$ 259,159,687	\$ 258,505,177
Contributions as a percentage of covered-employee payroll	12.8%	17.0%	15.7%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Proportionate Share of the
Net Pension Liability—Police and Fire Retirement System
Last Three Fiscal Years*

	<u>Year Ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Buffalo ("City"):			
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
City's proportion of the net pension liability	3.1811703%	3.5779889%	3.5779889%
City's proportionate share of the net pension liability	<u>\$ 94,187,680</u>	<u>\$ 9,848,756</u>	<u>\$ 14,895,509</u>
City's covered-employee payroll	\$ 131,011,466	\$ 117,701,459	\$ 130,718,240
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.9%	8.4%	11.4%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	99.0%	98.5%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Government's Contributions—
Police and Fire Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
City of Buffalo ("City"):			
Contractually required contribution	\$ 23,005,037	\$ 40,418,943	\$ 30,767,293
Contributions in relation to the contractually required contribution	<u>(23,005,037)</u>	<u>(40,418,943)</u>	<u>(30,767,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 131,011,466	\$ 117,701,459	\$ 130,718,240
Contributions as a percentage of covered-employee payroll	17.6%	34.3%	23.5%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%	97.2%
City of Buffalo ("City"):			
City's proportion of the net pension liability	0.2177420%	0.2151949%	0.2151949%
City's proportionate share of the net pension liability	<u>\$ 34,948,192</u>	<u>\$ 7,269,810</u>	<u>\$ 9,724,354</u>
City's covered-employee payroll	\$ 65,878,875	\$ 58,216,351	\$ 57,291,143
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.0%	12.5%	17.0%
Buffalo Fiscal Stability Authority ("BFSA"):			
BFSA's proportion of the net pension liability	0.0018893%	0.0018411%	0.0018411%
BFSA's proportionate share of the net pension liability	<u>\$ 303,242</u>	<u>\$ 62,198</u>	<u>\$ 67,581</u>
BFSA's covered-employee payroll	\$ 354,794	\$ 334,762	\$ 348,621
BFSA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.5%	18.6%	19.4%
Board of Education ("BOE"):			
BOE's proportion of the net pension liability	0.141447%	0.142493%	0.142493%
BOE's proportionate share of the net pension liability	<u>\$ 22,702,665</u>	<u>\$ 4,813,758</u>	<u>\$ 6,439,054</u>
BOE's covered-employee payroll	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043
BOE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.0%	12.2%	15.8%
Buffalo Urban Renewal Agency ("BURA"):			
BURA's proportion of the net pension liability	0.0074517%	0.0080528%	0.0080528%
BURA's proportionate share of the net pension liability	<u>\$ 1,196,017</u>	<u>\$ 272,042</u>	<u>\$ 363,893</u>
BURA's covered-employee payroll	\$ 2,320,379	\$ 2,083,059	\$ 2,336,983
BURA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.5%	13.1%	15.6%

*Information prior to the year ended June 30, 2014 is not available.

CITY OF BUFFALO, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Three Fiscal Years*

	Year Ended June 30,		
	2016	2015	2014
City of Buffalo ("City"):			
Contractually required contributions	\$ 10,243,551	\$ 11,374,650	\$ 11,646,194
Contributions in relation to the contractually required contribution	<u>(10,243,551)</u>	<u>(11,374,650)</u>	<u>(11,646,194)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 65,878,875	\$ 58,216,351	\$ 57,291,143
Contributions as a percentage of covered-employee payroll	15.5%	19.5%	20.3%
Buffalo Fiscal Stability Authority ("BFSA"):			
Contractually required contributions	\$ 67,365	\$ 62,469	\$ 75,625
Contributions in relation to the contractually required contribution	<u>(67,365)</u>	<u>(62,469)</u>	<u>(75,625)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFSA's covered-employee payroll	\$ 354,794	\$ 334,762	\$ 348,621
Contributions as a percentage of covered-employee payroll	19.0%	18.7%	21.7%
Board of Education ("BOE"):			
Contractually required contributions	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573
Contributions in relation to the contractually required contribution	<u>(7,283,149)</u>	<u>(7,695,528)</u>	<u>(5,070,646)</u>
Contribution deficiency (excess)	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
BOE's covered-employee payroll	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043
Contributions as a percentage of covered-employee payroll	18.6%	19.4%	12.5%
Buffalo Urban Renewal Agency ("BURA"):			
Contractually required contributions	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	<u>(346,327)</u>	<u>(393,546)</u>	<u>(466,649)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's covered-employee payroll	\$ 2,320,379	\$ 2,083,059	\$ 2,336,983
Contributions as a percentage of covered-employee payroll	14.9%	18.9%	20.0%

*Information prior to the year ended June 30, 2014 is not available.

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, 2016

	<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	\$ 135,137,419	\$ 135,137,419	\$ 139,042,507	\$ 3,905,088
Utility and other nonproperty tax items	13,135,000	13,135,000	11,168,613	(1,966,387)
Federal aid	1,433,600	1,433,600	861,991	(571,609)
State aid	183,829,380	183,829,380	184,131,726	302,346
Local sources and other	84,890,278	84,890,278	81,151,371	(3,738,907)
Investment interest	800,000	800,000	643,768	(156,232)
Charges for services	14,211,926	14,211,926	13,320,549	(891,377)
Licenses and permits	4,721,060	4,721,060	4,505,586	(215,474)
Fines	12,300,600	12,300,600	8,928,571	(3,372,029)
Miscellaneous	14,615,673	14,615,673	8,700,671	(5,915,002)
Total revenues	<u>465,074,936</u>	<u>465,074,936</u>	<u>452,455,353</u>	<u>(12,619,583)</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	4,640,652	4,680,011	4,499,172	180,839
Executive	2,136,325	2,528,878	2,166,999	361,879
Audit and control	3,335,430	3,416,858	2,809,736	607,122
Law	4,027,873	3,703,789	3,465,713	238,076
Assessment	3,950,892	4,100,057	3,747,251	352,806
Public works, parks and streets	6,452,630	7,538,034	7,275,683	262,351
Management information systems	4,388,865	4,558,585	3,806,671	751,914
Administration and finance	11,517,713	11,566,702	8,650,765	2,915,937
Human resources	5,472,707	6,105,090	5,093,009	1,012,081
Other	19,316,500	18,607,780	16,915,967	1,691,813
Public safety:				
Administration and finance	2,133,657	2,175,781	1,846,718	329,063
Police	80,322,158	83,297,665	86,321,499	(3,023,834)
Fire	59,033,960	59,678,288	60,468,505	(790,217)
Public works, parks and streets	1,820,287	1,821,487	1,480,009	341,478
Permit and inspection services	5,611,828	5,617,224	5,411,639	205,585
Streets and sanitation:				
Public works, parks and streets	12,997,323	14,508,895	13,635,247	873,648
Economic assistance and opportunity:				
Executive	1,798,026	1,801,026	1,588,652	212,374
Community services	230,906	230,906	101,159	129,747
Culture and recreation:				
Public works, parks and streets	5,463,649	5,646,868	5,461,516	185,352
Community services	2,594,247	2,630,615	2,187,894	442,721
Other	795,000	645,000	394,000	251,000
Health and community services:				
Public works, parks and streets	1,183,578	1,189,839	1,106,033	83,806
Community services	1,261,484	1,259,398	1,053,360	206,038
Other	-	250,000	250,000	-
Education	70,322,758	70,322,758	70,322,757	1
Fringe benefits	151,223,959	145,289,493	130,515,532	14,773,961
Other	2,700,000	5,399,911	4,947,476	452,435
Debt service	112,000	390,316	355,287	35,029
Total expenditures	<u>464,844,407</u>	<u>468,961,254</u>	<u>445,878,249</u>	<u>23,083,005</u>
Excess (deficiency) of revenues over expenditures	<u>230,529</u>	<u>(3,886,318)</u>	<u>6,577,104</u>	<u>10,463,422</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	13,136,088	13,136,088	10,356,089	(2,779,999)
Transfers out	<u>(28,366,617)</u>	<u>(28,366,617)</u>	<u>(28,394,665)</u>	<u>(28,048)</u>
Total other financing sources (uses)	<u>(15,230,529)</u>	<u>(15,230,529)</u>	<u>(18,038,576)</u>	<u>(2,808,047)</u>
Net change in fund balances *	<u>(15,000,000)</u>	<u>(19,116,847)</u>	<u>(11,461,472)</u>	<u>7,655,375</u>
Fund balances—beginning	<u>151,224,743</u>	<u>151,224,743</u>	<u>151,224,743</u>	<u>-</u>
Fund balances—ending	<u>\$ 136,224,743</u>	<u>\$ 132,107,896</u>	<u>\$ 139,763,271</u>	<u>\$ 7,655,375</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, 2016

