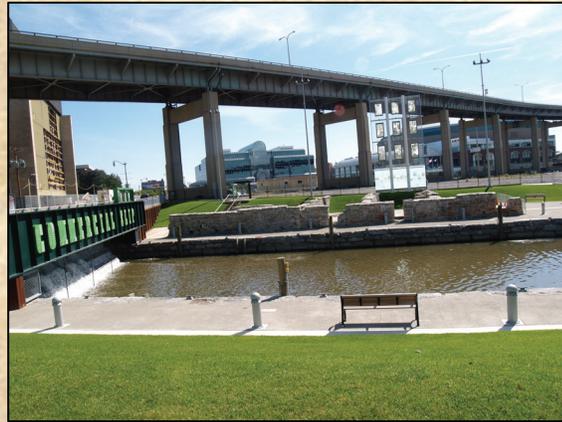


BUFFALO

NEW YORK



CITY OF BUFFALO, NEW YORK
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2008

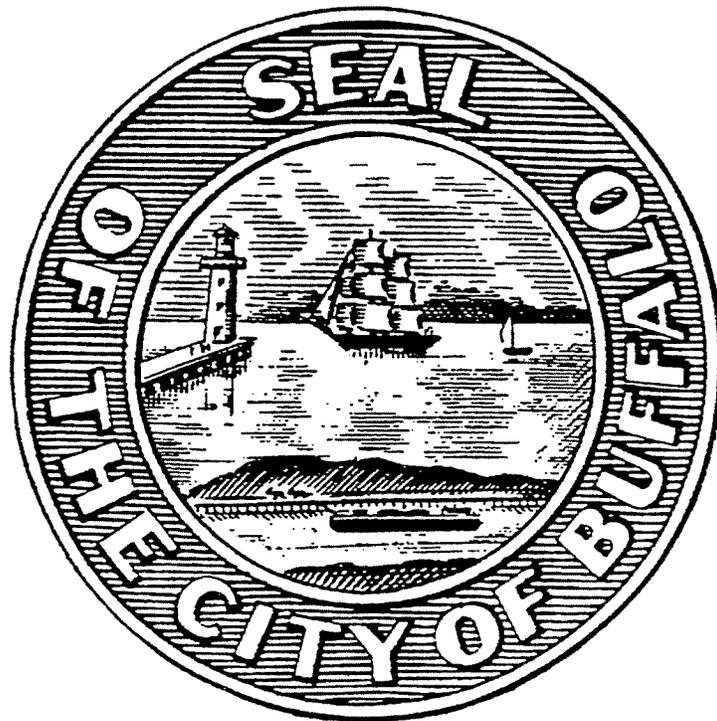


Cover photo of the Erie Canal Harbor, opened in 2008, depict the restored Erie Canal Commercial Slip and the "Whipple Truss" foot bridge. Photos by Jeanette Ruperti, design by Paul Brown.

City of Buffalo, New York

Comprehensive Annual Financial Report

**For the Fiscal Year Ended June 30, 2008
Andrew A. SanFilippo, Comptroller**



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

CITY OF BUFFALO, NEW YORK

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2008

INTRODUCTORY SECTION

	Page
<i>Letter of Transmittal</i>	1-5
Elected City Officials	6
Organizational Chart	7
GFOA Certificate of Achievement	8

FINANCIAL SECTION

Independent Auditors' Report	9-10
Management's Discussion and Analysis	11-21

BASIC FINANCIAL STATEMENTS

Schedule Number		
	GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
1	Statement of Net Assets (Deficit)	22
2	Statement of Activities	23
	FUND FINANCIAL STATEMENTS:	
3	Balance Sheet-Governmental Funds	24
4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	25
5	Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	26
6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
7	Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis)-General Fund	28
8	Statement of Fund Net Assets-Proprietary Funds	29-30
9	Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	31
10	Statement of Cash Flows-Proprietary Funds	32-33
11	Fiduciary Funds-Statement of Fiduciary Net Assets	34
12	Fiduciary Funds-Statement of Changes in Fiduciary Net Assets	35
	Notes to Financial Statements	36-84

COMBINING STATEMENTS AND SCHEDULES:

Combining Balance Sheet-Other Governmental Funds	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Other Governmental Funds	86
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis)-Debt Service Fund	87
Combining Schedule of Revenues, Expenses and Changes in Net Assets-Budget and Actual (Non-GAAP Budgetary Basis)-Solid Waste and Recycling and Parking Funds	88
Combining Schedule of Revenues, Expenses, and Changes in Net Assets-Budget and Actual (Non-GAAP Budgetary Basis)-Water Funds	89
Combining Statement of Fiduciary Assets and Liabilities-Agency Funds	90
Statement of Changes in Assets and Liabilities-Agency Funds	91

STATISTICAL SECTION:

Schedule of Additions, Expenditures, and Unreserved Fund Balance- Capital Projects Fund	92-105
Net Assets by Component-Last Six Fiscal Years	106
Changes in Net Assets-Last Six Fiscal Years	107-108
Governmental Activities Tax Revenues by Source-Last Seven Fiscal Years	109
Fund Balances of Governmental Funds-Last Ten Fiscal Years	110
Changes in Fund Balances of Governmental Funds-Last Ten Fiscal Years	111-112
General Governmental Tax Revenues by Source-Last Seven Fiscal Years	113
Assessed Value and Estimated Actual Value of Taxable Real Property- Last Ten Fiscal Years	114
Property Tax Rates-Direct and Overlapping Governments- Last Ten Fiscal Years	115
Principal Property Taxpayers-Current Fiscal Year and Nine Years Prior	116
Property Tax Levies and Collections-Last Ten Fiscal Years	117
Ratios of Outstanding Debt by Type-Last Ten Fiscal Years	118
Ratios of General Bonded Debt Outstanding-Last Ten Fiscal Years	119
Direct and Overlapping Governmental Activities Debt as of June 30, 2008	120
Legal Debt Margin Information – Last Ten Fiscal Years	121
Debt Service Coverage for Buffalo Municipal Water Finance Authority Revenue Bonds-Last Ten Fiscal Years	122
Demographic and Economic Statistics-Last Ten Calendar Years	123
Principal Employers in the Buffalo Metropolitan Area-Current Year and Nine Years Ago	124
Full-time Equivalent Employees by Function-Last Ten Fiscal Years	125
Operating Indicators by Function-Last Ten Fiscal Years	126
Capital Asset Statistics by Function-Last Ten Fiscal Years	127

INTRODUCTORY SECTION

This section contains the following:

- **LETTER OF TRANSMITTAL**
- **ELECTED CITY OFFICIALS**
- **ORGANIZATIONAL CHART**
- **GFOA CERTIFICATE OF ACHIEVEMENT**



CITY OF BUFFALO

DEPARTMENT OF
AUDIT AND CONTROL
COMPTROLLERS OFFICE
1225 CITY HALL
BUFFALO, NEW YORK 14202

ANDREW A. SANFILIPPO

COMPTROLLER

December 31, 2008

To the Mayor, Members of the Common Council,
And Citizens of the City of Buffalo

I am pleased to submit the 176th Comprehensive Annual Financial Report of the City of Buffalo, New York (City) for the fiscal year ended June 30, 2008. 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.

Deloitte & Touche LLP have issued an unqualified ("clean") opinion on the City's financial statements as of and for the year ended June 30, 2008. 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

The City, which was incorporated in 1832, is located on the western border of the State of New York (State) and the eastern shore of Lake Erie. It has a land area of 42 square miles and a population of 292,648 based on the 2000 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.

After a review by the State Comptroller, the State declared that the City was in a state of fiscal crisis and enacted the Buffalo Fiscal Stability Authority Act. Effective July 2, 2003, the Buffalo Fiscal Stability Authority (the "BFSA") monitors the fiscal affairs of the City. The BFSA, in addition to approving a four-year financial plan, also has the power, upon a declaration of need by the City, to issue bonds, notes or other obligations on behalf of the City to provide cash flow financing, to finance certain capital costs, or to restructure outstanding debt. Following a determination by the BFSA that the City has completed three fiscal years without a deficit, the BFSA will revert to an advisory capacity until June 30, 2037.

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.

Commencing with the City's 2004-05 fiscal year, the Mayor is also required to submit his proposed budget along with a four-year financial plan to the BFSA on or before May 1 of each year. The plan must provide that the major operating funds of the City are balanced in accordance with generally accepted accounting principles. Within 20 days after submission by the City, the BFSA must determine whether the plan is complete and complies with the BFSA Act.

Local Economy

The employment mix of the Buffalo metropolitan statistical area has changed from the 1980's when manufacturing employed 27% of the workforce and now employs 6.8%. The reduction in manufacturing jobs is offset by an increase in service providing jobs that grew from 20% to 51.9% over the same period. The major employers in the area include federal, state and local governments, colleges and universities, banks, and health care professionals. Over the past 10 years, unemployment has ranged from a high of 8.7% in 1999 to a low of 5.1% in 2000. The unemployment rate for 2008 is 7.1%, up from 5.8% in 2007.

During the past 10 years, the amount of the City's General Fund revenues derived from state aid grew from \$73 million (21% of total revenues) to \$158 million (36% of total revenues). During the same period, property tax revenues declined from 41% to 30% of total revenues. On the expense side, the cost of fringe benefits grew from \$50 million (19% of total expenditures) to \$93 million (23% of total expenditures) at a time when the workforce was cut from 3,458 to 2,592 members. The cost of fringe benefits would have been higher if the City had not contracted with a single provider for all employee health care coverage. The City continues to look for ways to reduce expenditures by changing the way it delivers services, but also needs revenue growth to alleviate its dependence on state aid and thereby ensure its fiscal stability. Work continues on the city's extraordinary school reconstruction program, with twenty-two schools already completed for \$500 million and work underway at nine more schools at an estimated cost of \$359 million. Legislation has been approved to reconstruct 11 more Buffalo schools at a cost of \$300 million in one of the most ambitious public works projects in the city's history.

Overall, the City's financial position continues strong, as indicated in the total 2007-2008 year-end fund balance of \$133.3, with an unreserved, undesignated fund balance of nearly \$59 million. In addition, the City has designated \$30.2 million as a Rainy Day Fund, available for non-recurring emergencies. Under leadership of Mayor Brown, the City continues its investment in a strong economic development environment, and those efforts are paying dividends. During the 2007-2008 year, new projects such as the completed Blue Cross-Blue Shield of Western New York regional headquarters and redevelopment of sites such as Uniland's 200 Delaware project and the New Era Cap Company's international headquarters in the former Federal Reserve Bank are

evidence of that investment. Also, there is continued work on a \$325 million Erie Canal Harbor neighborhood as a regional destination for working, living, and playing, and a detailed blueprint of that vision was scheduled to be unveiled in December 2008. The long dreamed about development of the waterfront is coming ever closer to reality, and it is seen as a great marketing tool for the Buffalo hub. Investment continues in the stirring Medical Campus and in downtown housing, and Buffalo's professional sports franchises continue to attract many, many thousands of people from the entire region and help give Buffalo a national identity.

Long-term Financial Planning

Unreserved fund balance in the General Fund is \$114 million (26% of total general fund revenues). This growth in fund balance is the result of conservative budget practices by the Mayor and Common Council under the oversight of the Buffalo Fiscal Stability Authority, unanticipated state aid, deficit borrowings, as well as a wage and hiring freeze. The Buffalo Fiscal Stability Authority lifted the wage freeze effective July 1, 2007. The City plans to continue to look for ways to control costs and has adopted a budget for 2009 that does not use any deficit borrowing. The goal of the City is to produce balanced budgets while maintaining an optimal fund balance amount to cover unanticipated contingencies.

Major Initiatives

Significant investment continues to be made in the Buffalo Niagara Medical Campus, located near downtown and home to the Hauptman-Woodward Structural Biology Research Center, the University of Buffalo's Center for Excellence in Bioinformatics and Life Science, Roswell Park Cancer Institute Center of Genetics and Pharmacology and Buffalo General Hospital.

The City of Buffalo is winning notoriety for much more than snow these days, a signal that better days are ahead. For example, according to Reader's Digest, Buffalo ranked as the 3rd cleanest city in the nation, and City Honors High School was named the nation's 11th best public high school and 50th among all high schools in the United States by Newsweek. AmericanStyle magazine ranked Buffalo as the top Mid-Sized City arts destination in the country, beating out such cities as Scottsdale, Ariz., and Pittsburgh for the honor. And prestigious Forbes magazine ranked Buffalo as the top city in America for cost of living standards. American City noted that "while Toronto talks endlessly about revamping its waterfront, Buffalo – yes, that Buffalo, is already hard at work on a \$1 billion renewal scheme." And the City's marvelous architectural history drew this comment from Paul Goldsmith (Southwest Airlines Spirit): "The city is a testament to the enduring majesty of America's great architectural styles."

Awards and Acknowledgements

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, 2007. 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 principals 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 are submitting it to the GFOA to determine its eligibility for another certificate.

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 must also be given to the mayor and the Common Council for the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew A. SanFilippo". The signature is fluid and cursive, with a long horizontal stroke at the end.

Andrew A. SanFilippo
Comptroller

CITY OF BUFFALO, NEW YORK

ELECTED CITY OFFICIALS

JUNE 30, 2008

MAYOR BYRON W. BROWN

COMPTROLLER ANDREW A. SANFILIPPO

PRESIDENT OF THE COUNCIL DAVID A. FRAN CZYK

DISTRICT COUNCIL MEMBERS

DELAWARE DISTRICT MICHAEL J. LOCURTO

ELLCOTT DISTRICT BRIAN C. DAVIS

FILLMORE DISTRICTDAVID A. FRAN CZYK

LOVEJOY DISTRICT RICHARD A. FONTANA

MASTEN DISTRICT DEMONE A. SMITH

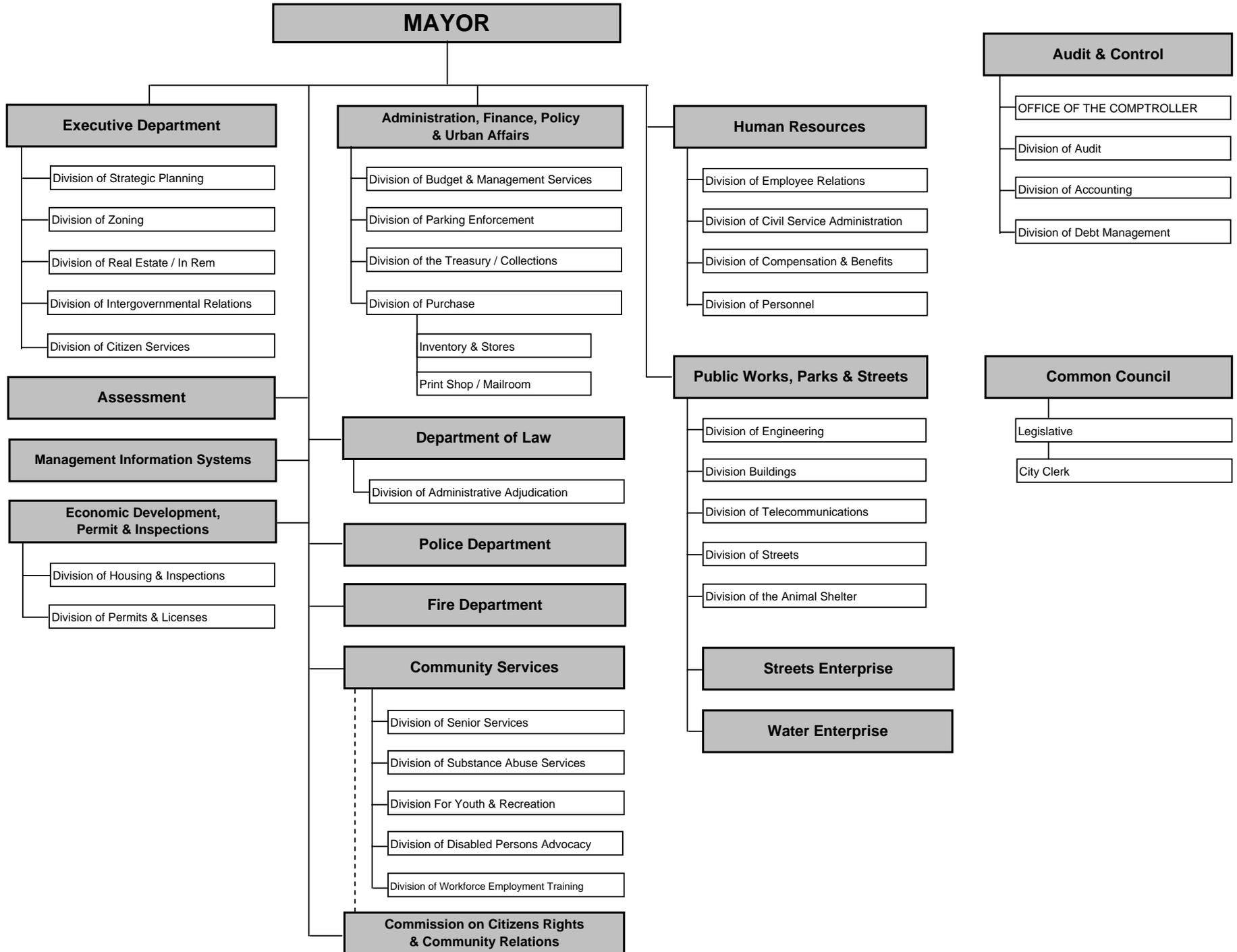
NIAGARA DISTRICT DAVID A. RIVERA

NORTH DISTRICT JOSEPH GOLOMBEK, JR.