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 Comptroller 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 expenditures and other financing uses over revenues and other financing sources—GAAP basis	\$ (1,431,196)
Less: encumbrances	<u>(10,030,276)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ (11,461,472)</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2016, an unfavorable variance within public safety of \$3,023,834 pertaining to police was caused by the effects of unanticipated overtime and wages in addition to the purchase of vehicles. Similarly, unfavorable variances within public safety of \$790,217 relating to fire were due to unanticipated overtime and wages in addition to the purchase of fire clothing and equipment. Additionally, transfers out exceeded the final budget by \$28,048 as a result of unbudgeted transfers to the Special Revenue Fund.

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SUPPLEMENTARY INFORMATION

CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual (Non-GAAP Budgetary Basis)—Debt Service Fund
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 14,779,120	\$ 14,779,120	\$ 14,779,118	\$ (2)
Investment interest	108,506	108,506	40,552	(67,954)
License, permit, rentals, fines, and other service charges	58,276	58,276	92,884	34,608
Miscellaneous	717	717	-	(717)
Total revenues	<u>14,946,619</u>	<u>14,946,619</u>	<u>14,912,554</u>	<u>(34,065)</u>
EXPENDITURES				
Debt service:				
Principal	35,809,900	35,809,900	28,288,984	7,520,916
Interest and fiscal charges	<u>10,692,278</u>	<u>10,692,278</u>	<u>9,517,386</u>	<u>1,174,892</u>
Total expenditures	<u>46,502,178</u>	<u>46,502,178</u>	<u>37,806,370</u>	<u>8,695,808</u>
Excess (deficiency) of revenues over expenditures	<u>(31,555,559)</u>	<u>(31,555,559)</u>	<u>(22,893,816)</u>	<u>8,661,743</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	24,932,271	24,932,271	25,819,998	887,727
Transfers out	-	-	(11,981,895)	(11,981,895)
Issuance of refunding bonds	362,696	362,696	21,220,000	20,857,304
Payment to refunded bond escrow agent	-	-	(26,030,948)	(26,030,948)
Premium on bonds	<u>2,330,817</u>	<u>2,330,817</u>	<u>5,916,947</u>	<u>3,586,130</u>
Total other financing sources (uses)	<u>27,625,784</u>	<u>27,625,784</u>	<u>14,944,102</u>	<u>(12,681,682)</u>
Net change in fund balances *	(3,929,775)	(3,929,775)	(7,949,714)	(4,019,939)
Fund balances—beginning	<u>19,693,164</u>	<u>19,693,164</u>	<u>19,693,164</u>	-
Fund balances—ending	<u>\$ 15,763,389</u>	<u>\$ 15,763,389</u>	<u>\$ 11,743,450</u>	<u>\$ (4,019,939)</u>

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

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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, 2016

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Restricted cash and cash equivalents	\$ 7,132,308	\$ 96,614	\$ 75,197	\$ 7,304,119
Investments	-	8,010,493	61,472	8,071,965
Receivables:				
Other receivables	-	-	4,132	4,132
Intergovernmental receivables	104,362	-	-	104,362
Due from other funds	49,262	-	-	49,262
Due from component units	73,586	-	-	73,586
Total assets	<u>\$ 7,359,518</u>	<u>\$ 8,107,107</u>	<u>\$ 140,801</u>	<u>\$ 15,607,426</u>
LIABILITIES				
Accounts payable	\$ 494,060	\$ -	\$ -	\$ 494,060
Due to other governments	352,059	-	-	352,059
Accrued liabilities	-	515,201	-	515,201
Due to other funds	1,183,112	15,801	-	1,198,913
Due to component units	149,740	-	-	149,740
Total liabilities	<u>2,178,971</u>	<u>531,002</u>	<u>-</u>	<u>2,709,973</u>
FUND BALANCES				
Nonspendable	-	-	30,000	30,000
Restricted	5,180,547	7,576,105	110,801	12,867,453
Total fund balances	<u>5,180,547</u>	<u>7,576,105</u>	<u>140,801</u>	<u>12,897,453</u>
Total liabilities and fund balances	<u>\$ 7,359,518</u>	<u>\$ 8,107,107</u>	<u>\$ 140,801</u>	<u>\$ 15,607,426</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2016

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Intergovernmental	\$ 28,352,455	\$ -	\$ -	\$ 28,352,455
Investment interest	475	593,195	19	593,689
Miscellaneous	172,373	-	-	172,373
Total revenues	<u>28,525,303</u>	<u>593,195</u>	<u>19</u>	<u>29,118,517</u>
EXPENDITURES				
Current:				
General government support	4,292,626	-	-	4,292,626
Public safety	3,701,967	-	-	3,701,967
Streets and sanitation	1,457,660	-	-	1,457,660
Economic assistance and opportunity	18,039,706	-	-	18,039,706
Culture and recreation	107,878	-	-	107,878
Health and community services	2,150,683	-	-	2,150,683
Debt service:				
Principal	-	8,780,000	-	8,780,000
Interest and fiscal charges	-	2,588,263	-	2,588,263
Total expenditures	<u>29,750,520</u>	<u>11,368,263</u>	<u>-</u>	<u>41,118,783</u>
Excess (deficiency) of revenues over expenditures	<u>(1,225,217)</u>	<u>(10,775,068)</u>	<u>19</u>	<u>(12,000,266)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	46,982	12,784,619	-	12,831,601
Refunding bonds issued	-	14,170,000	-	14,170,000
Payment to refunded bond escrow agent	-	(19,360,000)	-	(19,360,000)
Premium on refunding bonds	-	1,536,367	-	1,536,367
Total other financing sources (uses)	<u>46,982</u>	<u>9,130,986</u>	<u>-</u>	<u>9,177,968</u>
Net change in fund balances	(1,178,235)	(1,644,082)	19	(2,822,298)
Fund balances—beginning	<u>6,358,782</u>	<u>9,220,187</u>	<u>140,782</u>	<u>15,719,751</u>
Fund balances—ending	<u>\$ 5,180,547</u>	<u>\$ 7,576,105</u>	<u>\$ 140,801</u>	<u>\$ 12,897,453</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 Schedule of Net Position—Water System
June 30, 2016