SOUTH DISTRICT MICHAEL P. KEARNS

UNIVERSITY DISTRICTBONNIE E. RUSSELL

BUFFALO CITY GOVERNMENT



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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

FINANCIAL SECTION

This section contains the following:

- **INDEPENDENT AUDITORS' REPORT**
- **MANAGEMENT DISCUSSION AND ANALYSIS**
- **BASIC FINANCIAL STATEMENTS**
- **COMBINING STATEMENTS AND SCHEDULES**

INDEPENDENT AUDITORS' REPORT

Honorable Comptroller
the City of Buffalo, New York

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these respective financial statements based on our audit. We did not audit the financial statements of the Buffalo Fiscal Stability Authority, which represents 6% and 1%, respectively, of the assets and revenues of the governmental activities, and 13% and 1%, respectively, of the assets and revenues of the governmental funds within the fund financial statements. We also did not audit the financial statements of the City of Buffalo Urban Renewal Agency, 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 the Buffalo Fiscal Stability Authority and the City of Buffalo Urban Renewal Agency, is based solely on the reports of such other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component units, each major fund, and aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and respective cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*.

The Management's Discussion and Analysis as listed in the foregoing table of contents is not a required part of the basic financial statements but is supplementary information required by the GASB. This information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the City's respective financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical sections as listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the City's management. The combining and individual fund statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The introductory sections and statistical tables have not been subjected to the auditing procedures applied in our audit of the basic financial statement, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

December 22, 2008

CITY OF BUFFALO, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2008

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, 2008. All amounts are expressed in thousands of dollars, unless otherwise indicated.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year ended June 30, 2008 by \$276,943 (net assets). This consists of \$235,886 invested in capital assets, net of related debt, \$58,163 restricted for specific purposes, and deficit unrestricted net assets of \$17,106.
- The City's total net assets increased by \$18,938 for the year ended June 30, 2008. Of this total, net asset increased \$11,585 and \$7,353 for governmental activities and business-type activities, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$224,032.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$113,480, or 26.3%, of total general fund expenditures including transfers out. The unreserved, undesignated fund balance for the general fund was \$58,927, or 13.6%, of total general fund expenditures including transfers out.
- The City's total general obligation bonded debt outstanding (excluding notes that have been refinanced but have not yet matured and bonds issued by the BFSA) is \$237,389.
- The Buffalo Municipal Water Finance Authority ("Water Authority") issued \$91,240 of revenue bonds to refund \$91,130 of existing debt. Total Water Authority revenue bonds outstanding at the end of the current fiscal year were \$147,852.
- The Buffalo Fiscal Stability Authority's (BFSA) total bonded debt outstanding is \$143,860. No new debt was issued for the City during the current year.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 45) during the year ended June 30, 2008. The effect of adopting the provisions of this statement is the recording of additional long-term liabilities in the amount of \$19,849 and \$1,985 for governmental activities and business-type activities, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

The government-wide financial statements present 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, public safety, streets and sanitation, economic assistance and opportunity, culture and recreation, and health and community services. The business-type activities of the City include a water utility, refuse collection services, and parking ramps.

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

The government-wide financial statements can be found on pages immediately following this section as the first two pages of the basic financial statements.

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

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

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

The City maintains four 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 BFSA is reported as a major fund of the City. The City's special revenue and permanent funds, as well as the debt service fund of the BFSA, are considered to be non-major funds and the data from these funds are combined into a single, aggregated presentation.

The financial statements for governmental funds can be found in the fund financial statements, following the government-wide financial statements.

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, water board, water authority, parking, and refuse collection operations. The *internal service fund* is used to account for the central print shop. Because the print shop predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements. The City reports the Solid Waste and Recycling Fund and the Water Enterprise Fund on the Proprietary Funds Statement of Net Assets and Statement of Revenues, Expenditures, and Changes in Net Assets, even though these funds were non-major in 2008. 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 water, water board, water authority, parking, and refuse collection operations. In addition, the internal service fund is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found in the Basic Financial Statement section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found in the Basic Financial Statement section 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 following the Basic Financial Statement section of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$276,943 at the close of the most recent fiscal year.

Table A-1

City of Buffalo, New York Net Assets - Primary Government (000's Omitted)						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 576,457	\$550,474	\$ 69,378	\$ 73,237	\$ 645,835	\$ 623,711
Capital assets	<u>374,776</u>	<u>367,623</u>	<u>176,378</u>	<u>171,363</u>	<u>551,154</u>	<u>538,986</u>
Total assets	<u>\$ 951,233</u>	<u>\$918,097</u>	<u>\$245,756</u>	<u>\$244,600</u>	<u>\$ 1,196,989</u>	<u>\$ 1,162,697</u>
Current and other liabilities	\$ 217,811	\$183,610	\$ 9,447	\$ 10,210	\$ 227,258	\$ 193,820
Long-term liabilities	<u>510,230</u>	<u>522,880</u>	<u>182,558</u>	<u>187,992</u>	<u>692,788</u>	<u>710,872</u>
Total liabilities	<u>728,041</u>	<u>706,490</u>	<u>192,005</u>	<u>198,202</u>	<u>920,046</u>	<u>904,692</u>
Net Assets (Deficit):						
Invested in capital assets, net of related debt	192,336	176,114	43,550	39,680	235,886	215,794
Restricted	58,163	50,939	0	0	58,163	50,939
Unrestricted	<u>(27,307)</u>	<u>(15,446)</u>	<u>10,201</u>	<u>6,718</u>	<u>(17,106)</u>	<u>(8,728)</u>
Total net assets	<u>\$ 223,192</u>	<u>\$211,607</u>	<u>\$ 53,751</u>	<u>\$ 46,398</u>	<u>\$ 276,943</u>	<u>\$ 258,005</u>

The largest portion of the City's net assets reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, 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 assets, 21.0% of total net assets, represents resources that are subject to external restrictions on how they may be used.

The remaining component of the City's net assets, a deficit of \$17,106, represents unrestricted net assets which reflect 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 postemployment benefits (OPEB), which was recorded in 2008 as a result of adopting GASB Statement No. 45, totals \$21,834 and represents 127.6% of 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 assets increased \$18,938 as a result of current year activities. Significant changes from 2007 to 2008 in the Statement of Net Assets and reasons for such changes are:

- Current and other assets increased by \$22,124. The primary reason for the increase is the overall increase in cash and cash equivalents and investments of \$45,124, which is offset by decreases in

receivables, due from other governments, due from component units, and restricted cash. Cash and cash equivalents increased \$70,705 as a result of revenues exceeding expenditures for the year ended June 30, 2008. Investments decreased \$25,581, a result of the use of investments during the year ended June 30, 2008 to pay outstanding bond anticipation notes.

Receivables decreased by \$4,887 due to more timely collection of outstanding taxes and miscellaneous receivables. At June 30, 2008, outstanding taxes totaled \$16,354 which was \$2,146 lower than the balance at June 30, 2007. Other receivables, net of allowances, were \$2,741 less than prior year.

Due from other governments decreased by \$6,703 primarily because the City drew down upon amounts held by Environmental Facilities Corporation (EFC), reducing this asset at June 30, 2008. The total amount drawn down from the EFC was \$8,020.

The balance due from component units decreased \$10,690, as payments were made on outstanding debt obligations of the Buffalo Board of Education ("Board").

- Capital assets increased by \$12,168. A significant portion of the increase was due to equipment purchases and the construction of new buildings for public safety.
- Current and other liabilities increased \$33,438 from June 30, 2007 to June 30, 2008. There are two major fluctuations that account for this difference. Firstly, at June 30, 2007, the City had a bond anticipation note outstanding in the amount of \$30,013 that was paid during 2008, resulting in a \$0 balance at June 30, 2008. Secondly, the amount due to component units, specifically due to the Board, increased by \$64,146. The Board's results of operations for the year ended June 30, 2008 were favorable, in that revenues exceeded expenses for the year, which resulted in the City holding additional funds for the Board at June 30, 2008. The City performs all cash management processes of the Board.
- Long-term liabilities decreased by \$18,084. As indicated previously, 2008 was the initial year of the implementation of GASB Statement No. 45, which resulted in the recording of \$21,834 in other postemployment benefit liabilities that had not been previously reported. This increase was offset by a decrease in debt and other long-term liabilities of \$45,065 due to the fact that debt secure payments were made and no debt was issued during the year.

Governmental activities. Governmental activities increased the City's net assets by \$11,585 thereby accounting for the majority of the growth in the net assets of the City. Key elements of this increase are as follows:

Table A-2

City of Buffalo, New York
Changes in Net Assets - Primary Government
(000's Omitted)

	Governmental		Business-Type		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 21,773	\$ 22,862	\$ 63,058	\$64,084	\$ 84,831	\$ 86,946
Operating grants and contributions	12,277	45,122			12,277	45,122
Capital grants and contributions	18,562	20,785			18,562	20,785
General revenues:						
Property taxes	131,240	128,721			131,240	128,721
Other taxes	25,756	27,156			25,756	27,156
State aid	158,356	132,968			158,356	132,968
Intergovernmental	101,242	111,652			101,242	111,652
Grants and contributions	412	399			412	399
Unrestricted investment earnings	11,481	12,722	2,219	2,100	13,700	14,822
Miscellaneous	4,234	2,690			4,234	2,690
Total revenues	<u>485,333</u>	<u>505,077</u>	<u>65,277</u>	<u>66,184</u>	<u>550,610</u>	<u>571,261</u>
Expenses:						
General government	207,031	173,843			207,031	173,843
Public safety	142,437	130,179			142,437	130,179
Streets and sanitation	22,532	50,666			22,532	50,666
Economic assist. & opportunity	10,649	5,886			10,649	5,886
Culture and recreation	3,121	555			3,121	555
Health and community services	3,469	3,219			3,469	3,219
Education	70,323	70,955			70,323	70,955
Interest on long-term debt	19,659	24,251			19,659	24,251
Solid Waste and Recycling			21,758	18,937	21,758	18,937
Parking			2,913	4,406	2,913	4,406
Water Board			17,408	17,063	17,408	17,063
Water Authority			187	194	187	194
Water Enterprise			10,185	10,934	10,185	10,934
Total expenses	<u>479,221</u>	<u>459,554</u>	<u>52,451</u>	<u>51,534</u>	<u>531,672</u>	<u>511,088</u>
Excess of revenue over expenses	6,112	45,523	12,826	14,650	18,938	60,173
Transfers	<u>5,473</u>	<u>5,747</u>	<u>(5,473)</u>	<u>(5,747)</u>		
Increase in net assets	11,585	51,270	7,353	8,903	18,938	60,173
Net assets — beginning	<u>211,607</u>	<u>160,337</u>	<u>46,398</u>	<u>37,495</u>	<u>258,005</u>	<u>197,832</u>
Net assets — ending	<u>\$223,192</u>	<u>\$211,607</u>	<u>\$ 53,751</u>	<u>\$46,398</u>	<u>\$276,943</u>	<u>\$258,005</u>

The largest funding sources for the City's governmental activities, as a percent of total revenues, are State aid (32.6%), property taxes (27.0%), and intergovernmental (20.9%).

The largest expense categories for the City's governmental activities are general government (43.2%), public safety (29.7%), and education (14.7%). The general government category includes fringe benefit costs for all employees. The education category represents the allocation to the Board.

Significant changes from 2007 to 2008 in revenues and expenses for the City include the following:

- Operating grants and contributions decreased \$32,845 due primarily to the amount of federal and state aid received in 2008 as opposed to 2007. The City was declared a federal disaster area following an October 2007 snowstorm. Funding totaling \$27,391 was received and recorded as revenue in 2007 to aid in the clean up; \$3,996 was received and recorded as revenue in 2008. The City also received a \$10,000 efficiency grant from New York State ("State") in 2007, compared to \$3,856 granted by the State in 2008.
- The net growth in state aid and intergovernmental revenue was \$14,978. The City received an increase of general purpose state aid of \$14,346.
- General government expenses increased \$33,188 primarily due to the \$19,849 additional expenses for other postemployment benefits related to the implementation of GASB Statement No. 45. In addition there were increases in health care costs and employee wages.
- Public safety expenses increased \$12,258. In addition to increased personnel costs of \$8,633, the majority of the increase is related to the acquisition of equipment and demolition of unsafe structures
- Streets and sanitation expenses decreased \$28,134. As discussed above, a significant winter storm hit the area in October 2007, resulting in one time expenses incurred during the year ended June 30, 2007 related to clean up costs.
- Economic assistance and opportunity expense increased \$4,763. The City incurred a one-time expense in 2008 of \$4,638 to purchase a 186 acre brownfield site to use for economic development.
- Interest on long-term debt decreased \$4,592. This is the result of debt restructuring that occurred in 2007, as well as continuation of the City's policy to reduce the total amount of outstanding debt.

Business-type activities. Business-type activities increased the City's net assets by \$7,353. Overall, revenues and expenses remained relatively consistent from 2007 to 2008. The overall increase in net assets is due to the following:

- The Water Board's net assets increased by \$6,885. This is attributable to interest earnings \$726 greater than anticipated, operational costs of the water enterprise fund \$2,491 less than anticipated, and a rate covenant that requires revenue coverage of 115% of debt service costs. The initial OPEB liability for water employees due to the implementation of GASB Statement No. 45 was \$881.
- The net assets of the Parking fund increased \$4,051. Operating revenues were greater than expected because of increased demand for downtown parking spaces with no offsetting increase in expenditures.
- The Solid Waste and Recycling fund recorded a decrease in net assets of \$3,584 which was the result of service charges realized less than expected, as well as personnel costs greater than expected. The initial OPEB liability for solid waste and refuse employees due to the implementation of GASB Statement No. 45 was \$1,097.