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 15,480,263	\$ 296,283	\$ 180,915	\$ -	\$ 15,957,461
Restricted cash and cash equivalents	-	25,697,688	-	-	25,697,688
Investments	25,036,844	-	-	-	25,036,844
Receivables:					
Accounts receivable	20,639,565	-	2,428	-	20,641,993
Other receivables	1,300,577	-	-	-	1,300,577
Due from other agencies	127,425	-	-	-	127,425
Intergovernmental receivables	65,057	-	-	-	65,057
Due from other funds	913,829	109,872,323	15,564,920	(126,351,072)	-
Allowances	(15,969,166)	-	-	-	(15,969,166)
Net receivables	<u>7,077,287</u>	<u>109,872,323</u>	<u>15,567,348</u>	<u>(126,351,072)</u>	<u>6,165,886</u>
Total current assets	<u>47,594,394</u>	<u>135,866,294</u>	<u>15,748,263</u>	<u>(126,351,072)</u>	<u>72,857,879</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	1,388,880	-	-	-	1,388,880
Total capital assets not being depreciated	<u>1,533,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,533,996</u>
Capital assets being depreciated:					
Buildings and infrastructure	211,957,389	-	-	-	211,957,389
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	1,150,830	-	-	-	1,150,830
Accumulated depreciation	(79,660,340)	-	-	-	(79,660,340)
Total capital assets being depreciated	<u>133,700,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,700,272</u>
Total noncurrent assets	<u>135,234,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,234,268</u>
Total assets	<u>182,828,662</u>	<u>135,866,294</u>	<u>15,748,263</u>	<u>(126,351,072)</u>	<u>208,092,147</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	4,020,523	-	-	4,020,523
Deferred outflows—relating to pensions	3,885,865	-	3,885,865	(3,885,865)	3,885,865
Total deferred outflows of resources	<u>3,885,865</u>	<u>4,020,523</u>	<u>3,885,865</u>	<u>(3,885,865)</u>	<u>7,906,388</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,736,063	1,625	416,129	-	2,153,817
Other accrued liabilities	-	2,965,961	1,350,025	-	4,315,986
Due to other funds	130,551,913	-	107,004	(130,356,900)	302,017
Due to retirement systems	-	-	285,256	-	285,256
Accrued compensated absences	-	-	44,850	-	44,850
Accrued workers' compensation	-	-	315,319	-	315,319
General obligation and revenue bonds payable within one year	-	8,398,133	153,541	-	8,551,674
Total current liabilities	<u>132,287,976</u>	<u>11,365,719</u>	<u>2,672,124</u>	<u>(130,356,900)</u>	<u>15,968,919</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2016

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Noncurrent liabilities:					
Accrued compensated absences	-	-	582,456	-	582,456
Accrued workers' compensation	-	-	474,398	-	474,398
Accrued other post-employment benefits plan	-	-	11,233,000	-	11,233,000
General obligation and revenue bonds payable	-	128,521,098	168,169	-	128,689,267
Net pension liability	-	-	4,005,828	-	4,005,828
Total noncurrent liabilities	<u>-</u>	<u>128,521,098</u>	<u>16,463,851</u>	<u>-</u>	<u>144,984,949</u>
Total liabilities	<u>132,287,976</u>	<u>139,886,817</u>	<u>19,135,975</u>	<u>(130,356,900)</u>	<u>160,953,868</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	-	23,329	-	23,329
Deferred inflows—relating to pensions	474,824	-	474,824	(474,824)	474,824
Total deferred inflows of resources	<u>474,824</u>	<u>-</u>	<u>498,153</u>	<u>(474,824)</u>	<u>498,153</u>
NET POSITION					
Net investment in capital assets	1,855,863	-	-	25,832,346	27,688,209
Unrestricted	52,095,864	-	-	(25,237,559)	26,858,305
Total net position	<u>\$ 53,951,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,787</u>	<u>\$ 54,546,514</u>

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CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2016

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Operating revenues:					
Charges for services	\$ 42,519,208	\$ -	\$ -	\$ -	\$ 42,519,208
Other	559,138	-	-	-	559,138
Total operating revenues	<u>43,078,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,078,346</u>
Operating expenses:					
Services and supplies	9,531,363	82,630	5,971,291	-	15,585,284
Fringe benefits	-	-	5,742,177	-	5,742,177
Depreciation	5,300,617	-	-	-	5,300,617
Other	389,764	-	-	(33,826)	355,938
Total operating expenses	<u>15,221,744</u>	<u>82,630</u>	<u>11,713,468</u>	<u>(33,826)</u>	<u>26,984,016</u>
Operating income (loss)	<u>27,856,602</u>	<u>(82,630)</u>	<u>(11,713,468)</u>	<u>33,826</u>	<u>16,094,330</u>
Nonoperating revenues (expenses):					
Interest earnings	99,522	-	10,400	-	109,922
Interest expense	(5,265,406)	-	-	-	(5,265,406)
Other	222,552	-	-	-	222,552
Total nonoperating revenues (expenses)	<u>(4,943,332)</u>	<u>-</u>	<u>10,400</u>	<u>-</u>	<u>(4,932,932)</u>
Income (loss) before transfers	22,913,270	(82,630)	(11,703,068)	33,826	11,161,398
Transfers in	-	82,630	11,703,068	(11,785,698)	-
Transfers out	<u>(17,748,709)</u>	<u>-</u>	<u>-</u>	<u>11,785,698</u>	<u>(5,963,011)</u>
Change in net position	5,164,561	-	-	33,826	5,198,387
Total net position—beginning	<u>48,787,166</u>	<u>-</u>	<u>-</u>	<u>560,961</u>	<u>49,348,127</u>
Total net position—ending	<u>\$ 53,951,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,787</u>	<u>\$ 54,546,514</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2016