Financial Analysis of the City's 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$224,032 an increase of \$2,829 in comparison with the prior year. Approximately 56.8% of this total amount, or \$127,138, is available for spending at the government's discretion (*unreserved governmental fund balance*). The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. Reserved fund balance includes \$44,535 to liquidate contracts and purchase orders of the period, \$21,328 to pay debt service, and \$31,031 for a variety of other restricted purposes. Unreserved fund balance has been designated in the amount of \$12,040 to finance specific capital projects, \$8,611 for future obligations, \$15,759 to cover the deficit in the solid waste fund and \$30,183 to establish a "Rainy Day" fund which indicates management's intention to utilize these funds for these purposes.

General fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$113,480 while total fund balance reached \$133,295. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balances represent 28.1% of total fund expenditures (excluding other financing uses), while total fund balance represents 33.0% of that same amount. The fund balance of the City's general fund increased by \$15,938 during the current fiscal year. The increase is attributed to greater than anticipated revenues for State Aid of \$6,092 and \$4,179 of local aid including sales tax receipts, net of BFSA set aside, which increased \$3,618. Additionally, expenditures were \$3,613 less than budget.

Debt service fund. The debt service fund has a total fund balance of \$9,097, which is reserved solely for the purpose of payment of debt service. The net decrease in fund balance during the current year in the debt service fund of \$2,975 is due to a decrease in interest earnings and the use of prior year resources to cover a portion of the debt payments.

Capital projects 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, the fund balance was \$46,527, of which \$34,358 was encumbered for contracts underway, \$130 reserved for prepaid items and \$12,040 was designated for subsequent years' expenditures. The decrease in fund balance of \$12,064 is the result of utilizing bond proceeds acquired in prior years. No new bonds were issued during the year ended June 30, 2008.

BFSA special revenue fund. 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 \$16,318. Of this amount, \$14,684 is reserved by enabling legislation for state aid received on behalf of the City, \$16 is reserved for prepaid items and \$1,619 is undesignated. The increase in fund balance of \$1,621 is attributed to funds received from the State for aid and incentives to municipalities, which cannot be transferred to the City until requirements established by the legislation have been met.

Other governmental funds. Other 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 \$6,428. This balance includes \$1,817 encumbered for contracts underway. The remaining balance will be used for future expenditures. The fund balance of the Special Revenue fund decreased by \$3,410 over the prior year, and is attributed to the expenditures incurred in the current year for revenues that were received and recorded in prior years, as well as reduction in current year federal and state grants. The BFSA debt service fund has a total fund balance of \$12,231, which is reserved to pay debt service. The positive change of \$3,717 is the result of increased set asides for future debt service 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 \$135. The increase of \$2 was the result of investment income.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$53,751. The balance includes \$37,777 for parking, \$31,013 for the water board, and a deficit balance of \$15,040 for solid waste and recycling. The underlying reasons for the any changes were described under the heading Business-Type Activities.

Internal service fund. The internal service fund is used to account for the citywide print shop. The total net assets at the end of the fiscal year were \$160. This represents an increase of \$31, which is primarily from the excess of charges over cost.

Budgetary Highlights

The City annually adopts an operating budget for the general fund as well as the debt service and enterprise funds. The City also adopts a capital improvement budget that determines what multi-year projects will be financed by the sale of bonds or the acquisition of capital grants. These projects are accounted for in the capital projects fund. The multi-year projects of the special revenue fund are established for specific projects as grant funds become available.

The City's 2007-08 general fund operating budget was increased during the year by \$20,576. Additional state incentive aid to municipalities of \$11,041 was used for demolition of unsafe structures and other economic development projects. Prior year fund balance of \$9,534 was used to settle claims of \$7,200 for outstanding litigation pertaining to Hickory Woods, and \$2,334 was used to hire additional police officers. Actual revenues were \$18,487 greater than the final budget. Major positive variances included real property taxes of \$2,742, interest earnings of \$3,961 and \$3,618 of sales tax receipts net of BFSA set asides for debt. The negative variance in federal aid is attributable to including \$358 more in the budget for reimbursement for health insurance provided to retirees than was received in the fiscal year and a shortfall in reimbursements of grant expenditures. The shortfall in fines of \$668 was the result of parking fines budgeted in excess of what was realized. Actual expenditures were \$3,613 less than the final budget. Major positive variances included saving of \$3,355 in other costs of which the majority is for utility costs under budget. The budget surplus in public safety and streets and sanitation can be attributed to building improvements that were not completed. The smaller budgetary saving in most departments resulted from conservative budgeting and other unanticipated expenditures that did not materialize during the year. The negative variance in fringe benefits of \$5,331 is the result of estimating retroactive wage payments attributable to 2007-08 for unsettled union contracts. The shortage in fire of \$1,270 is the result of overtime which was \$2,950 over budget. The negative variance of \$1,384 in other expenditures is the result of the write-off of uncollectible accounts in excess of the amount budgeted.

Capital Assets and Debt Administration

Capital Assets. In accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$551,154 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. The net increase in the City’s investment in capital assets for the current fiscal year was 2.3 %.

Table A-3

City of Buffalo, New York Capital Assets - Primary Government Net of Depreciation (000's Omitted)						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 12,579	\$ 12,875	\$ 3,362	\$ 3,362	\$ 15,941	\$ 16,237
Buildings	164,024	169,169	115,370	108,563	279,394	277,732
Improvements other than Buildings	14,821	14,981	177	191	14,998	15,172
Machinery and equipment	18,776	12,907	1,138	1,264	19,914	14,171
Infrastructure	160,069	156,138	55,303	56,568	215,372	212,706
Construction in Progress	4,507	1,553	1,028	1,415	5,535	2,968
Total	\$ 374,776	\$ 367,623	\$ 176,378	\$ 171,363	\$ 551,154	\$ 538,986

Significant changes from 2007 to 2008 in capital assets include:

- Infrastructure increased \$2,666 and construction in progress increased \$2,567 due to reconstruction and completion of various road projects.
- Buildings increased \$1,662. The \$6,807 increase in buildings within business-type activities was primarily due to the filter gallery rehabilitation project at the water filtration plant. This increase was offset by a decrease in buildings in governmental activities of \$5,145, the majority of which resulted from the sale of the vacant Memorial Auditorium.
- Machinery and equipment increased \$5,743 primarily from the acquisition of new fire and police vehicles.

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding for governmental activities of \$209,253, excluding bonds issued by BFSAs. This entire amount is backed by the full faith and credit of the City. The City did not issue any bonds during the year.

The BFSAs’ total bonded debt outstanding at the end of the current fiscal year is \$143,860.

The bonds outstanding for business-type activities at June 30, 2008 consisted of \$28,136 in general obligation bonds issued by the City and \$147,852 of revenue bonds issued by the Water Authority. During the fiscal year, the Water Authority issued \$91,240 of new revenue bonds to refund \$91,130 of existing debt.

Table A-4

City of Buffalo, New York
Outstanding Debt - Primary Government
(000's Omitted)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$209,253	\$233,864	\$ 28,136	\$ 31,198	\$ 237,389	\$ 265,062
Revenue Bonds	<u>143,860</u>	<u>151,085</u>	<u>147,852</u>	<u>153,467</u>	<u>291,712</u>	<u>304,552</u>
Total	<u>\$353,113</u>	<u>\$384,949</u>	<u>\$175,988</u>	<u>\$184,665</u>	<u>\$ 529,101</u>	<u>\$ 569,614</u>

The New York State Constitution restricts the annual real property tax levy for operating expenses to two percent of average full value of taxable City property over the last five years. This limitation does not apply to taxes for debt service. The Constitution also provides that the City may not contract indebtedness in an amount greater than 9% of the average full value of taxable real property for the most recent five years. Water debt, self-sustaining debt and revenue anticipation notes are excluded from the debt limit. This limit as of fiscal year end was \$518,985. The City had a debt-contracting margin of \$268,260 on July 1, 2008.

Additional information on the City's long-term debt can be found in Note 8 of this report.

Next Year's Budget

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2009 budget. The total budgeted appropriations for the City's general fund operations are \$333,895. This budget reflects an increase of 4.1% to cover anticipated increased costs, the majority of which are for police and fire personnel and employee and retiree medical insurance. This budget was approved by the BFSA.

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 901 City Hall, Buffalo, New York 14202

CITY OF BUFFALO, NEW YORK

Schedule 1

STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 313,445,610	\$ 33,400,910	\$ 346,846,520	\$ 584,041	\$ 3,467,933
Investments	29,267,728		29,267,728		665,560
Receivables (net of allowance for uncollectibles)	7,682,530	9,646,802	17,329,332	2,021,012	14,212,997
Due from other governments/agencies	52,965,234	2,054,694	55,019,928	54,677,285	1,042,208
Due from component units/primary government	134,063,345		134,063,345	141,852,151	79,046
Internal balances	15,031,689	(15,031,689)			
Prepaid expenses and other assets	534,579		534,579	1,348,996	159,115
Deferred charges, net	5,360,974	8,979,016	14,339,990	21,714,765	
Real estate acquired for resale	6,878,678		6,878,678		2,024,583
Restricted assets:					
Cash and cash equivalents	11,226,762	30,327,653	41,554,415	355,752,333	
Capital assets:					
Land and construction in progress	17,085,936	4,390,121	21,476,057	112,607,627	1,796,662
Other capital assets (net of accumulated depreciation)	357,690,063	171,988,074	529,678,137	599,120,914	11,282,881
Total assets	\$ 951,233,128	\$ 245,755,581	\$ 1,196,988,709	\$ 1,289,679,124	\$ 34,730,985
LIABILITIES					
Accounts payable and accrued expenses	\$ 57,460,401	\$ 7,988,852	\$ 65,449,253	\$ 41,874,055	\$ 2,531,378
Due to component units/primary government	143,065,991		143,065,991	132,928,551	
Due to other governments	1,438,769		1,438,769	24,973,918	1,061,770
Unearned revenue	7,888,886	1,458,369	9,347,255	605,100	4,204,113
Deferred bond premium (net)	7,956,832		7,956,832	84,097,588	
Long-term liabilities:					
Due within one year	47,322,230	10,228,705	57,550,935	73,734,710	1,910,000
Due in more than one year	462,907,896	172,328,834	635,236,730	938,011,905	16,391,087
Total liabilities	728,041,005	192,004,760	920,045,765	1,296,225,827	26,098,348
NET ASSETS					
Invested in capital assets, net of related debt	192,336,260	43,549,888	235,886,148	129,035,955	11,663,251
Restricted for:					
Capital projects	3,343,290		3,343,290	3,702,063	
Debt service	16,646,464		16,646,464	128,898,270	
Grants	4,611,180		4,611,180		
State-mandated initiatives	14,683,659		14,683,659		
Real estate	6,878,678		6,878,678		
Judgments and claims	319,137		319,137	3,500,000	
Unemployment insurance				3,156,044	
Joint Schools Construction Board projects				224,506,530	
Other purposes	11,545,162		11,545,162	409,832	
Perpetual care:					
Expendable	105,230		105,230		
Unexpendable	30,000		30,000		
Stabilization				8,756,028	
Unrestricted	(27,306,937)	10,200,933	(17,106,004)	(508,511,425)	(2,739,614)
Total net assets (deficit)	\$ 223,192,123	\$ 53,750,821	\$ 276,942,944	\$ (6,546,703)	\$ 8,923,637

See notes to financial statements.

CITY OF BUFFALO, NEW YORK

Schedule 2

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	BOE	BURA
					Governmental Activities	Business-type Activities			
Primary government:									
Governmental activities:									
General government	\$ 207,031,228	\$ 8,643,553	\$ 1,370,660	\$ 2,217,310	\$ (194,799,705)	\$	\$ (194,799,705)	\$	\$
Public safety	142,436,873	7,597,334	5,360,311	1,782,885	(127,696,343)		(127,696,343)		
Streets and sanitation	22,532,057	1,281,856	4,100,055	10,238,789	(6,911,357)		(6,911,357)		
Economic assistance and opportunity	10,648,825	3,628,174	404,289	3,884,878	(2,731,484)		(2,731,484)		
Culture and recreation	3,120,910		26,675	437,864	(2,656,371)		(2,656,371)		
Health and community services	3,469,178	621,791	1,015,170		(1,832,217)		(1,832,217)		
Education	70,322,758				(70,322,758)		(70,322,758)		
Interest on long-term debt	19,659,319				(19,659,319)		(19,659,319)		
Total governmental activities	<u>479,221,148</u>	<u>21,772,708</u>	<u>12,277,160</u>	<u>18,561,726</u>	<u>(426,609,554)</u>		<u>(426,609,554)</u>		
Business-type activities:									
Solid Waste and Recycling	21,758,426	18,430,885				(3,327,541)	(3,327,541)		
Parking	2,912,981	7,396,558				4,483,577	4,483,577		
Water Board	17,407,669	37,230,293				19,822,624	19,822,624		
Water Authority	187,560					(187,560)	(187,560)		
Water Enterprise	10,184,674					(10,184,674)	(10,184,674)		
Total business-type activities	<u>52,451,310</u>	<u>63,057,736</u>				<u>10,606,426</u>	<u>10,606,426</u>		
Total primary government	<u>\$ 531,672,458</u>	<u>\$ 84,830,444</u>	<u>\$ 12,277,160</u>	<u>\$ 18,561,726</u>	<u>(426,609,554)</u>	<u>10,606,426</u>	<u>(416,003,128)</u>		
Component units:									
BOE	\$ 877,344,982	\$ 3,599,328	\$ 112,057,907	\$			(761,687,747)		-
BURA	53,360,751		54,147,201						(483,550)
Total component units	<u>\$ 930,705,733</u>	<u>\$ 3,599,328</u>	<u>\$ 166,205,108</u>	<u>\$</u>			<u>(761,687,747)</u>		<u>(483,550)</u>
General revenues:									
Taxes:									
Property taxes					131,239,721		131,239,721		
Other taxes					25,756,318		25,756,318		
State aid (unrestricted)					158,356,413		158,356,413	551,837,156	
Intergovernmental (unrestricted)					101,241,774		101,241,774	34,434,796	
Grants and contributions not restricted to specific programs					411,678		411,678		
Unrestricted investment earnings					11,481,579	2,218,950	13,700,529	19,085,903	
Contribution from City of Buffalo								70,322,755	
Miscellaneous					4,234,389		4,234,389	17,267,236	
Transfers					5,472,928	(5,472,928)			
Total general revenues and transfers					<u>438,194,800</u>	<u>(3,253,978)</u>	<u>434,940,822</u>	<u>692,947,846</u>	
Change in net assets					11,585,246	7,352,448	18,937,694	(68,739,901)	(483,550)
Net assets — beginning					211,606,877	46,398,373	258,005,250	62,193,198	9,407,187
Net assets (deficit) — ending					<u>\$ 223,192,123</u>	<u>\$ 53,750,821</u>	<u>\$ 276,942,944</u>	<u>\$ (6,546,703)</u>	<u>\$ 8,923,637</u>

See notes to financial statements.

CITY OF BUFFALO, NEW YORK

Schedule 3

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Capital Projects	BFSA Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 229,400,119	\$ 7,199,448	\$ 68,429,161	\$ 325,412	\$ 7,928,818	\$ 313,282,958
Investments			4,302	14,528,343	14,735,083	29,267,728
Receivables:						
Delinquent taxes and assessments	16,354,165					16,354,165
Accounts receivable	11,151,690		172,273			11,323,963
Other receivables	3,182	7,355			2,795	13,332
Due from other agencies	2,334,463					2,334,463
Due from other funds	48,508,207	219,490	300,000			49,027,697
Due from other governments	9,315,742		5,503,557	31,144,812	4,426,855	50,390,966
Due from component units	976,287		104,217		54,289	1,134,793
Allowance for uncollectibles	(20,011,334)					(20,011,334)
Net receivables	68,632,402	226,845	6,080,047	31,144,812	4,483,939	110,568,045
Real estate acquired for resale	6,878,678					6,878,678
Prepaid items	388,748		129,637	16,194		534,579
Restricted cash and cash equivalents	9,556,028	1,670,734				11,226,762
Total assets	<u>\$ 314,855,975</u>	<u>\$ 9,097,027</u>	<u>\$ 74,643,147</u>	<u>\$ 46,014,761</u>	<u>\$ 27,147,840</u>	<u>\$ 471,758,750</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 17,747,682	\$	\$ 6,841,300	\$ 26,090	\$ 1,762,635	\$ 26,377,707
Due to other governments and agencies	1,435,872				2,897	1,438,769
Due to other funds			4,355,606	25,696,489	3,939,225	33,991,320
Due to component units	123,594,408		15,516,844	3,954,739		143,065,991
Accrued liabilities	16,822,563			18,998	2,354,573	19,196,134
Deferred revenues	16,540,983					16,540,983
Retentions payable	78,953		1,402,104		294,336	1,775,393
Accrued pension	5,340,630					5,340,630
Total liabilities	181,561,091		28,115,854	29,696,316	8,353,666	247,726,927
Fund balances:						
Reserved for:						
Encumbrances	8,360,784		34,357,699		1,816,678	44,535,161
Federal and state programs					4,611,180	4,611,180
Debt service		9,097,027			12,231,086	21,328,113
Permanent fund					135,230	135,230
Land and capital	10,221,968					10,221,968
Enabling legislation				14,683,659		14,683,659
Prepaid items	388,748		129,637	16,194		534,579
Other	843,723					843,723
Unreserved:						
Designated	54,552,904		12,039,957			66,592,861
Undesignated	58,926,757			1,618,592		60,545,349
Total fund balances	133,294,884	9,097,027	46,527,293	16,318,445	18,794,174	224,031,823
Total liabilities and fund balances	<u>\$ 314,855,975</u>	<u>\$ 9,097,027</u>	<u>\$ 74,643,147</u>	<u>\$ 46,014,761</u>	<u>\$ 27,147,840</u>	<u>\$ 471,758,750</u>

See notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the statement of net assets
are different because:

Fund balance - total governmental funds	\$224,031,823
City capital assets used in governmental activities are not financial sources and, therefore, are not reported in the funds. The cost of the assets is \$630,021,572 and the accumulated depreciation is \$255,259,016.	374,762,556
Buffalo Fiscal Stability Authority capital assets used in governmental activities are not financial sources and, therefore, not reported in the funds. The cost of the assets is \$77,893 and the accumulated depreciation is \$64,450.	13,443
To recognize interest accrual on long term debt. Accrued interest for general obligation bonds is \$4,681,649 at year-end.	(4,681,649)
Property taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,652,097
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 the governmental statement of net assets.	160,180
Long-term liabilities of the City, including bonds payable and related unamortized bond premium, compensated absences, retirement liabilities, judgments and claims, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(230,409,840)
Long-term liabilities of the Buffalo Fiscal Stability Authority, including bonds payable and unamortized bond premium, are not due and payable in the current period and, therefore, are not reported in the funds. This balance is offset by related bond premiums and bond issue costs.	(149,576,292)
To recognize Buffalo Fiscal Stability Authority interest receivable, which is recognized when earned in the government-wide financial statement, but in the fund financial statements income is accrued only if it will be received within sixty days of year-end.	239,805
Net assets of governmental activities	<u>\$223,192,123</u>

See notes to financial statements.

CITY OF BUFFALO, NEW YORK

Schedule 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Debt Service	Capital Projects	BFSA Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes, assessments, and other tax items	\$ 143,044,741	\$	\$	\$	\$	\$ 143,044,741
Utility and other nonproperty tax items	14,276,684					14,276,684
Intergovernmental	252,710,263	16,182,381	18,238,468	5,623,195	8,283,739	301,038,046
Investment interest	6,461,051	2,961,726	13,309		1,319,676	10,755,762
Licenses, permits, rentals, fines, and other service charges	18,547,276	40,064				18,587,340
Miscellaneous	6,978,330	269,759	323,259			7,571,348
Total revenues	<u>442,018,345</u>	<u>19,453,930</u>	<u>18,575,036</u>	<u>5,623,195</u>	<u>9,603,415</u>	<u>495,273,921</u>
Expenditures:						
Current:						
General government	52,706,747		10,259,236	779,282	1,479,656	65,224,921
Public safety	138,575,638		3,017,991		8,410,069	150,003,698
Streets and sanitation	12,656,679		14,205,730		1,218,194	28,080,603
Economic assistance and opportunity	6,204,376		3,617,802		848,616	10,670,794
Culture and recreation	1,130,072		1,022,163		24,926	2,177,161
Health and community services	3,072,070		1,556		67,639	3,141,265
Education	70,322,758					70,322,758
Fringe benefits	100,644,646			140,259		100,784,905
Other	17,695,292					17,695,292
Debt service:						
Principal retirement		24,611,000			7,225,000	31,836,000
Interest and other fiscal charges	696,337	11,067,007		159,860	6,986,003	18,909,207
Total expenditures	<u>403,704,615</u>	<u>35,678,007</u>	<u>32,124,478</u>	<u>1,079,401</u>	<u>26,260,103</u>	<u>498,846,604</u>
Excess (deficiency) of revenues over expenditures	<u>38,313,730</u>	<u>(16,224,077)</u>	<u>(13,549,442)</u>	<u>4,543,794</u>	<u>(16,656,688)</u>	<u>(3,572,683)</u>
Other financing sources (uses):						
Capital notes			928,736			928,736
Transfers in	5,795,223	27,292,020	940,608		16,965,974	50,993,825
Transfers out	(28,170,744)	(14,042,702)	(384,179)	(2,923,272)		(45,520,897)
Total other financing (uses) sources	<u>(22,375,521)</u>	<u>13,249,318</u>	<u>1,485,165</u>	<u>(2,923,272)</u>	<u>16,965,974</u>	<u>6,401,664</u>
Change in fund balances	15,938,209	(2,974,759)	(12,064,277)	1,620,522	309,286	2,828,981
Fund balances — beginning of year	117,356,675	12,071,786	58,591,570	14,697,923	18,484,888	221,202,842
Fund balances — end of year	<u>\$ 133,294,884</u>	<u>\$ 9,097,027</u>	<u>\$ 46,527,293</u>	<u>\$ 16,318,445</u>	<u>\$ 18,794,174</u>	<u>\$ 224,031,823</u>

See notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 2,828,981
The City's governmental funds report capital outlays as expenditures of \$31,784,595. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense \$21,269,445. This is the amount by which capital outlays exceeded depreciation in the current period, net of related losses on the disposal of capital assets \$3,347,786.	7,167,364
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	(325,388)
Change in accrual of interest payable on notes and bonds payable.	(142,059)
Change in net assets of the internal service fund reported in governmental activities.	30,694
The repayment of the principal of long-term debt consumes the current financial but reduces the liability in the statement of net assets.	13,432,645
Buffalo Fiscal Stability Authority governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, net of related losses on the disposal of capital assets.	(14,679)
The repayment of long-term debt by the Buffalo Fiscal Stability Authority consumes the current financial resources of governmental funds and includes the amortization of bond premium. This amount is the net effect of the reduction of long-term liabilities on the statement of net assets.	7,701,742
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 governmental funds.	<u>(19,094,054)</u>
Change in net assets of governmental activities	<u>\$ 11,585,246</u>

See notes to financial statements.

CITY OF BUFFALO, NEW YORK

Schedule 7

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
 YEAR ENDED JUNE 30, 2008

	General Fund			
REVENUES	Original	Final	Actual	Variance
Real property taxes	\$ 140,302,335	\$ 140,302,335	\$ 143,044,741	\$ 2,742,406
Other taxes	14,083,335	14,083,335	14,276,684	193,349
Charges for services	9,013,390	9,013,390	9,651,181	637,791
Interest	2,500,000	2,500,000	6,461,051	3,961,051
Federal aid	1,651,948	1,651,948	1,027,547	(624,401)
State aid	162,221,990	173,263,470	179,355,632	6,092,162
Local sources and other	68,148,068	68,148,068	72,327,084	4,179,016
Licenses and permits	3,110,465	3,110,465	3,206,035	95,570
Fines	6,358,220	6,358,220	5,690,060	(668,160)
Miscellaneous	5,099,678	5,099,678	6,978,330	1,878,652
Total revenues	412,489,429	423,530,909	442,018,345	18,487,436
EXPENDITURES				
General government:				
Legislative	3,647,417	3,681,836	3,438,378	243,458
Executive	1,405,988	1,426,698	1,260,496	166,202
Audit and control	2,469,497	2,471,844	2,326,693	145,151
Law	3,072,805	3,073,383	2,980,480	92,903
Assessment	2,272,702	2,346,136	1,713,798	632,338
Public works, parks, and streets	7,487,731	7,516,218	7,566,227	(50,009)
Management information systems	3,528,308	3,587,734	3,107,464	480,270
Administration and finance	8,927,923	9,012,907	8,425,492	587,415
Human resources	5,450,750	6,385,080	5,734,738	650,342
Other	19,667,217	21,246,551	17,891,497	3,355,054
Public safety:				
Administration and finance	2,535,366	2,673,695	1,180,382	1,493,313
Police	67,639,335	71,788,639	71,601,050	187,589
Fire	51,804,820	54,853,454	56,123,112	(1,269,658)
Public works, parks, and streets	1,563,812	1,870,294	1,648,720	221,574
Permit and inspection services	5,589,948	11,986,345	11,492,297	494,048
Streets and sanitation:				
Public works, parks, and streets	14,278,521	15,131,754	13,198,505	1,933,249
Health and community services:				
Public works, parks, and streets	745,677	761,697	769,511	(7,814)
Community services	3,423,593	2,863,149	2,384,587	478,562
Cultural and recreation:				
Public works, parks, and streets	28,482	28,482	26,000	2,482
Community services	1,267,905	1,407,909	1,306,492	101,417
Economic assistance and opportunity:				
Executive	1,414,821	8,303,557	7,945,339	358,218
Community services	109,507	109,507	112,499	(2,992)
Education	70,322,758	70,322,758	70,322,758	
Fringe benefits	101,855,799	95,322,026	100,652,662	(5,330,636)
Debt service	4,845,834	731,834	696,337	35,497
Other	5,698,000	16,775,019	18,159,885	(1,384,866)
Total expenditures	391,054,516	415,678,506	412,065,399	3,613,107
Excess of revenues over expenditures	21,434,913	7,852,403	29,952,946	22,100,543
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	5,795,223	5,795,223	5,795,223	
Transfers to other funds	(27,230,136)	(27,570,744)	(28,170,744)	(600,000)
Total other financing sources (uses)	(21,434,913)	(21,775,521)	(22,375,521)	(600,000)
Net change in fund balance		(13,923,118)	7,577,425	21,500,543
Fund balance — beginning	117,356,675	117,356,675	117,356,675	
Fund balance — ending	\$ 117,356,675	\$ 103,433,557	\$ 124,934,100	\$ 21,500,543

See notes to financial statements.

CITY OF BUFFALO, NEW YORK

Schedule 8

STATEMENT OF FUND NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2008

	Enterprise Funds						Governmental Activities Internal Service Fund
	Solid Waste and Recycling	Parking	Water Board	Water Authority	Water Enterprise	Combined Total	
Assets							
Current assets:							
Cash and cash equivalents	\$ 245,095	\$ 3,520,517	\$ 29,118,203	\$ 155,030	\$ 362,065	\$ 33,400,910	\$ 162,652
Receivables:							
Accounts receivable	11,634,635	3,416,850	15,843,432	28,002		30,922,919	2,404
Other receivables	120,766	343	1,904,241			2,025,350	
Due from other agencies			216,174			216,174	
Due from other funds	281,677			119,649,104	7,447,676	127,378,457	
Due from other governments				1,838,520		1,838,520	
Allowance for uncollectibles	(10,968,600)		(12,332,867)			(23,301,467)	
Net receivables	1,068,478	3,417,193	5,630,980	121,515,626	7,447,676	139,079,953	2,404
Total current assets	1,313,573	6,937,710	34,749,183	121,670,656	7,809,741	172,480,863	165,056
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents		40,759		30,286,894		30,327,653	
Capital assets:							
Land	1	3,217,093	145,116			3,362,210	
Buildings and system	4,007,557	73,478,642	159,427,580			236,913,779	
Improvements other than buildings	175,071	3,320	236,746			415,137	
Machinery and equipment	7,036,262	58,650	1,186,602			8,281,514	
	11,218,891	76,757,705	160,996,044			248,972,640	
Accumulated depreciation	(7,763,177)	(21,035,161)	(44,824,018)			(73,622,356)	
	3,455,714	55,722,544	116,172,026			175,350,284	
Construction in progress			1,027,911			1,027,911	
Total capital assets	3,455,714	55,722,544	117,199,937			176,378,195	
Deferred financing costs — net	11,744	519,553	8,441,295		6,424	8,979,016	
Total noncurrent assets	3,467,458	56,282,856	125,641,232	30,286,894	6,424	215,684,864	
Total assets	\$ 4,781,031	\$ 63,220,566	\$ 160,390,415	\$ 151,957,550	\$ 7,816,165	\$ 388,165,727	\$ 165,056

(Continued)

CITY OF BUFFALO, NEW YORK

Schedule 8
(Concluded)