	<u>Board</u>	<u>Authority</u>	<u>Enterprise</u>	<u>Eliminations</u>	<u>System</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 43,375,053	\$ -	\$ -	\$ -	\$ 43,375,053
Payments to suppliers for goods and services	(9,118,070)	417,163	(5,973,719)	-	(14,674,626)
Payments to employees for services	-	-	(4,637,882)	-	(4,637,882)
Net cash provided by (used for) operating activities	<u>34,256,983</u>	<u>417,163</u>	<u>(10,611,601)</u>	<u>-</u>	<u>24,062,545</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	82,630	11,703,068	-	11,785,698
Transfers to other funds	(17,748,709)	-	-	-	(17,748,709)
Advances from other funds	3,911,581	3,833,986	53,326	-	7,798,893
Advances to other funds	(7,798,890)	-	(742,891)	-	(8,541,781)
Net cash provided by (used for) noncapital financing activities	<u>(21,636,018)</u>	<u>3,916,616</u>	<u>11,013,503</u>	<u>-</u>	<u>(6,705,899)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(12,236,621)	-	-	-	(12,236,621)
Principal payments on bonds	-	(6,080,000)	(331,797)	-	(6,411,797)
Interest payments	(5,398,792)	77,783	(32,571)	-	(5,353,580)
Net cash used for capital and related financing activities	<u>(17,635,413)</u>	<u>(6,002,217)</u>	<u>(364,368)</u>	<u>-</u>	<u>(24,001,998)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on short-term investments	99,522	-	-	-	99,522
Net cash provided by investing activities	<u>99,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,522</u>
Net increase (decrease) in cash and cash equivalents	(4,914,926)	(1,668,438)	37,534	-	(6,545,830)
Cash and cash equivalents—beginning	45,432,033	27,662,409	143,381	-	73,237,823
Cash and cash equivalents—ending	<u>\$ 40,517,107</u>	<u>\$ 25,993,971</u>	<u>\$ 180,915</u>	<u>\$ -</u>	<u>\$ 66,691,993</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2016

	<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)	\$ 27,856,602	\$ (82,630)	\$ (11,713,468)	\$ 33,826	\$ 16,094,330
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	5,300,617	-	-	-	5,300,617
(Increase) decrease in receivables	652,645	599,143	(2,428)	-	1,249,360
(Increase) in deferred outflow—relating to pensions	(3,885,865)	-	(3,520,679)	3,885,865	(3,520,679)
Increase (decrease) decrease in payables	413,293	(99,350)	152,572	-	466,515
Increase in accrued liabilities	-	-	371,938	-	371,938
Increase in retirement systems	-	-	20,020	-	20,020
(Decrease) in compensated absences	-	-	(138,104)	-	(138,104)
(Decrease) in workers' compensation	-	-	(100,143)	-	(100,143)
Increase in accrued other post-employment benefits obligation	-	-	399,000	-	399,000
Increase in net pension liability	3,444,867	-	3,444,867	(3,444,867)	3,444,867
Increase in deferred inflow—relating to pensions	474,824	-	474,824	(474,824)	474,824
Total adjustments	<u>6,400,381</u>	<u>499,793</u>	<u>1,101,867</u>	<u>(33,826)</u>	<u>7,968,215</u>
Net cash provided by (used for) operating activities	<u>\$ 34,256,983</u>	<u>\$ 417,163</u>	<u>\$ (10,611,601)</u>	<u>\$ -</u>	<u>\$ 24,062,545</u>

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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
Schedule of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2016

	Balance			Balance
	July 1, 2015	Increases	Decreases	June 30, 2016
ASSETS				
Cash and cash equivalents	\$ 1,533,868	\$ 12,964,424	\$ 12,567,825	\$ 1,930,467
Due from other funds	-	11,291,279	11,291,099	180
Receivables	804	-	-	804
Total assets	<u>\$ 1,534,672</u>	<u>\$ 24,255,703</u>	<u>\$ 23,858,924</u>	<u>\$ 1,931,451</u>
LIABILITIES				
Accounts payable	\$ 110,575	\$ 22,527,529	\$ 22,455,215	\$ 182,889
Intergovernmental payables	23,182	38,706	38,713	23,175
Amounts held in custody for others:				
Surety bonds and deposits	22,751	-	-	22,751
Prisoner property	1,129,410	512,805	186,571	1,455,644
Fire insurance proceeds	228,569	50,000	50,000	228,569
Medical reimbursements	9,222	85,655	86,319	8,558
Miscellaneous - other	10,963	12,364,854	12,365,952	9,865
Total amounts held in custody for others	<u>1,400,915</u>	<u>13,013,314</u>	<u>12,688,842</u>	<u>1,725,387</u>
Total liabilities	<u>\$ 1,534,672</u>	<u>\$ 35,579,549</u>	<u>\$ 35,182,770</u>	<u>\$ 1,931,451</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	113
<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.....	122
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	126
<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	132
<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.....	134
<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,									
	2007	2008	2009	2010	2011	2012	2013	2014 (1)	2015	2016
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 176,114	\$ 192,336	\$ 213,493	\$ 236,923	\$ 249,347	\$ 268,899	\$ 269,691	\$ 277,507	\$ 322,566	\$ 346,504
Restricted	50,939	58,163	57,782	48,409	59,739	51,799	50,102	49,832	50,545	40,497
Unrestricted	(15,446)	(27,307)	(65,703)	(94,827)	(196,528)	(251,118)	(258,859)	(336,171)	(372,634)	(434,459)
Total governmental activities net position	\$ 211,607	\$ 223,192	\$ 205,572	\$ 190,505	\$ 112,558	\$ 69,580	\$ 60,934	\$ (8,832)	\$ 477	\$ (47,458)
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	\$ 39,680	\$ 43,550	\$ 45,189	\$ 46,962	\$ 49,432	\$ 52,409	\$ 51,827	\$ 54,167	\$ 57,182	\$ 64,202
Unrestricted	6,718	10,201	10,410	6,428	3,067	6,065	8,002	2,492	(531)	(1,578)
Total business-type activities net position	\$ 46,398	\$ 53,751	\$ 55,599	\$ 53,390	\$ 52,499	\$ 58,474	\$ 59,829	\$ 56,659	\$ 56,651	\$ 62,624
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 215,794	\$ 235,886	\$ 258,682	\$ 283,885	\$ 298,779	\$ 321,308	\$ 321,518	\$ 331,674	\$ 379,748	\$ 410,706
Restricted	50,939	58,163	57,782	48,409	59,739	51,799	50,102	49,832	50,545	40,497
Unrestricted	(8,728)	(17,106)	(55,293)	(88,399)	(193,461)	(245,053)	(250,857)	(333,679)	(373,165)	(436,037)
TOTAL PRIMARY GOVERNMENT NET POSITION	\$ 258,005	\$ 276,943	\$ 261,171	\$ 243,895	\$ 165,057	\$ 128,054	\$ 120,763	\$ 47,827	\$ 57,128	\$ 15,166

(1) The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transactions for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position at June 30, 2014 has been restated.