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities - Enterprise Funds						Governmental
	Solid Waste and Recycling	Parking	Water Board	Water Authority	Water Enterprise	Combined Total	Activities Internal Service Fund
Liabilities and Net Assets							
Current liabilities:							
Accounts payable	\$ 1,378,020	\$ 23,567	\$ 1,441,737	\$ 4,800	\$ 248,895	\$ 3,097,019	\$ 188
Due to other funds	14,430,079	592,557	127,037,602		349,908	142,410,146	4,688
Other accrued liabilities	577,521	155,344	815	2,458,731	595,985	3,788,396	
Retainages payable			867,420			867,420	
Deferred revenues	417,632	75,323	29,593		935,821	1,458,369	
Accrued compensated absences	754,104	21			751,809	1,505,934	
Accrued workers' compensation	426,809				213,649	640,458	
Due to retirement systems	113,400	652			121,965	236,017	
Notes, serial bonds, and revenue bonds payable within one year	66,692	2,581,447		4,845,000	589,174	8,082,313	
Total current liabilities	<u>18,164,257</u>	<u>3,428,911</u>	<u>129,377,167</u>	<u>7,308,531</u>	<u>3,807,206</u>	<u>162,086,072</u>	<u>4,876</u>
Noncurrent liabilities:							
Accrued workers' compensation	558,893				236,824	795,717	
Accrued post employment benefits	1,097,500	6,900			880,700	1,985,100	
General obligation bonds payable		22,007,563			2,891,435	24,898,998	
Revenue bonds payable				144,649,019		144,649,019	
Total noncurrent liabilities	<u>1,656,393</u>	<u>22,014,463</u>	<u></u>	<u>144,649,019</u>	<u>4,008,959</u>	<u>172,328,834</u>	<u></u>
Total liabilities	<u>19,820,650</u>	<u>25,443,374</u>	<u>129,377,167</u>	<u>151,957,550</u>	<u>7,816,165</u>	<u>334,414,906</u>	<u>4,876</u>
Net assets (deficit):							
Invested in capital assets, net of related debt	3,389,021	31,693,836	8,467,031			43,549,888	
Unrestricted	(18,428,640)	6,083,356	22,546,217			10,200,933	160,180
Total net assets (deficit)	<u>(15,039,619)</u>	<u>37,777,192</u>	<u>31,013,248</u>	<u></u>	<u></u>	<u>53,750,821</u>	<u>160,180</u>
Total liabilities and net assets	<u>\$ 4,781,031</u>	<u>\$ 63,220,566</u>	<u>\$ 160,390,415</u>	<u>\$ 151,957,550</u>	<u>\$ 7,816,165</u>	<u>\$ 388,165,727</u>	<u>\$ 165,056</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2008

	Business-Type Activities - Enterprise Funds						Governmental
	Solid Waste and Recycling	Parking	Water Board	Water Authority	Water Enterprise	Combined Total	Internal Service Fund
Operating revenues:							
Charges for services	\$ 18,274,270	\$	\$ 36,878,753	\$	\$	\$ 55,153,023	\$ 69,098
Other	144,645		351,540			496,185	
Rent		7,396,558				7,396,558	
Total operating revenues	<u>18,418,915</u>	<u>7,396,558</u>	<u>37,230,293</u>			<u>63,045,766</u>	<u>69,098</u>
Operating expenses:							
Services and supplies	17,461,112	137,253	7,412,774	187,560	6,576,796	31,775,495	38,404
Depreciation	443,023	1,581,693	3,734,545			5,759,261	
Fringe benefits	3,827,113	14,441			3,161,787	7,003,341	
Other	2,222		415,742		446,091	864,055	
Total operating expenses	<u>21,733,470</u>	<u>1,733,387</u>	<u>11,563,061</u>	<u>187,560</u>	<u>10,184,674</u>	<u>45,402,152</u>	<u>38,404</u>
Operating (loss) income	<u>(3,314,555)</u>	<u>5,663,171</u>	<u>25,667,232</u>	<u>(187,560)</u>	<u>(10,184,674)</u>	<u>17,643,614</u>	<u>30,694</u>
Nonoperating revenues (expenses):							
Interest earned	32,680	79,034	2,042,341		64,895	2,218,950	
Interest expense	(24,956)	(1,159,731)	(5,844,608)			(7,029,295)	
Other	11,970	(19,863)				(7,893)	
Total nonoperating expenses	<u>19,694</u>	<u>(1,100,560)</u>	<u>(3,802,267)</u>		<u>64,895</u>	<u>(4,818,238)</u>	
(Loss) income before transfers	<u>(3,294,861)</u>	<u>4,562,611</u>	<u>21,864,965</u>	<u>(187,560)</u>	<u>(10,119,779)</u>	<u>12,825,376</u>	<u>30,694</u>
Transfers in	384,179			187,560	10,119,779	10,691,518	
Transfers out	<u>(673,048)</u>	<u>(511,884)</u>	<u>(14,979,514)</u>			<u>(16,164,446)</u>	
Change in net assets	<u>(3,583,730)</u>	<u>4,050,727</u>	<u>6,885,451</u>			<u>7,352,448</u>	<u>30,694</u>
Total net assets (deficit) — beginning	<u>(11,455,889)</u>	<u>33,726,465</u>	<u>24,127,797</u>			<u>46,398,373</u>	<u>129,486</u>
Total net assets (deficit) — ending	<u>\$ (15,039,619)</u>	<u>\$ 37,777,192</u>	<u>\$ 31,013,248</u>	<u>\$</u>	<u>\$</u>	<u>\$ 53,750,821</u>	<u>\$ 160,180</u>

See notes to financial statements.

CITY OF BUFFALO, NEW YORK

Schedule 10

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2008

	Solid Waste and Recycling	Parking	Water Board	Water Authority	Water Enterprise	Combined Total	Governmental Activities Internal Service Fund
Cash flows from operating activities:							
Cash received from customers	\$ 18,439,604	\$ 6,715,855	\$ 37,518,884	\$	\$	\$ 62,674,343	\$ 75,245
Cash paid to suppliers for goods and services	(11,432,419)	(111,572)	(8,089,495)	(182,360)	(667,979)	(20,483,825)	(39,744)
Cash paid to employees for services	(8,779,295)	(45,643)			(8,166,759)	(16,991,697)	
Operating transfers			(10,307,339)	187,560	10,119,779		
Net cash (used in) provided by operating activities	<u>(1,772,110)</u>	<u>6,558,640</u>	<u>19,122,050</u>	<u>5,200</u>	<u>1,285,041</u>	<u>25,198,821</u>	<u>35,501</u>
Cash flows from noncapital financing activities:							
Transfers from other funds	384,179					384,179	
Transfers to other funds	(673,048)	(511,884)	(4,672,175)	(8,269,194)		(14,126,301)	
Advances from other funds		(137,270)			(355,152)	(492,422)	
Advances to other funds	2,500,807		7,830,659		202,059	10,533,525	1,490
Net cash provided by (used in) noncapital financing activities	<u>2,211,938</u>	<u>(649,154)</u>	<u>3,158,484</u>	<u>(8,269,194)</u>	<u>(153,093)</u>	<u>(3,701,019)</u>	<u>1,490</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(559,114)		(10,203,150)		(446,091)	(11,208,355)	
Proceeds from bond issuance				93,063,486		93,063,486	
Principal payments on bonds	(66,674)	(2,503,685)		(96,855,000)	(491,052)	(99,916,411)	
Interest payments	(5,436)	(1,168,088)	(7,765,164)		(193,480)	(9,132,168)	
Proceeds from the Environmental Facilities Corporation				8,020,798		8,020,798	
Net cash (used in) provided by capital and related financing activities	<u>(631,224)</u>	<u>(3,671,773)</u>	<u>(17,968,314)</u>	<u>4,229,284</u>	<u>(1,130,623)</u>	<u>(19,172,650)</u>	
Cash flows from investing activities:							
Interest earned on short-term investments	32,714	79,263	1,739,433			1,851,410	
Net cash provided by investing activities	<u>32,714</u>	<u>79,263</u>	<u>1,739,433</u>			<u>1,851,410</u>	
Net (decrease) increase in cash and cash equivalents	(158,682)	2,316,976	6,051,653	(4,034,710)	1,325	4,176,562	36,991
Balances — beginning of year	403,777	1,244,300	23,066,550	34,476,634	360,740	59,552,001	125,661
Balances — end of year	<u>\$ 245,095</u>	<u>\$ 3,561,276</u>	<u>\$ 29,118,203</u>	<u>\$ 30,441,924</u>	<u>\$ 362,065</u>	<u>\$ 63,728,563</u>	<u>\$ 162,652</u>

(Continued)

CITY OF BUFFALO, NEW YORK

Schedule 10
(Concluded)

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2008

	Solid Waste and Recycling	Parking	Water Board	Water Authority	Water Enterprise	Combined Total	Governmental Activities Internal Service Fund
Reconciliation of operating income to net cash provided by (used in) operating activities:							
Operating (loss) income	\$ (3,314,555)	\$ 5,663,171	\$ 25,667,232	\$ (187,560)	\$ (10,184,674)	\$ 17,643,614	\$ 30,694
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation expense	443,023	1,581,693	3,734,545			5,759,261	
Other expenses		(19,863)			446,091	426,228	
Operating transfers (out) in			(10,307,339)	187,560	10,119,779		
Change in assets and liabilities:							
Accounts receivable	41,687	(680,703)	288,591	5,000		(345,425)	6,147
Accounts payable	(302,353)	17,423	(260,979)	200	31,872	(513,837)	(1,340)
Other accrued liabilities	320,653	(720)			281,816	601,749	
Due to retirement systems	(37,646)	(32)			(91,956)	(129,634)	
Deferred revenue	(20,998)					(20,998)	
Accrued compensated absences	(546,941)	(9,229)			194,318	(361,852)	
Accrued workers' compensation	547,520				(392,905)	154,615	
Accrued other postemployment benefits	1,097,500	6,900			880,700	1,985,100	
Net cash (used in) provided by operating activities	<u>\$ (1,772,110)</u>	<u>\$ 6,558,640</u>	<u>\$ 19,122,050</u>	<u>\$ 5,200</u>	<u>\$ 1,285,041</u>	<u>\$ 25,198,821</u>	<u>\$ 35,501</u>

See notes to financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2008

	Private Purpose Trust	Agency
Assets		
Cash and cash equivalents	\$ 26,310	\$ 1,264,384
Investments	32,912	10,000
Receivables	2,758	
Total assets	<u>\$ 61,980</u>	<u>\$ 1,274,384</u>
Liabilities and Net Assets		
Accounts payable	\$	\$ 2,696
Due to other governments		20,344
Due to others		1,251,344
Total liabilities	<u>-</u>	<u>1,274,384</u>
Net assets:		
Unrestricted	<u>61,980</u>	<u></u>
Total net assets	<u>61,980</u>	<u></u>
Total liabilities and net assets	<u>\$ 61,980</u>	<u>\$ 1,274,384</u>

See notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2008

	<u>Private-Purpose Trust</u>
Additions	
Investment earnings:	
Interest	\$ 853
Deductions	
Awards	370
Total deductions	<u>370</u>
Change in net assets	483
Net assets — beginning	<u>61,497</u>
Net assets — ending	<u><u>\$ 61,980</u></u>

See notes to financial statements.

CITY OF BUFFALO, NEW YORK

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity:

Definition of the City for Financial Reporting Purposes — 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”). As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the City (the “primary government”) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationship to the City.

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 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 (the “Water System”) 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 and is authorized to act as an oversight authority. 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.

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

Discretely Presented Component Units — Financial data of the City’s component units that are not part of the primary government are reported in the component unit columns within the government-wide financial statements. These component units are reported in a separate column to emphasize that they are legally separate from the City. Such component units are not simply an extension of the primary government. The majority of the governing body of the Buffalo Urban Renewal Agency (the BURA) is comprised of City officials. BURA provides

services to the general public. The Buffalo Board of Education (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.
- 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 8).

Complete financial statements of the individual component units can be obtained from their respective administrative offices as follows:

Buffalo Water Board
502 City Hall
Buffalo, NY 14202

Buffalo Board of Education
Superintendent of Schools
712 City Hall
Buffalo, NY 14202

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

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

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

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

Buffalo Fiscal Stability Authority Act — In May 2003, the State declared a state of fiscal crisis with respect to the City and enacted the BFSFA Act, pursuant to Chapter 122 of the State Laws of 2003. Pursuant to the BFSFA Act, the State currently is controlling the financial affairs

of the City and certain “covered organizations” (as defined in the BFSA Act) affiliated with the City through the BFSA. The BFSA Act reserves to the City the ability to determine program and expenditure priorities within available financial resources.

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; thereafter, an advisory period commences, and the BFSA Act permits a control period to be reestablished as determined should conditions warrant. The control period declared pursuant to the BFSA Act began on July 3, 2003, and continues until the date the BFSA determines that (1) for each of the three immediately preceding City fiscal years, the City has adopted and adhered to budgets covering all expenditures, other than capital items, the results of which did not show deficit, without the use of any BFSA assistance, as provided for under the BFSA Act, when reported in accordance with GAAP and (2) the City Comptroller and State Comptroller jointly certify that securities were sold by the City during the immediately preceding fiscal year in the general public market and there is a substantial likelihood that such securities can be sold by the City in the general public market from such date through the end of the next succeeding City fiscal year in amounts that will satisfy substantially all of the capital and cash flow requirements of the City during that period in accordance with the financial plan then in existence. An advisory period shall continue after such BFSA determinations until June 30, 2037, unless another control period is imposed.

B. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net assets, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements — The statement of net assets and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The activity of the internal service fund is eliminated to avoid “doubling up” of revenues and expenses. It is the City’s policy to record transactions between funds as operating transfers. Therefore as a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest

earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements — During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Nonmajor funds, where applicable, are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation — The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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.

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 in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the fiscal year. 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.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include the State Revenue Sharing and Assistance, sales taxes, and various categorical grants. Long-term historical payment patterns of the State Revenue Sharing and Assistance are considered in determining whether such payments are susceptible to accrual.

The City reports the following major governmental funds:

General Fund — The General Fund is used to account for all financial resources of the primary 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 always 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. The City has elected to report the Solid Waste and Recycling Fund as a major fund to enhance consistency even though it did not meet the criteria for mandatory reporting in the current year.

Parking Fund — The Parking Fund is used to account for public parking facilities operated by the City.

Water Board, Water Authority, and the Water Enterprise Funds — These funds account for the City's water treatment and distribution system. Together, these entities are 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.

Other Governmental Fund — The Other Governmental Fund includes 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. These include private-purpose trust and agency funds. Activities reported in the fiduciary funds include monies held in trust for prisoners, deposits that are to be returned, and payroll withholding due other entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (the GASB). Governments also have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

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 proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund, refuse collection charges for the Solid Waste and Recycling Fund, and parking fees for the Parking Fund. 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources as they are needed.

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

The City is permitted by the Constitution of the State to levy taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt services and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended June 30, 2008, the City had a legal tax margin of approximately \$21.7 million.

Deposits and Investments — Deposits include demand deposits and certificates of deposit. Cash equivalents include U.S. government securities and U.S. government securities purchased through repurchase agreements. Repurchase agreement securities are valued monthly to confirm that the fair value of the securities is equal to or greater than the value of the investment. The City did not have any repurchase agreements included within cash equivalents at June 30, 2008. All highly liquid investments with an original maturity date of approximately three months or less are considered to be cash equivalents. Investments are stated at fair value which approximates cost.

Restricted Assets — Certain assets are classified in the balance sheet as restricted because their use is limited. The proceeds of bond and note sales can only be used for the stated purpose of the borrowing. Property taxes collected for debt service payments are legally restricted for that purpose.

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. Additions are recorded at cost and donated fixed assets are recorded at their estimated fair value as of the date donated.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Class	Life in Years
Buildings	50
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, and capital assets of the Board are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Land improvements	20
General equipment	10
Computer, business machine, and audit visual equipment	5
Automotive	7

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 assets as long-term liabilities. For business-type activities, the full liability is recognized in both the governmental-wide statement of net assets and the proprietary fund financial statements.

Long-Term Liabilities — In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other-long term obligations are reported as liabilities. Bond premiums, if any, are deposited in the debt service fund and used to retire debt. Bond issuance costs related to governmental activities or business-type activities are reported as deferred charges within the governmental-wide financial statements and proprietary fund financial statements, respectively, and are amortized into interest expense over the term of related debt.