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

	Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXPENSES:										
Governmental activities:										
General government support (2)	\$ 173,843	\$ 207,031	\$ 233,026	\$ 87,044	\$ 112,279	\$ 69,127	\$ 96,480	\$ 103,880	\$ 87,297	\$ 110,385
Public safety (2)	130,179	142,437	155,265	281,944	298,733	310,287	309,014	327,213	302,214	274,293
Streets and sanitation (2)	50,666	22,532	24,346	31,328	33,951	30,717	34,240	26,763	39,220	35,729
Economic assistance and opportunity (2)	5,886	10,649	9,328	14,921	8,505	9,265	12,086	9,368	21,132	41,623
Culture and recreation (2)	555	3,121	4,448	8,450	14,511	15,428	16,906	13,310	10,925	15,977
Health and community services (2)	3,219	3,469	3,605	2,645	5,685	2,997	6,563	17,094	5,222	6,941
Education	70,955	70,323	70,323	70,323	70,323	70,323	70,323	70,323	70,323	70,323
Interest and fiscal charges	24,251	19,659	18,995	18,179	16,458	14,337	16,615	11,385	9,551	10,166
Total governmental activities expenses	<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>	<u>545,884</u>	<u>565,437</u>
Business-type activities:										
Solid Waste and Recycling	18,937	21,758	23,368	22,283	23,759	24,890	24,723	27,073	25,234	23,548
Parking	4,406	2,913	2,842	2,932	2,656	2,111	2,196	2,096	1,986	2,594
Water System	28,191	27,780	32,094	36,839	32,514	31,896	32,945	32,934	34,633	32,249
Total business-type activities expenses	<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>	<u>61,853</u>	<u>58,391</u>
Total primary government expenses	<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>	<u>607,737</u>	<u>623,828</u>
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government support	8,834	8,643	8,889	9,971	8,426	10,352	9,844	9,174	9,059	8,995
Public safety	8,620	7,597	9,137	9,150	9,702	10,339	13,308	11,723	11,828	12,427
Streets and sanitation	1,120	1,282	1,199	1,237	1,058	954	1,012	1,863	2,117	1,924
Economic assistance and opportunity	3,654	3,628	4,354	4,166	4,437	3,876	3,853	3,353	4,522	4,649
Culture and recreation	-	-	-	-	112	135	126	13	229	203
Health and community services	634	622	727	537	434	157	175	212	172	142
Operating grants and contributions	45,122	12,277	8,334	13,059	12,910	10,608	23,053	38,272	40,789	32,188
Capital grants and contributions	20,785	18,562	22,555	34,053	17,753	19,077	16,633	18,582	32,998	23,821
Total governmental activities program revenues	<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>	<u>101,714</u>	<u>84,349</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Solid Waste and Recycling	18,564	18,431	19,526	19,634	18,119	19,681	18,479	19,290	19,667	19,135
Parking	6,862	7,397	7,435	7,835	7,612	7,639	7,721	7,165	7,720	8,063
Water System	<u>38,658</u>	<u>37,230</u>	<u>35,615</u>	<u>35,719</u>	<u>36,943</u>	<u>40,324</u>	<u>44,135</u>	<u>44,414</u>	<u>43,104</u>	<u>43,078</u>
Total business-type activities program revenues	<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>	<u>70,491</u>	<u>70,276</u>
Total primary government program revenues	<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>	<u>172,205</u>	<u>154,625</u>
 NET (EXPENSE) REVENUE:										
Governmental activities	(370,785)	(426,610)	(464,141)	(442,662)	(505,613)	(466,983)	(494,223)	(496,144)	(444,170)	(481,088)
Business-type activities	<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>	<u>8,638</u>	<u>11,885</u>
Total primary government net (expense) revenue	<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>	<u>(435,532)</u>	<u>(469,203)</u>
 GENERAL REVENUES AND TRANSFERS:										
Governmental activities:										
Taxes:										
Property taxes	128,721	131,240	127,027	125,431	127,779	127,638	123,612	123,989	124,101	124,896
Other tax items	27,156	25,756	13,705	13,665	13,962	10,442	11,061	10,397	11,424	14,087
Gross utility tax (1)	-	-	10,555	9,694	11,350	12,951	12,253	11,351	13,013	10,565
Intergovernmental	111,652	101,242	104,570	92,742	95,344	93,982	93,004	95,447	98,149	97,471
Unrestricted grants and contributions	399	412	407	382	243	290	197	252	283	344
Investment earnings	12,722	11,482	6,353	4,189	3,671	3,325	2,454	2,099	1,610	3,262
State aid	132,968	158,356	173,583	174,479	164,788	164,596	198,322	179,423	167,725	168,311
Miscellaneous	2,689	4,234	6,935	3,257	4,350	3,178	37,275	3,210	27,928	7,971
Transfers	<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>	<u>9,246</u>	<u>6,246</u>
Total governmental activities general revenues and transfers	<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>	<u>453,479</u>	<u>433,153</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Intergovernmental	-	-	-	-	241	478	695	955	443	223
Investment earnings	2,100	2,219	962	412	1,302	456	292	213	157	111
Transfers	(5,747)	(5,473)	(3,386)	(3,755)	(6,179)	(7,603)	(7,399)	(11,901)	(9,246)	(6,246)
Total business-type activities general revenues and transfers	<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>	<u>(8,646)</u>	<u>(5,912)</u>
Total primary government general revenues and transfers	<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>	<u>444,833</u>	<u>427,241</u>
CHANGE IN NET POSITION:										
Governmental activities	51,269	11,585	(17,620)	(15,067)	(77,946)	(42,978)	(8,646)	(58,075)	9,309	(47,935)
Business-type activities	<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>	<u>(8)</u>	<u>5,973</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<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>	<u>\$ 9,301</u>	<u>\$ (41,962)</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PROPERTY TAX (1)	\$ 128,721	\$ 131,240	\$ 127,027	\$ 125,431	\$ 127,779	\$ 127,863	\$ 124,178	\$ 123,422	\$ 124,242	\$ 124,956
GROSS UTILITY TAX	12,050	12,033	10,555	9,693	11,586	10,098	9,408	8,579	10,253	7,598
CITY OF BUFFALO FRANCHISE TAX	2,491	2,244	2,485	2,714	2,879	2,852	2,845	2,772	2,761	2,697
MORTGAGE TAX	2,704	2,431	1,944	1,810	1,603	1,601	1,986	2,076	2,226	3,247
FOREIGN FIRE INSURANCE TAX	340	-	-	-	-	-	-	4,191	762	604
OCCUPANCY TAX	<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>4</u>	<u>4</u>
Total	<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>	<u>\$ 140,248</u>	<u>\$ 139,106</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,									
	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
GENERAL FUND:										
Reserved	\$ 11,936	\$ 19,815	\$ 37,674	\$ 32,259	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved:	105,421	113,480	100,923	110,481	n/a	n/a	n/a	n/a	n/a	n/a
Total General Fund	<u>\$ 117,357</u>	<u>\$ 133,295</u>	<u>\$ 138,597</u>	<u>\$ 142,740</u>	n/a	n/a	n/a	n/a	n/a	n/a
ALL OTHER GOVERNMENTAL FUNDS:										
Reserved	\$ 56,723	\$ 77,078	\$ 85,076	\$ 63,448	n/a	n/a	n/a	n/a	n/a	n/a
Unreserved — reported in:										
Capital projects funds	45,171	12,040	31,897	28,607	n/a	n/a	n/a	n/a	n/a	n/a
Special revenue funds	<u>1,952</u>	<u>1,619</u>	<u>2,030</u>	<u>2,115</u>	n/a	n/a	n/a	n/a	n/a	n/a
Total all other governmental funds	<u>\$ 103,846</u>	<u>\$ 90,737</u>	<u>\$ 119,003</u>	<u>\$ 94,170</u>	n/a	n/a	n/a	n/a	n/a	n/a
GENERAL FUND:										
Nonspendable	n/a	n/a	n/a	n/a	\$ 22,311	\$ 22,881	\$ 24,635	\$ 26,693	\$ 27,749	\$ 27,700
Restricted	n/a	n/a	n/a	n/a	14,933	13,036	11,113	8,834	7,850	8,201
Committed	n/a	n/a	n/a	n/a	35,497	35,740	35,655	37,667	37,215	36,317
Assigned	n/a	n/a	n/a	n/a	51,557	29,787	30,452	42,478	34,970	35,371
Unassigned	n/a	n/a	n/a	n/a	<u>5,653</u>	<u>12,187</u>	<u>63,943</u>	<u>30,701</u>	<u>43,441</u>	<u>41,889</u>
Total General Fund					<u>\$ 129,951</u>	<u>\$ 113,631</u>	<u>\$ 165,798</u>	<u>\$ 146,373</u>	<u>\$ 151,225</u>	<u>\$ 149,478</u>
ALL OTHER GOVERNMENTAL FUNDS:										
Nonspendable	n/a	n/a	n/a	n/a	\$ 60	\$ 47	\$ 49	\$ 164	\$ 128	\$ 117
Restricted	n/a	n/a	n/a	n/a	96,570	112,134	75,005	72,263	77,808	66,568
Assigned	n/a	n/a	n/a	n/a	<u>1,726</u>	<u>1,463</u>	<u>1,458</u>	<u>938</u>	<u>759</u>	<u>657</u>
Total all other governmental funds					<u>\$ 98,356</u>	<u>\$ 113,644</u>	<u>\$ 76,512</u>	<u>\$ 73,365</u>	<u>\$ 78,695</u>	<u>\$ 67,342</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES:										
Property taxes, assessments, and other tax items	\$ 140,457	\$ 143,045	\$ 138,824	\$ 136,329	\$ 138,369	\$ 138,305	\$ 135,239	\$ 133,819	\$ 135,666	\$ 139,042
Utility and other nonproperty tax items	14,881	14,277	13,040	12,408	14,465	12,951	12,253	15,542	13,775	11,169
Intergovernmental	320,309	301,038	320,916	325,476	301,174	299,039	344,947	341,779	350,476	334,565
Investment interest	11,642	10,756	5,552	3,563	3,198	2,612	1,740	1,386	1,103	1,278
License, permit, rentals, fines, and service charges	19,632	18,587	21,404	20,644	22,194	21,252	24,464	22,756	23,638	26,848
Miscellaneous	6,834	7,571	9,769	7,902	7,293	8,296	41,067	5,410	32,839	9,610
Total revenues	<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>	<u>557,497</u>	<u>522,512</u>
EXPENDITURES:										
Current:										
General government support	63,735	65,225	66,282	67,378	67,243	69,827	59,333	69,585	62,944	58,263
Public safety	136,496	150,004	158,351	155,707	146,824	146,667	143,700	153,358	156,350	157,616
Streets and sanitation	58,047	28,081	38,024	32,800	31,301	27,495	9,826	14,243	15,450	13,617
Economic assistance and opportunity	5,880	10,671	9,315	12,763	7,409	7,478	4,779	16,691	20,005	19,757
Culture and recreation	2,650	2,177	3,982	7,639	9,634	12,633	6,943	6,811	8,801	7,261
Health and community services	2,655	3,141	2,973	3,040	2,865	1,846	5,194	5,920	3,610	4,636
Education	76,844	70,323	70,323	70,323	75,361	80,223	70,323	70,323	70,323	70,323
Fringe benefits	90,484	100,785	107,352	116,891	128,003	139,881	139,044	148,533	141,580	130,455
Other	4,972	17,695	9,368	9,058	5,890	3,272	7,413	7,109	3,720	3,938
Debt service:										
Principal retirement	32,608	31,836	38,179	37,295	38,326	41,278	41,710	38,520	41,145	37,069
Interest and other fiscal charges	23,614	18,909	19,225	17,873	17,469	15,734	14,200	12,033	11,723	12,597
Capital outlay	-	-	-	-	-	-	50,129	41,469	54,682	47,198
Total expenditures	<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>	<u>590,333</u>	<u>562,730</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<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>	<u>(32,836)</u>	<u>(40,218)</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OTHER FINANCING SOURCES (USES):										
Transfers in	74,467	50,994	57,600	59,246	62,108	66,272	63,681	72,895	61,759	49,048
Transfers out	(68,720)	(45,521)	(54,214)	(55,492)	(55,929)	(58,669)	(56,282)	(60,819)	(52,513)	(42,802)
Capital notes	1,557	929	14	-	-	-	-	-	-	-
Issuance of serial bonds	28,470	-	43,500	-	61,535	83,615	39,285	25,640	29,089	57,093
Payments to refunded bond escrow agent	-	-	-	-	(36,086)	(31,621)	(40,566)	-	-	(45,391)
Premium on bonds	1,254	-	538	-	3,402	3,250	1,801	3,617	4,682	9,170
Total other financing sources (uses)	<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>	<u>43,017</u>	<u>27,118</u>
NET CHANGE IN FUND BALANCES	<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>	<u>\$ 10,181</u>	<u>\$ (13,100)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES										
	<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>	<u>10.08%</u>	<u>9.70%</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PROPERTY TAX (1)	\$ 128,183	\$ 131,565	\$ 127,604	\$ 125,377	\$ 127,522	\$ 127,638	\$ 123,612	\$ 123,989	\$ 124,101	\$ 124,896
GROSS UTILITY TAX	12,050	12,033	10,556	9,693	11,586	10,098	9,408	8,579	10,253	7,598
CITY OF BUFFALO FRANCHISE TAX	2,491	2,244	2,485	2,714	2,879	2,852	2,845	2,772	2,761	2,697
MORTGAGE TAX	2,704	2,431	1,944	1,810	1,603	1,601	1,986	2,076	2,226	3,247
FOREIGN FIRE INSURANCE TAX	340	-	-	-	-	-	-	4,191	762	604
OCCUPANCY TAX	<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>4</u>	<u>4</u>
Total	<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>	<u>\$ 140,107</u>	<u>\$ 139,046</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
2007	\$ 4,626,173	\$ 4,025,731	\$ 330,093	\$ 3,275,707	\$ 5,706,290	\$ 26	\$ 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%
2015	5,384,744	4,349,066	378,939	3,596,402	6,516,347	21.06	6,905,105	94.37%
2016	5,510,697	4,407,764	346,254	3,708,056	6,556,659	20.90	7,042,598	93.10%