In the fund financial statements, governmental fund types report bond premiums and discounts, as well as bond issuance costs, as revenues/other financing sources and expenditures/other financing uses during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as a capital project expenditure.

Fund Equity —The government-wide and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets — Net of Related Debt — This category groups all capital assets, including infrastructure, into one component of net assets. 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.

Restricted Net Assets — This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$58,162,800 of restricted net assets, of which \$14,683,659 is restricted by enabling legislation.

Unrestricted Net Assets — This category represents net assets of the City not restricted for any project or other purpose.

In the fund financial statements, reserves represent that portion of fund balance that has been legally segregated for a specific use or is not appropriable for expenditure by the City. Designations are not legally required segregations, but are segregated for a specific purpose by the City. Reserves and designations of fund balance at June 30, 2008, include:

Reserved for Encumbrances — Representing commitments related to unperformed (executory) contracts for goods or services.

Reserved for Federal and State Programs — This category includes \$4,611,180 of federal and state monies that have been reserved as they can be only used for specific purposes as authorized by grantor agencies.

Reserved for Debt Service — Represents funds to be used toward the future repayment of bonded debt.

Reserved for Permanent Fund — Represents the amount of principal and accumulated interest that are reserved to be used for specific purposes stipulated in the respective bequest and trust agreements.

Reserved for Land and Capital — This category includes \$6,878,678 of real estate acquired for resale and \$3,343,290 for departmental capital outlays.

Reserved by Enabling Legislation—Represents money provided by the State through aid and incentives for municipality that is held by the BFSA on behalf of the City.

Reserved for Prepaid Items—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods.

Reserved for Other — Included in this balance is \$319,137 for motor vehicle self-insurance and \$524,586 for emergency medical services.

Unreserved, Designated Fund Balance — Unreserved, designated fund balance in the General Fund consists of \$54,552,904 of which \$8,611,500 is designated to cover the settlement of various claims and litigations. Additionally, the City has designated \$15,758,792 for operating losses incurred in the Solid Waste and Refuse Fund since its inception and \$30,182,612 for funds held in a “Rainy Day Fund” to cover unanticipated and extraordinary operating or capital needs.

The Rainy Day Fund 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 its Rainy Day Fund, provided certain measures are attained.

Unreserved, Undesignated Fund Balance — Represents remaining fund balance that has not been designated or reserved.

Encumbrances — Encumbrance accounting, under which purchase orders, contracts, and other commitments for the 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.

The City, for budgetary control purposes, accounts for encumbrances as a charge against appropriations and does not distinguish the portion of encumbrances that represent liabilities for goods or services received but not paid for at the balance sheet date. For financial statement purposes, these encumbrances are segregated into the portion that represents an outstanding liability for goods or services received versus a commitment for goods and services not received. The amounts representing goods or services received are shown in the financial statements as accounts payable and included in expenditures, while the amounts representing commitments are shown as a reservation of fund balance. Encumbrances outstanding at the end of the fiscal year do not lapse.

Due to Retirement Systems — Amounts owed to the State Retirement Systems (the “Retirement Systems”) for retirement incentives and related liabilities of the City are reported as liabilities in the government-wide financial statements and the proprietary fund financial statements.

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

Reclassifications — Certain amounts were reclassified from the Board’s, BURA’s, and BFSAs’ financial statements to conform to the City’s reporting presentation. In the BFSAs’ statement of net assets, \$3,954,739 was reclassified from due to other governments to due to other funds for sales tax that was a receivable from Erie County on behalf of the Board and in the BFSAs’ statement of revenue, expenditures, and change in net assets, \$265,137,763 in other distributions offset investment income and intergovernmental revenue relating to proceeds and interest payments on bonds issued by the BFSAs on behalf of the City.

Adoption of New Accounting Pronouncement—During the year ended June 30, 2008, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effect of adopting this pronouncement for the year ended June 30, 2008, is the recording of \$19,849,000 and \$53,790,000 in long-term liabilities and expenses for governmental activities in the government-wide financial statements and \$1,985,000 and \$3,368,000 for business-type activities in the government-wide financial statements and the proprietary fund financial statements. See Note 12 for additional disclosure.

Additionally, both the Board and BURA implemented GASB Statement No. 45 for the year ended June 30, 2008; refer to Note 12 for additional discussion. Both discretely presented component units adopted GASB Statement No. 45 prospectively.

Future Impacts of Accounting Pronouncements — The City has completed the process of evaluating the impact that will result from adopting GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has concluded that there will

be no impact from such adoption as the City does not currently have any outstanding pollution remediation obligations. The City has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, and GASB Statement No. 53, *Accounting and Financial Reporting for Financial Derivatives*. GASB Statement No. 52 is effective for the City's year ending June 30, 2009. GASB Statement Nos. 51 and 53 are effective for the City's fiscal year ending June 30, 2010. The City is therefore unable to disclose the impact that adopting GASB Statement Nos. 51, 52, and 53 will have on its financial position and results of operations when such statements are implemented.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information — The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Formal annual operating budgets are adopted by the Council for the General Fund, the Debt Service Fund, and all enterprise funds. The budgets are prepared on a non-GAAP budgetary basis; encumbrances are charged against appropriations in the year the commitment is incurred. Formal budgetary integration is employed during the year as a management control device. The Common Council adopts long-term budgets covering the anticipated life of the project, grant, or program for the Capital Project and the Special Revenue Fund.
- 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, the Debt Service Fund, and the enterprise funds.
- 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 as passed by the Council are adopted without any Mayoral action. 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 the Comptroller, demonstrating that the increase is necessary to meet a contingency which could not have been reasonably foreseen when the budget was adopted.

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

	General Fund
Excess of revenues and other financing sources over expenditures and other financial uses — GAAP basis	\$ 15,938,209
Less encumbrances	<u>8,360,784</u>
Excess of revenues and other financing sources over expenditures and other financial uses — basis of budgeting	<u>\$ 7,577,425</u>

Excess of Expenditures over Appropriations — For the year ended June 30, 2008, expenditures exceeded appropriations in four departments and in the categories of fringe benefits and other expenditures. Significant budget variance explanations are as follows:

The unfavorable variance of \$5,330,636 for fringe benefits is the result of an estimate for the cost of retroactive wages to July 1, 2007 as the result of unsettled union contracts. The write-off of outstanding receivables resulted in an unfavorable variance of \$1,384,866 in other expenditures. The unfavorable variance of \$1,269,658 in Public Safety, Fire is the result of additional overtime to cover manpower shortages. Additional personnel costs for telecommunications and the animal shelter resulted in budgetary shortages of \$50,009 and \$7,814, respectively, in the Department of Public Works, Parks and Streets.

3. DEPOSITS 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. Funds generally may be invested in time deposits, certificates of deposit, obligations of the U.S. government and its agencies, and the State and its municipalities. Cash in banks was fully collateralized at June 30, 2008, of which the total bank balance at June 30, 2008 was \$390,980,631.

At June 30, 2008, cash and cash equivalents and investments consisted of the following:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash on hand (uncollateralized)	\$ 12,800	\$ 200	\$ 0	\$ 13,000
Cash in banks	324,659,572	63,728,363	1,290,694	389,678,629
Investments	<u>29,267,728</u>	<u>0</u>	<u>42,912</u>	<u>29,310,640</u>
Total	<u>\$353,940,100</u>	<u>\$63,728,563</u>	<u>\$ 1,333,606</u>	<u>\$ 419,002,269</u>

Investments — At June 30, 2008, total investments of \$29,310,640 consisted of investments held by the BFSA of \$29,201,954, held by the City of \$65,774, and maintained in fiduciary funds of \$42,912. The following schedule summarizes investments at June 30, 2008:

	Carrying Value	Fair Value
Governmental activities:		
Certificates of deposits	\$ 2,446,900	\$ 2,446,900
U.S. Treasury slugs	2,658,955	2,658,955
U.S. Treasury bills	140,362	104,572
Federal Home Loan Mortgage corporate discount paper	3,855,309	3,855,309
Federal National Mortgage Association discount notes	20,102,040	20,102,040
Accrued interest	<u>107,074</u>	<u>107,074</u>
 Total	 <u>\$29,310,640</u>	 <u>\$29,274,850</u>

Investments in fiduciary funds consist solely of certificates of deposit at June 30, 2008.

The risk and type of investments presented above generally indicate activity and positions held throughout the year. Maturities related to the BFSA's investments are generally short-term with certifications of deposits issued with 30-day maturities and U.S. Treasuries and commercial paper due within 45 days.

Interest Rate Risk — The City does not have a policy to limit its exposure to interest rate risk. Investments are generally limited to 180 days or less.

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.

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 deposits and certificates of deposit in an amount equal to or greater than the amount 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. If collateral is required, it can be in the form of a surety bond or obligations of the United States, the State, or any municipality or college of the State. Certain balances for accounts held in trust are collateralized by the State.

Deposits are collateralized with eligible securities of an aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). 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.

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.

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.

Governmental Activities Restricted Cash and Cash Equivalents — General Fund restricted assets represent monies set aside as part of the funding requirements of the State for the settlement of the dispute between the Board and the Buffalo Teachers Federation. At June 30, 2008, the restricted cash amounted to \$9,556,028 and consisted of cash and cash equivalents held in a bank custodial account. The initial settlement was bonded and such restricted cash is being used to pay the debt service requirements. In addition, Debt Service Fund restricted assets of \$1,670,734 are held by a trustee for future debt service payments.

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

The restricted cash consists primarily of Treasury notes, Treasury bills, and certificates of deposit with a commercial bank. At June 30, 2008, \$5,274,590 of the Authority's restricted cash was secured by registered securities held by its agent in the Authority's name, and \$9,476,334 of restricted cash consisted of U.S. government securities recorded in the Authority's name and held in a bank custodial account. The Authority also maintains certificates of deposit with a bank with fair values totaling \$15,535,970 at June 30, 2008. Restricted cash in the Parking Fund of \$40,759 consisted of cash and cash equivalents and is held in a bank custodial account. The City has elected to treat all enterprise fund restricted cash and equivalents required to be held by a trustee as investments.

Board of Education

At June 30, 2008, cash in banks was \$584,041. This amount was fully collateralized.

Restricted Cash— The Board has restricted cash of \$355,752,333 at June 30, 2008, for various purposes as follows:

- Pursuant to the issuance of State of New York Municipal Bond Bank Agency Revenue Bonds, the Board is to maintain a Debt Service Reserve held with a fiscal agent of \$1,800,000. Such cash is held with a fiscal agent.
- \$545,772 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.
- \$117,198,226 is restricted for the local share contribution held in trust which can only be disbursed in accordance with the Indenture Trust Agreement, and represents an amount of the Series 2003 bond proceeds to be deposited and maintained by a trustee. Such cash is held with a fiscal agent.
- Bond proceeds of \$224,111,348 at June 30, 2008, are held in trust and can only be utilized for approved project costs.
- \$11,776,823 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.
- \$320,164 represents endowment funds and can be used in accordance with the respective endowment document.

Buffalo Urban Renewal Agency

Buffalo Urban Renewal Agency — Bank balances totaled \$3,361,222 and were fully collateralized at June 30, 2008.

4. RECEIVABLES

Receivables at June 30, 2008 for the City's individual funds and related allowance for uncollectible accounts are as follows:

Accounts Receivable:	Receivable	Allowance	Net
Governmental Funds			
General Fund:			
Taxes	\$ 16,354,165	\$ (6,536,801)	\$ 9,817,364
Accounts receivable	11,151,690	(5,281,464)	5,870,226
Other receivables	3,182	0	3,182
Due from other agencies	2,334,463	(1,079,865)	1,254,598
Due from other funds	48,508,207	0	48,508,207
Due from other governments	9,315,742	(7,113,204)	2,202,538
Due from component unit	976,287	0	976,287
	<u>\$ 88,643,736</u>	<u>\$ (20,011,334)</u>	<u>\$ 68,632,402</u>
Debt Service Fund:			
Other receivables	\$ 7,355	\$ 0	\$ 7,355
Due from other funds	219,490	0	219,490
	<u>\$ 226,845</u>	<u>\$ 0</u>	<u>\$ 226,845</u>
Capital Projects Fund:			
Accounts receivable	\$ 172,273	\$ 0	\$ 172,273
Due from other funds	300,000	0	300,000
Due from other governments	5,503,557	0	5,503,557
Due from component unit	104,217	0	104,217
	<u>\$ 6,080,047</u>	<u>\$ 0</u>	<u>\$ 6,080,047</u>
BFSA Special Revenue Fund:			
Due from other governments	<u>\$ 31,144,812</u>	<u>\$ 0</u>	<u>\$ 31,144,812</u>
Other Governmental Funds:			
Accounts receivable	\$ 2,795	\$ 0	\$ 2,795
Due from other governments	4,426,855	0	4,426,855
Due from component unit	54,289	0	54,289
	<u>\$ 4,483,939</u>	<u>\$ 0</u>	<u>\$ 4,483,939</u>
Internal Service Fund —			
Accounts receivable	<u>\$ 2,404</u>	<u>\$ 0</u>	<u>\$ 2,404</u>
Proprietary Funds			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 11,634,635	\$ (10,968,600)	\$ 666,035
Other receivables	120,766	0	120,766
Due from other funds	281,677	0	281,677
	<u>\$ 12,037,078</u>	<u>\$ (10,968,600)</u>	<u>\$ 1,068,478</u>
Parking Fund:			
Accounts receivable	\$ 3,416,850	\$ 0	\$ 3,416,850
Other receivables	343	0	343
	<u>\$ 3,417,193</u>	<u>\$ 0</u>	<u>\$ 3,417,193</u>

(Continued)

Accounts Receivable:	Receivable	Allowance	Net
Water Board:			
Accounts receivable	\$ 15,843,432	\$ (12,220,030)	\$ 3,623,402
Other receivables	1,904,241	(112,837)	1,791,404
Due from other agencies	216,174	0	216,174
	<u>\$ 17,963,847</u>	<u>\$ (12,332,867)</u>	<u>\$ 5,630,980</u>
Water Authority:			
Other receivables	\$ 28,002	\$ 0	\$ 28,002
Due from other agencies	1,838,520	0	1,838,520
Due from other funds	119,649,104	0	119,649,104
	<u>\$ 121,515,626</u>	<u>\$ 0</u>	<u>\$ 121,515,626</u>
Water Enterprise:			
Due from other funds	<u>\$ 7,447,676</u>	<u>\$ 0</u>	<u>\$ 7,447,676</u>

(Concluded)

Due from other governments consists of the following at June 30, 2008:

DUE FROM OTHER GOVERNMENTS:

Governmental Funds

General Fund:

Due from New York State	\$ 458,658
Due from Federal government	1,321
Due from Erie County	8,855,763
	<u>\$ 9,315,742</u>

Capital Projects Fund —

Due from New York State	<u>\$ 5,503,557</u>
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BFSA Special Revenue Fund:

Due from New York State	<u>\$ 31,144,812</u>
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Other Governmental Funds —

Special Revenue Fund:

Due from New York State	\$ 4,300,325
Due from federal government	126,530
	<u>\$ 4,426,855</u>

Proprietary Funds

Water Authority

Due from New York State	<u>\$ 1,838,520</u>
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Board of Education

Major revenues accrued by the Board include the following:

Accounts Receivable — Accounts receivable represents amounts due for tuition and health services provided to other districts and other various items.