(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)			Buffalo Board of Education (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				
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	16.23	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				
2015	H	5.12	3.68	8.80	7.67	1.39	9.06	21.06	5.45	1.72	28.23
2015	NH	7.82	5.62	13.44	11.94	2.17	14.11				
2016	H	5.52	3.26	8.78	7.69	1.40	9.09	20.90	5.95	1.66	28.51
2016	NH	8.26	4.88	13.14	11.72	2.13	13.85				

(1) The City of Buffalo, Buffalo Board of Education 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, 2016 and June 30, 2007
(Unaudited, amounts expressed in thousands)

Taxpayer	Year ended June 30,					
	2016			2007		
	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value
National Grid	\$ 299,968	1	4.58 %	\$ 239,815	1	4.20 %
National Fuel Gas	137,743	2	2.10	148,845	2	2.61
Con-Rail Corporation	86,552	3	1.32	24,754	8	0.43
Manufacturers & Traders Trust Co.	49,242	4	0.75	28,796	5	1.03
Verizon Communication, Inc	44,564	5	0.68	77,628	4	1.36
Acquest Government Leases, LLC	40,000	6	0.61	n/a		
LCO Building, LLC	32,552	7	0.50	n/a		
Seneca One Realty LLC	23,900	8	0.36	84,000	3	1.47
Genesee Hotel Properties, LLC	22,000	9	0.34	n/a		
Violet Realty, Inc.	21,000	10	0.32	25,075	7	0.44
257 W. Genesee, LLC	n/a			41,011	6	0.72
GCBC/Benderson Development	n/a			16,632	9	0.29
Main Seneca Corp.	n/a			14,229	10	0.25

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		Interest Added to Levy (1)	Final Tax Levy for Fiscal Year	Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy					Amount	Percentage
2007	\$ 129,631	\$ 121,849	94.00 %	\$ 1,401	\$ 131,032	\$ 8,086	\$ 129,782	99.05 %
2008	130,108	123,394	94.84	1,209	131,317	6,751	129,994	98.99
2009	128,689	121,873	94.70	1,227	129,916	6,903	128,626	99.01
2010	126,219	119,932	95.02	1,260	127,479	7,304	127,042	99.66
2011	129,069	122,281	94.74	1,224	130,293	7,158	129,156	99.13
2012	128,090	122,089	95.32	1,191	129,281	6,767	128,488	99.39
2013	123,947	117,559	94.85	1,159	125,106	6,728	123,702	98.88
2014	124,087	117,480	94.68	1,203	125,290	6,781	122,703	97.94
2015	122,333	116,451	95.19	1,107	123,440	4,878	116,781	94.61
2016	123,793	116,621	94.21	1,150	124,943	423	117,044	93.68

(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 Bonded Debt (1)(3)	Total Primary Government Capital Leases	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	Board General Obligation Bonds (1)	Plus BFSA Mirror Board	General Obligation Total Board	BFSAs Revenue Bonds	Total Governmental Activities Bonded Debt	Capital Leases	General Obligation Bonds (1)	Water Authority Bonds	Total Business-type Activities Bonded Debt	Capital Leases				
2007	\$ 106,611	\$102,582	\$ 209,193	\$ 127,254	\$ 16,085	\$ 143,339	\$ 151,085	\$ 384,950	\$ 4,449	\$ 26,188	\$ 153,467	\$ 179,655	\$ -	\$ 564,605	\$ 4,449	5.00	\$ 2,523
2008	91,040	95,420	186,460	118,213	14,716	132,929	143,860	353,113	3,929	23,833	147,852	171,685	-	524,798	3,929	4.47	2,358
2009	117,328	88,585	205,913	120,707	13,241	133,948	132,850	370,885	3,388	21,415	144,615	166,030	-	536,915	3,388	4.52	2,370
2010	101,383	79,715	181,098	111,567	11,331	122,898	127,651	340,601	2,824	19,912	162,820	182,732	-	523,333	2,824	4.67	2,330
2011	112,298	68,965	181,263	106,551	10,065	116,616	112,577	331,426	2,237	17,607	156,763	174,370	-	505,796	2,237	4.33	2,208
2012	143,113	59,362	202,475	106,705	8,712	115,417	90,199	340,017	1,380	17,058	166,981	184,039	2,346	524,056	3,726	4.44	2,273
2013	128,139	50,650	178,789	94,390	7,291	101,681	81,091	303,620	935	14,578	160,157	174,735	1,657	478,355	2,592	4.07	1,857
2014	141,777	41,520	183,297	84,005	5,756	89,761	66,838	292,620	475	12,135	152,609	164,744	954	457,364	1,429	3.89	1,773
2015	156,708	34,633	191,341	73,525	4,268	77,793	52,063	282,296	-	9,516	143,421	152,937	241	435,233	241	3.62	1,687
2016	163,547	26,093	189,640	62,670	2,706	65,376	37,645	263,862	-	11,696	136,919	148,615	-	412,477	-	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	Board (1)	Governmental	Business-type	Total	Debt Service Fund	Total			
2007	\$ 209,193	\$ 143,339	\$ 352,532	\$ 26,188	\$ 378,720	\$ 5,029	\$ 373,691	6.55	6.06	\$ 1,275
2008	186,460	132,929	319,389	23,833	343,222	4,329	338,893	5.57	5.36	1,163
2009	205,913	133,948	339,861	21,415	361,276	5,687	355,589	5.80	5.44	1,237
2010	181,098	122,898	303,996	19,912	323,908	4,830	319,078	5.06	4.75	1,143
2011	181,263	116,616	297,879	17,607	315,486	3,648	311,838	4.87	4.50	1,181
2012	202,475	115,417	317,892	17,058	334,950	1,719	333,231	5.20	4.86	1,260
2013	178,789	101,681	280,470	14,578	295,048	4,699	290,349	4.51	4.24	1,095
2014	183,297	89,761	273,058	12,135	285,193	9,970	275,223	4.24	4.09	1,026
2015	191,341	77,793	269,134	9,516	278,650	12,304	266,346	4.09	3.86	1,028
2016	189,640	65,376	255,016	11,696	266,712	5,067	261,645	3.99	3.72	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 Table XVII—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, 2016
(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	\$ 428,745	13.60 %	\$ 58,309
Buffalo Sewer Authority	41,831	71.40	<u>29,867</u>
Subtotal — overlapping debt			88,176
City of Buffalo total direct debt			<u>270,456</u>
Total direct and overlapping debt			<u>\$ 358,632</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—2015 Legal Debt Margin
As of June 30, 2016
(Unaudited, amounts expressed in thousands)

Legal Debt Margin Calculation for Fiscal Year 2016	
Average Full Valuation of Taxable Real Property and Special Franchises as Determined by the Last Completed Roll and the Four Preceding Rolls	<u>\$ 7,238,369</u>
Debt Contracting Limitation — Nine percent of average full valuation — Article VIII, Section 4 of the Constitution of the State of New York	\$ 651,453
Gross indebtedness:	
Borrowings:	
Serial bonds	\$ 249,119
Total gross debt	<u>249,119</u>
Exclusions:	
Exempt debt:	
Water supply bonds	320
Parking facilities bonds	10,576
Reserve to pay non-exempt debt	5,067
Appropriation in current budget to pay non-exempt debt maturing during remainder of fiscal year	<u>35,681</u>
Total exclusions	<u>51,644</u>
Net indebtedness	<u>197,475</u>
Debt contracting margin	453,978
Authorized but unissued non-exempt debt	<u>17,931</u>
Effective remaining borrowing capacity — July 1, 2016	<u>\$ 436,047</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 518,985	\$ 547,562	\$ 565,411	\$ 579,415	\$ 584,642	\$ 588,627	\$ 587,664	\$ 597,620	\$ 605,319	\$ 651,453
Total net debt applicable to limit	<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>	<u>206,700</u>	<u>197,475</u>
Debt contracting margin	204,710	268,260	267,589	316,657	329,639	317,062	354,176	372,970	398,619	453,978
Authorized but unissued non-exempt debt	<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>	<u>11,186</u>	<u>17,931</u>
Effective remaining borrowing capacity — July 1	<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>	<u>\$ 387,433</u>	<u>\$ 436,047</u>
Total net debt applicable to the limit as a percentage of debt limit	60.56 %	51.01 %	52.67 %	45.35 %	43.62 %	46.14 %	39.73 %	37.59 %	34.15 %	30.31 %

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>
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
2015	50,719	29,623	21,096	14,068	149.96
2016	45,849	25,295	20,554	13,523	151.99

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population (1)	272,632	270,919	270,240	261,310	261,044	259,384	258,959	258,703	258,071	n/a
Total personal income (in thousands)(1)	\$ 11,381,023	\$ 11,820,196	\$ 11,908,666	\$ 11,088,428	\$ 11,480,976	\$ 11,756,580	\$ 11,805,941	\$ 11,803,842	\$ 12,015,270	n/a
Per capita personal income (1) \$	\$ 41,745	\$ 43,630	\$ 44,067	\$ 42,434	\$ 43,981	\$ 45,325	\$ 45,590	\$ 46,627	\$ 46,558	n/a
School district enrollment (2)	36,563	35,677	34,478	34,636	34,191	32,523	33,437	31,328	31,783	33,760
Unemployment rate (3)	5.9 %	6.9 %	10.0 %	10.2 %	10.4 %	10.9 %	9.7 %	8.1 %	7.1 %	n/a
Employed (3)	114,100	114,300	110,800	108,900	103,100	103,000	103,100	103,000	103,500	n/a

(1) U.S. Census Bureau (www.factfinder.census.gov).

(2) Buffalo City School District's Department of Research and Evaluation.

(3) 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, 2016 and June 30, 2007
(Unaudited)

Employer	2016 (1)			2007 (2)		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of New York	23,350	1	5.50 %	16,508	1	3.72 %
Federal Executive Board (United States of America)	10,000	2	2.35	10,000	3	2.25
Kaleida Health	10,000	3	2.35	9,500	4	2.14
Catholic Health System	7,918	4	1.86	4,832	8	1.09
M&T Bank	7,500	5	1.77	4,422	10	1.00
Employer Services Corp	7,488	6	1.76	4,650	9	1.05
University at Buffalo	6,992	7	1.65	10,651	2	2.40
Erie County	5,039	8	1.19	7,269	5	1.64
Seneca Gaming Corp	4,000	9	0.94	n/a		
Tops Markets	3,942	10	0.93	n/a		
HSBC Bank	n/a			5,867	6	1.32
Buffalo City School District	n/a			5,181	7	1.17
Total	<u>86,229</u>			<u>78,880</u>		

(1) From "Buffalo Business First " (July 29, 2016 edition).

(2) From the October 20, 2007 issue of "Business First".

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

Function	Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government support	381	384	395	393	382	366	355	366	354	373
Public safety:										
Police:										
Officers and exempt	658	715	713	695	639	684	713	718	699	690
Civilians	144	142	139	142	137	154	171	169	172	180
Fire:										
Firefighters and officers	630	611	601	614	623	651	592	564	654	593
Civilians	38	40	45	34	36	37	37	36	36	38
Other	133	144	147	145	134	132	136	138	134	129
Streets and sanitation	165	202	204	194	203	195	192	188	150	166
Economic assistance and opportunity	21	22	20	21	18	20	27	30	27	33
Culture and recreation	8	7	14	64	77	89	94	78	117	130
Health and community services	57	53	51	54	44	36	36	33	34	35
Business-type activities:										
Solid Waste and Recycling	173	146	149	140	139	135	138	98	160	111
Parking	1	-	-	-	-	-	-	-	-	-
Water System	127	126	122	112	104	101	92	143	97	168
Total	<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>	<u>2,634</u>	<u>2,646</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration and finance:										
Parking summons issued	179,229	142,801	149,531	176,192	192,643	186,418	185,554	174,416	185,353	197,137
Police:										
Physical arrests	21,483	19,780	17,037	15,791	19,211	16,586	17,078	13,795	14,598	12,016
Traffic violations	30,914	25,611	27,193	23,578	22,322	18,439	30,918	34,944	40,021	55,676
Fire:										
Number of calls answered	35,900	34,434	33,581	34,928	32,350	32,609	33,223	34,480	35,847	38,039
Inspections	3,600	2,332 (1)	2,753	4,670	3,240	4,426	3,581	3,451	3,524	4,394
Public works:										
Street resurfacing (square yards)	232,727	418,998	314,292	510,250	N/A	626,244	769,887	438,427	472,056	437,531
Pothole material used (in tons)	1,176	1,800	1,895	1,545	1,520	1,540	1,333	1,705	1,452	1,398
Sanitation:										
Refuse collected (tons/day)	474	498	478	415	420	408	364	368	443	448
Recyclables collected (tons/day)	26	33	32	32	33	52	51	54	56	58
Permits and inspections:										
Demolitions completed	367	481	765	693	486	137	203	230	270	136
Inspections	46,446	59,001	40,574	37,545	29,314	32,696	38,478	35,934	33,664	66,700
Water:										
Consumers	79,019	78,224	76,873	73,531	74,989	74,647	74,642	74,566	74,386	73,759
Water main breaks	175	184	216	246	233	244	273	321	391	308
Average daily consumption (thousands of gallons)	72,130	66,800	64,650	58,997	58,871	58,979	59,888	70,362	68,493	69,880

(1) 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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety:										
Police:										
Stations (including headquarters)	7	6	7	7	8	6	6	8	6	8
Satellite stations (substations)	3	1	-	1	-	4	4	-	4	-
Fire stations (including headquarters)	20	20	23	20	25	20	20	20	20	20
Sanitation — Collection trucks	39	44	44	39	42	39	36	36	36	36
Highways and streets:										
Streets (miles)	700	700	720	720	720	720	635	635	632	632
Streetlights	30,429	32,000	32,000	31,285	31,513	31,538	31,538	31,863	31,879	31,909
Traffic signals	665	665	663	663	663	663	663	664	665	667
Culture and recreation:										
Parks acreage (including public squares and circles)	1,500	1,900	1,900	1,800	1,800	1,800	1,842	1,842	1,842	1,842
Parks (major)	16	16	16	29	29	29	29	29	29	29
Minor parks and playgrounds	81	81	81	60	60	60	61	61	61	61
Community centers	34	35	35	38	32	32	32	32	32	32
Education — School buildings	74	69	72	71	60	59	58	59	57	66
Water:										
Water mains (miles)	875	875	875	875	809	809	810	808	806	797
Fire hydrants	8,004	8,004	8,004	8,004	7,877	7,997	8,023	7,959	7,962	7,959
Pumping plant-maximum daily capacity (thousands of gallons)	310,000	310,000	310,000	310,000	310,000	310,000	340,000	320,000	320,000	340,000
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	180,000

Source: Various City departments