Due From Other Governments — Due from other governments represents amounts due primarily from the state and the federal government. Amounts accrued at June 30, 2008, consist of the following:

State aid — basic	\$ 11,482,761
State aid — excess	13,397,411
State aid — other	515,482
Federal and state grants	29,143,015
Local sources	<u>138,616</u>
 Total	 <u>\$ 54,677,285</u>

Buffalo Urban Renewal Agency

Accounts receivable for BURA consist of program loans receivable, notes receivable, and advances to subgrantees. Additionally, BURA reports due from other governments.

Program Loans — Program loans receivable consists of several economic development loans made indirectly to qualifying developers. Program loans receivable, all reported as due within one year, is \$580,000 at June 30, 2008.

Notes Receivable — Various notes from individuals, businesses, and other organizations were outstanding at June 30, 2008, representing funds advanced by BURA for projects designed to stimulate economic development in the City. These notes are secured by mortgages with varying repayment terms.

Advances to Subgrantees — In the course of conducting various projects funded through the Community Development Block Grant (CDBG) and other grant programs, BURA contracts with numerous subgrantees to perform program services at the community level. In connection with those subgrant contracts, BURA has advanced CDBG and other funds to provide working capital for the subgrantees which are reported as accounts receivable.

Due From Federal Government — \$282,500 of the amount presented as due from the federal government represents a 10% guarantee on loans issued under HUD Section 108 program prior to October 30, 1986. This amount will become available for use in the CDBG grant program as Section 108 loan principal balances are reduced through repayments from the individual borrowers. The remaining amount represents amounts not yet received by BURA from the federal government for expenses incurred under federal grant programs.

5. CAPITAL ASSETS

Governmental-Type Activities —

Class	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets — not being depreciated:				
Land	\$ 12,875,551	\$ 0	\$ 296,270	\$ 12,579,281
Construction-in-progress	<u>1,552,526</u>	<u>4,506,651</u>	<u>1,552,526</u>	<u>4,506,651</u>
Total capital assets — not being depreciated	<u>14,428,077</u>	<u>4,506,651</u>	<u>1,848,796</u>	<u>17,085,932</u>
Capital assets — being depreciated:				
Buildings	249,875,809	2,733,882	5,974,785	246,634,906
Improvements other than buildings	35,939,094	1,309,072	54,966	37,193,200
Machinery and equipment	41,233,325	9,640,361	2,469,744	48,403,942
Infrastructure	<u>265,633,418</u>	<u>15,148,067</u>	<u>0</u>	<u>280,781,485</u>
Total capital assets — being depreciated	<u>592,681,646</u>	<u>28,831,382</u>	<u>8,499,495</u>	<u>613,013,533</u>
Less accumulated depreciation for:				
Buildings	80,706,753	4,806,548	2,987,817	82,525,484
Improvements other than buildings	20,958,419	1,523,311	23,789	22,457,941
Machinery and equipment	28,326,247	3,738,453	2,436,373	29,628,327
Infrastructure	<u>109,494,990</u>	<u>11,216,724</u>	<u>0</u>	<u>120,711,714</u>
Total accumulated depreciation	<u>239,486,409</u>	<u>21,285,036</u>	<u>5,447,979</u>	<u>255,323,466</u>
Total capital assets being depreciated — net	<u>353,195,237</u>	<u>7,546,346</u>	<u>3,051,516</u>	<u>357,690,067</u>
Government activities' capital assets — net	<u>\$ 367,623,314</u>	<u>\$ 12,052,997</u>	<u>\$ 4,900,312</u>	<u>\$ 374,775,999</u>

Business-Type Activities —

Class	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets — not being depreciated:				
Land	\$ 3,362,210	\$ 0	\$ 0	\$ 3,362,210
Construction in progress	<u>1,414,678</u>	<u>10,942,432</u>	<u>11,329,199</u>	<u>1,027,911</u>
Total capital assets — not being depreciated	<u>4,776,888</u>	<u>10,942,432</u>	<u>11,329,199</u>	<u>4,390,121</u>
Capital assets — being depreciated:				
Buildings	140,192,616	9,742,393	0	149,935,009
Improvements other than buildings	409,180	5,957	0	415,137
Machinery and equipment	9,381,547	402,963	1,502,996	8,281,514
Infrastructure	<u>85,956,069</u>	<u>1,022,701</u>	<u>0</u>	<u>86,978,770</u>
Total capital assets — being depreciated	<u>235,939,412</u>	<u>11,174,014</u>	<u>1,502,996</u>	<u>245,610,430</u>
Less accumulated depreciation for:				
Buildings	31,629,175	2,936,080	0	34,565,255
Improvements other than buildings	218,679	19,036	0	237,715
Machinery and equipment	8,117,469	516,069	1,489,983	7,143,555
Infrastructure	<u>29,387,755</u>	<u>2,288,076</u>	<u>0</u>	<u>31,675,831</u>
Total accumulated depreciation	<u>69,353,078</u>	<u>5,759,261</u>	<u>1,489,983</u>	<u>73,622,356</u>
Total capital assets being depreciated — net	<u>166,586,334</u>	<u>5,414,753</u>	<u>13,013</u>	<u>171,988,074</u>
Business-type activities' capital assets — net	<u>\$ 171,363,222</u>	<u>\$ 16,357,185</u>	<u>\$ 11,342,212</u>	<u>\$ 176,378,195</u>

Depreciation expense was charged to City functions and programs as follows:

Governmental activities:	
General government	\$ 2,629,252
Public safety	4,767,341
Streets and sanitation	10,832,250
Economic assistance and opportunity	11,566
Culture and recreation	2,581,106
Health and community services	<u>463,521</u>
Total depreciation expense — governmental activities	<u>\$21,285,036</u>
Business-type activities:	
Water	\$3,734,545
Parking	1,581,693
Solid waste and recycling	<u>443,023</u>
Total depreciation expense — business-type activities	<u>\$5,759,261</u>

The carrying value of idle impaired assets at June 30, 2008, totaled \$700,653.

Board of Education

Capital asset activity of the Board for fiscal year ended June 30, 2008, was as follows:

Governmental Activities	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets — not being depreciated:				
Land	\$ 3,725,598	\$ 0	\$ 0	\$ 3,725,598
Construction in progress	<u>0</u>	<u>108,882,029</u>	<u>0</u>	<u>108,882,029</u>
Total capital assets — not being depreciated	<u>3,725,598</u>	<u>108,882,029</u>	<u>0</u>	<u>112,607,627</u>
Capital assets — being depreciated:				
Land improvements	4,540,785	0	0	4,540,785
Buildings and building improvements	810,486,619	43,202,497	0	853,689,116
Equipment	<u>28,653,159</u>	<u>199,068</u>	<u>632,908</u>	<u>28,219,319</u>
Total capital assets — being depreciated	<u>843,680,563</u>	<u>43,401,565</u>	<u>632,908</u>	<u>886,449,220</u>
Less accumulated depreciation for:				
Land improvements	4,238,128	40,176	0	4,278,304
Buildings and building improvements	224,970,897	33,152,183	0	258,123,080
Equipment	<u>24,491,020</u>	<u>1,040,197</u>	<u>604,295</u>	<u>24,926,922</u>
Total accumulated depreciation	<u>253,700,045</u>	<u>34,232,556</u>	<u>604,295</u>	<u>287,328,306</u>
Total capital assets being depreciated - net	<u>589,980,518</u>	<u>9,169,009</u>	<u>28,613</u>	<u>599,120,914</u>
Government activities capital assets — net	<u>\$ 593,706,116</u>	<u>\$ 118,051,038</u>	<u>\$ 28,613</u>	<u>\$ 711,728,541</u>

Buffalo Urban Renewal Agency

BURA's governmental capital assets, recorded at cost, as of June 30, 2008, are summarized as follows:

Function and Activity	Land	Buildings	Equipment	Vehicles	Total
Economic development administration	\$ 380,370	\$ 14,706,007	\$ 1,889,967	\$ 236,942	\$ 17,213,286
General administration	<u> </u>	<u> </u>	<u>64,741</u>	<u> </u>	<u>64,741</u>
Subtotal	380,370	14,706,007	1,954,708	236,942	17,278,027
Accumulated depreciation	<u> </u>	<u>3,708,435</u>	<u>1,669,399</u>	<u>236,942</u>	<u>5,614,776</u>
Capital assets — net	<u>\$ 380,370</u>	<u>\$ 10,997,572</u>	<u>\$ 285,309</u>	<u>\$ </u>	<u>\$ 11,663,251</u>

For the year ended June 30, 2008, depreciation in the amount of \$367,318 has been recorded using the straight-line method over the useful lives of the assets, which range from 5 to 39 years. In addition to the above, BURA has recorded \$1,416,292 of construction in progress at June 30, 2008.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

To improve cash management, all City disbursements are made from a consolidated account in the General Fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reasons why interfund receivables and payables exist. These receivables and payables are short term in nature and are typically repaid in less than one year. In addition, the Water Authority issues the debt for the Water Board to make capital improvements. These payables will be paid over the life of the debt.

At June 30, 2008, a schedule summarizing individual fund interfund receivables and payables is as follows:

	Interfund Receivable	Interfund Payable
Governmental Activities:		
General Fund	\$ 48,508,207	\$ 0
Debt Service Fund	219,490	0
Capital Projects Fund	300,000	4,355,606
BFSA Special Revenue Fund	0	25,696,489
Other Governmental Funds — Special Revenue Fund	0	3,939,225
	<u>49,027,697</u>	<u>33,991,320</u>
Business-Type Activities:		
Solid Waste and Recycling Fund	281,677	14,430,079
Parking Fund	0	592,557
Water Board	0	127,037,602
Water Authority	119,649,104	0
Water Fund	7,447,676	349,908
Internal Service Fund	0	4,688
	<u>127,378,457</u>	<u>142,414,834</u>
Total Interfund Balances	<u>\$ 176,406,154</u>	<u>\$ 176,406,154</u>

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

Transfer Out	General	Debt Service	Capital Projects	Other Governmental	Solid Waste & Recycling	Water Authority	Enterprise Water	Total
General	\$ 0	\$27,230,136	\$940,608	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,170,744
Debt Service	0	0	0	14,042,702	0	0	0	14,042,702
Capital Proj.	0	0	0	0	384,179	0	0	384,179
BFSA	0	0	0	2,923,272	0	0	0	2,923,272
Solid Waste	673,048	0	0	0	0	0	0	673,048
Parking	450,000	61,884	0	0	0	0	0	511,884
Water Board	4,672,175	0	0	0	0	187,560	10,119,779	14,979,514
Total	<u>\$5,795,223</u>	<u>\$27,292,020</u>	<u>\$940,608</u>	<u>\$ 16,965,974</u>	<u>\$384,179</u>	<u>\$ 187,560</u>	<u>\$ 10,119,779</u>	<u>\$ 61,685,343</u>

7. CAPITAL LEASES

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

The City's future minimum lease payments under capital leases as of June 30, 2008, are as follows:

June 30	Activities
2009	\$ 690,324
2010	690,324
2011	690,324
2012	690,324
2013	690,324
2014-2015	<u>1,024,103</u>
Total minimum lease payments	4,475,723
Less amount representing interest	<u>(546,385)</u>
Present value of future minimum lease payments	<u>\$ 3,929,338</u>

8. LONG-TERM DEBT

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.

Principal and interest are paid semiannually, generally in equal installments. Noncurrent liabilities at June 30, 2008, are as follows:

Calendar Year Issued	Original Amount	Interest Rates	Fiscal Year of Last Installment	Balance June 30, 2007	Additions	Deductions	Outstanding at June 30, 2008	Due Within One Year
GOVERNMENT ACTIVITIES GENERAL OBLIGATIONS BONDS ISSUED BY CITY OF BUFFALO:								
1974	\$ 4,200,000	5.6%	2014	\$ 860,000	\$ -	\$ 120,000	\$ 740,000	\$ 120,000
1993	14,664,000	4.6-5.25	2008	20,000		20,000		
1997	36,152,000	4.-4.7	2017	4,425,000		2,195,000	2,230,000	2,230,000
1998	35,980,000	3.7-4.75	2018	6,255,000		2,055,000	4,200,000	2,070,000
1998	14,000,000	3.6-5.25	2025	4,674,500		685,000	3,989,500	492,000
1999	45,758,000	2.84-3.9	2019	21,925,000		3,110,000	18,815,000	3,210,000
1999	8,669,715	3.25-4.5	2011	1,116,083		565,942	550,141	550,141
1999	36,996,000	5.0	2014	12,585,000		2,170,000	10,415,000	2,245,000
2001	28,686,000	4.0-5.38	2021	13,490,000		1,625,000	11,865,000	1,670,000
2001	5,605,000	4-5.25	2020	4,715,000		10,000	4,705,000	50,000
2002	23,825,000	2.5-5	2022	14,395,000		1,430,000	12,965,000	1,485,000
2004	10,285,000	1.5-5.6	2025	9,300,000		345,000	8,955,000	355,000
2004	15,245,000	2-4.2	2016	12,850,000		1,240,000	11,610,000	1,280,000
2005	26,167,250	5.0	2025	23,687,977		1,723,731	21,964,246	2,331,351
2005	34,346,833	5.0	2019	32,936,408		2,988,039	29,948,369	2,267,499
2006	25,275,917	5.0	2022	23,731,396		1,265,930	22,465,466	1,326,027
2007	22,226,126	5.0	2023	22,226,126		1,183,452	21,042,674	910,166
Total Governmental Activities Bonds				<u>\$ 209,192,490</u>	<u>\$ -</u>	<u>\$ 22,732,094</u>	<u>\$ 186,460,396</u>	<u>\$ 22,592,184</u>
GOVERNMENT ACTIVITIES REVENUE BONDS ISSUED BY BUFFALO FISCAL STABILITY AUTHORITY:								
2004	\$ 25,745,000	4.0-5.25%	2015	\$ 21,585,000	\$ -	\$ 2,235,000	\$ 19,350,000	\$ 2,350,000
2005	28,030,000	4.0-5.0	2025	28,030,000		2,270,000	25,760,000	2,320,000
2005B&C	47,065,000	5.0	2019	45,730,000		1,740,000	43,990,000	3,950,000
2006A	27,270,000	5.0	2021	27,270,000		980,000	26,290,000	1,460,000
2007A	28,470,000	5.0	2023	28,470,000			28,470,000	930,000
Total Governmental Activities Bonds				<u>\$ 151,085,000</u>	<u>\$ -</u>	<u>\$ 7,225,000</u>	<u>\$ 143,860,000</u>	<u>\$ 11,010,000</u>

GOVERNMENT ACTIVITIES-DISCRETELY PRESENTED COMPONENT UNIT-BOARD-GENERAL OBLIGATIONS BONDS:

Calendar Year Issued	Original Amount	Interest Rates	Fiscal Year of Last Installment	Outstanding at June 30, 2007	Additions	Deductions	Outstanding at June 30, 2008	Due Within One Year
1995	\$ 1,020,000	3.9-4.9	2008	\$ 95,000	\$ -	\$ 95,000	\$ -	\$ -
1997	18,800,000	4.0-4.7	2009	2,145,000		1,045,000	1,100,000	1,100,000
1998	10,950,000	3.60-5.25	2025	9,042,500		330,000	8,712,500	435,000
1999	7,034,135	3.25-4.50	2011	2,128,917		499,058	1,629,859	519,859
2001	11,100,000	4.01-5.1	2021	6,775,000		355,000	6,420,000	370,000
2001	14,105,000	4.0-5.0	2012	6,000,000		1,000,000	5,000,000	1,000,000
2001	34,000,000	4.0-5.5	2016	26,465,000		2,095,000	24,370,000	2,200,000
2002	34,250,000	2.5-5.375	2020	28,575,000		1,525,000	27,050,000	1,575,000
2003	3,725,000	2.75-5.5	2014	2,341,000		300,000	2,041,000	310,000
2003	5,344,000	2.75-5.5	2018	4,407,000		194,000	4,213,000	201,000
2003	26,691,000	2.75-5.5	2019	22,333,000		903,000	21,430,000	929,000
2003	17,239,000	2.75-5.5	2019	14,486,000		574,000	13,912,000	592,000
2004	2,700,000	2-4.875	2022	2,460,000		125,000	2,335,000	130,000
2005	2,351,650	5.0	2010	1,820,249		558,377	1,261,872	615,462
2005	7,258,477	5.0	2016	6,043,871		255,550	5,788,321	363,188
2006	2,483,000	5.0	2020	2,332,000		124,000	2,208,000	130,000
2007	5,889,000	5.0	2019	5,889,000		432,000	5,457,000	365,000
Total Board of Education				<u>143,338,537</u>		<u>10,409,985</u>	<u>132,928,552</u>	<u>10,835,509</u>
Gross Bonded Debt				<u>503,616,027</u>		<u>40,367,079</u>	<u>463,248,948</u>	<u>44,437,693</u>
Less: Bonds issued by City to BFS A								
2005 A	\$26,167,250	5.0%	2025	(23,687,977)		(1,723,731)	(21,964,246)	(2,331,351)
2005 B	2,351,650	5.0	2010	(1,820,249)		(558,377)	(1,261,872)	(615,462)
2005 BC	41,605,310	5.0	2010	(38,980,279)		(3,243,589)	(35,736,690)	(2,630,687)
2006 A	27,758,917	5.0	2022	(26,063,396)		(1,389,930)	(24,673,466)	(1,456,027)
2007A	28,115,126	5.0	2023	(28,115,126)		(1,615,452)	(26,499,674)	(1,275,166)
Total Mirror Bonds				<u>(118,667,027)</u>		<u>(8,531,079)</u>	<u>(110,135,948)</u>	<u>(8,308,693)</u>
Net Bonded Debt				<u>384,949,000</u>	<u>0</u>	<u>31,836,000</u>	<u>353,113,000</u>	<u>36,129,000</u>
OTHER NONCURRENT LIABILITIES:								
Nittec Loan				1,556,968	928,736	228,317	2,257,387	232,883
Capital leases				4,448,679	0	519,341	3,929,338	541,089
Compensated absences				20,932,298	36,308,407	35,078,933	22,161,772	664,854
Workers' compensation				97,013,797	10,918,263	96,269,431	11,662,629	5,054,404
Other postemployment benefits				0	108,494,500	0	108,494,500	2,700,000
Due to retirement systems				387,952	0	387,952	0	0
Judgments and claims				13,591,000	3,697,000	8,676,500	8,611,500	2,000,000
Total other noncurrent liabilities				<u>137,930,694</u>	<u>160,346,906</u>	<u>141,160,474</u>	<u>157,117,126</u>	<u>11,193,230</u>
TOTAL NONCURRENT LIABILITIES				<u>\$ 522,879,694</u>	<u>\$ 160,346,906</u>	<u>\$ 172,996,474</u>	<u>\$ 510,230,126</u>	<u>\$ 47,322,230</u>

Calendar Year Issued	Original Amount	Interest Rates	Fiscal Year of Last Installment	Outstanding June 30, 2007	Additions	Deductions	Outstanding June 30, 2008	Due Within One Year
BUSINESS-TYPE ACTIVITIES -GENERAL OBLIGATION BONDS:								
1971	\$ 3,000,000	5.1%	2010	\$ 270,000	\$ -	\$ 90,000	\$ 180,000	\$ 90,000
1991	25,705,000	4.7-6.3	2009	1,600,000		805,000	795,000	795,000
1997	2,900,000	4.5-5.4	2012	440,000		215,000	225,000	225,000
1998	2,385,000	4.0-5.0	2012	1,208,000		190,000	1,018,000	283,000
2001	11,660,000	4.0-5.3	2017	5,280,000		0	5,280,000	0
2002	21,310,000	2.5-5.375	2022	17,390,000		1,055,000	16,335,000	1,090,000
2005	6,552,147	5.0	2018	5,009,722		706,411	4,303,311	754,313
Total Business-Type Activities General Obligation Bonds				<u>31,197,722</u>		<u>3,061,411</u>	<u>28,136,311</u>	<u>3,237,313</u>
BUSINESS-TYPE ACTIVITIES BUFFALO MUNICIPAL WATER FINANCE AUTHORITY REVENUE BONDS:								
1995	17,460,000	3.65-5.25%	2008	425,000		425,000	0	0
1996	11,105,000	4.8-6.5	2009	530,000		260,000	270,000	270,000
1998	16,325,000	4.0-4.75	2013	1,550,000		230,000	1,320,000	240,000
1998	49,715,000	4.0-5.0	2013	45,985,000		31,995,000	13,990,000	2,485,000
2002	11,785,000	2.5-4.75	2018	3,080,000		225,000	2,855,000	235,000
2002	4,379,279	1.533-5.123	2022	3,510,000		190,000	3,320,000	195,000
2003	3,901,741	2.596-6.306	2031	3,530,000		95,000	3,435,000	95,000
2005	63,025,000	3.7	2007	62,750,000		62,750,000	0	0
2006	19,917,236	3.607-4.794	2028	19,097,236		685,000	18,412,236	700,000
2007	13,010,000	3.6-4.375%	2038	13,010,000		0	13,010,000	230,000
2007	29,220,000	0.1	2027	0	29,220,000	0	29,220,000	320,000
2008	62,020,000	3.7-5.07	2036	0	62,020,000	0	62,020,000	75,000
Total Business-Type Activities Revenue Bonds				<u>153,467,236</u>	<u>91,240,000</u>	<u>96,855,000</u>	<u>147,852,236</u>	<u>4,845,000</u>
Total Business-Type Activities Bonds				184,664,958	91,240,000	99,916,411	175,988,547	8,082,313
Unamortized Bond Premium				0	1,823,486		1,823,486	
Unamortized Bond Discount				<u>(187,969)</u>		<u>(6,266)</u>	<u>(181,703)</u>	
Total Business-Type Activities Bonds - Net				<u>184,476,989</u>	<u>93,063,486</u>	<u>99,910,145</u>	<u>177,630,330</u>	<u>8,082,313</u>
OTHER NONCURRENT LIABILITIES:								
Compensated absences				2,104,610	1,295,873	1,894,549	1,505,934	1,505,934
Other postemployment benefits				0	1,985,100	0	1,985,100	
Due to retirement systems				365,651	0	365,651	0	0
Workers' compensation				<u>1,044,736</u>	<u>1,274,206</u>	<u>882,767</u>	<u>1,436,175</u>	<u>640,458</u>
Total other noncurrent liabilities				<u>3,514,997</u>	<u>4,555,179</u>	<u>3,142,967</u>	<u>4,927,209</u>	<u>2,146,392</u>
TOTAL NONCURRENT LIABILITIES				<u>\$ 187,991,986</u>	<u>\$ 97,618,665</u>	<u>\$ 103,053,112</u>	<u>\$ 182,557,539</u>	<u>\$ 10,228,705</u>

The City's debt service requirements for general obligation bonds and general revenue bonds in the aggregate and for each of the five succeeding fiscal years are as follows:

Governmental Activities — City of Buffalo, New York

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 22,592,184	\$ 8,971,680	\$ 31,563,864
2010	22,935,926	7,883,817	30,819,743
2011	21,414,359	6,825,200	28,239,559
2012	19,702,991	5,776,496	25,479,487
2013	18,261,915	4,825,962	23,087,877
2014-2018	56,624,462	13,174,368	69,798,830
2019-2023	22,801,438	3,409,993	26,211,431
2024-2028	<u>2,127,121</u>	<u>173,589</u>	<u>2,300,710</u>
Total	<u>\$ 186,460,396</u>	<u>\$ 51,041,105</u>	<u>\$ 237,501,501</u>

Governmental Activities — Buffalo Fiscal Stability Authority

Fiscal Years Ending June 30	Principal	Interest	Total
2009	\$ 11,010,000	\$ 6,643,668	\$ 17,653,668
2010	11,730,000	6,090,193	17,820,193
2011	14,360,000	5,562,843	19,922,843
2012	15,525,000	4,908,553	20,433,553
2013	14,535,000	4,244,397	18,779,397
2014-2018	50,900,000	11,471,705	62,371,705
2019-2023	22,955,000	2,591,667	25,546,667
2024-2028	<u>2,845,000</u>	<u>969,398</u>	<u>3,814,398</u>
Total	<u>\$ 143,860,000</u>	<u>\$ 42,482,424</u>	<u>\$ 186,342,424</u>

Component Unit — Board of Education

Fiscal Years Ending June 30	Principal	Interest	Total
2009	\$ 10,835,509	\$ 6,521,355	\$ 17,356,864
2010	10,400,177	6,043,507	16,443,684
2011	10,082,307	5,569,132	15,651,439
2012	10,281,239	5,104,456	15,385,695
2013	10,538,006	4,614,090	15,152,096
2014-2018	47,287,814	15,059,712	62,347,526
2019-2023	29,258,000	4,700,505	33,958,505
2024-2028	<u>4,245,500</u>	<u>181,663</u>	<u>4,427,163</u>
Total	<u>\$ 132,928,552</u>	<u>\$ 47,794,420</u>	<u>\$ 180,722,972</u>

Business-Type Activities

Fiscal Years Ending June 30	Principal	Interest	Total
2009	\$ 8,082,313	\$ 7,198,396	\$ 15,280,709
2010	7,878,364	7,273,253	15,151,617
2011	8,748,777	6,927,993	15,676,770
2012	8,863,935	6,523,902	15,387,837
2013	8,616,753	5,991,211	14,607,964
2014-2018	46,253,405	23,754,508	70,007,913
2019-2023	36,510,000	13,875,996	50,385,996
2024-2028	30,265,000	7,370,430	37,635,430
2029-2033	15,920,000	2,099,026	18,019,026
2034-2038	<u>4,850,000</u>	<u>470,863</u>	<u>5,320,863</u>
Total	<u>\$175,988,547</u>	<u>\$81,485,578</u>	<u>\$257,474,125</u>

Water Authority 2008 Refunding Bonds — On May 9, 2008, the Water Authority issued \$62,020,000 par revenue bonds to currently refund \$62,300,000 of existing debt and cover issuance costs. The bonds have an average interest rate of 3.8%. The interest rate on the \$520,000 term bond is 5.07% and the interest rate on the \$61,500,000 synthetic rate bonds is 3.7% which is the same rate as the refunded Series 2005B bonds. The net proceeds of \$62,351,363 including existing debt service funds of \$874,888 and after payment of \$543,525 in issuance costs were used to redeem the Series 2005B bonds on May 16, 2008. The Water Authority refunded the Series 2005B auction rate security bonds because of the increased costs and uncertainty of the auction rate market and the downgrade of the bond insurer on the issue. The Series 2008A bonds are variable rate demand obligations backed by a direct pay letter of credit.

Of the \$62,020,000 variable bonds issued, \$61,500,000 are hedged by an interest rate swap agreement between the Water Authority and Citibank, N.A, NY (“Swap Provider”) that converts the Authority’s variable-rate exposure relating to the Series 2008-A Bonds to a fixed rate. The Swap Provider is an affiliate of the Underwriter and remarketing agent for the Series 2008-A Bonds. Under the terms of the Swap Agreement, the Authority will pay the Swap Provider a fixed rate of 3.7% and the Swap Provider will pay the Authority a variable rate equal to 70% of one-month LIBOR. The obligation of the Swap Provider to make payments to the Authority under the Swap Agreement does not affect the Authority’s obligation to pay, when due, the principal and interest on the Series 2008-A Bonds. The Swap Agreement will expire by its terms on the final maturity of the Series 2005-B Bonds on July 1, 2035. The Water Authority entered into this swap agreement to hedge its interest rate exposure over the life of the bonds.

Upon the occurrence of certain events of default or termination events identified in the Swap Agreement, either the Authority or the Swap Provider may terminate the Swap Agreement in accordance with its terms. Such termination will require the payment of a termination amount by one party that attempts to compensate the other party for its economic losses at the time of termination. The Authority shall have the right to terminate the swap at par beginning on and after July 1, 2015.

At June 30, 2008, the amount that the Water Authority received from the Swap Provider (a variable rate payment equal to 70% of one-month LIBOR), \$147,038, exceeded the variable rate paid by the Authority (auction rate securities) to the Swap Provider, \$117,445, by \$29,593.

Water Authority 2007 Refunding Bonds — The Water Authority issued \$29,220,000 of refunding bonds (Series 2007B) on April 2, 2008, with a premium of \$1,823,486. The bonds have interest rates ranging from 3.8% to 4.33% and currently refunded \$29,630,000 of a portion of the outstanding Series 1998B bonds with an interest rate of 5%. The net proceeds of \$30,30,668,043 (after payment of \$375,442 in issuance costs) were used to purchase Treasury Notes. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the aforementioned series of bonds. The City currently refunded the bonds to reduce its total debt service payments over the next 19 years by almost \$1.6 million to obtain an economic gain of \$1.2 million (the difference between the present values of the debt service payments of the old and new debt).

Nittec Loan — 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, 2008 was \$2,257,387 with \$14,296 available for future disbursements. The loan repayment schedule is:

Fiscal Years Ending June 30	Principal	Interest	Total
2009	\$ 232,883	\$ 45,434	\$ 278,317
2010	237,540	40,776	278,316
2011	242,291	36,025	278,316
2012	247,137	31,179	278,316
2013	252,080	26,237	278,317
2014-2018	<u>1,059,753</u>	<u>53,512</u>	<u>1,113,265</u>
Total	<u>\$2,271,684</u>	<u>\$233,163</u>	<u>\$2,504,847</u>

Capital Leases — Refer to Note 7 for information related to the City’s capital leases.

Compensated Absences — As described in Note 1, compensated absences, which total \$22,161,772 for governmental activities and \$1,505,934 for business-type activities, represent 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, payments of such are not readily determinable. The City has estimated that \$664,854 and \$1,505,934 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers’ Compensation — Accrued workers’ compensation, which totals \$11,662,629 and \$1,436,175 for governmental activities and business-type activities, respectively, represents the City’s best estimate of both asserted and unasserted workers’ compensation losses. The payments related to these liabilities are dependent upon many factors, and, therefore, payments are not readily determinable. The City has estimated that \$5,054,404 and \$640,458 for

governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 10 for information related to workers' compensation.

Other Postemployment Benefits — Other postemployment benefits include the accrued liability for both medical and firefighters' disability, as discussed in Note 12. Firefighters' disability of \$88,645,200 was reported as accrued workers' compensation at June 30, 2007; such amount is reclassified as other postemployment benefits at June 30, 2008.

Due to Retirement Systems — Due to retirement systems represents amounts due to the State and Local Employees' Retirement System (ERS) for early retirement incentive obligations. The final payment was made in December 2007.

Judgments and Claims — Judgments and claims, which total \$8,611,500 at June 30, 2008, represent estimated amounts due for various outstanding claims. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation). The City has estimated that \$2,000,000 will be paid in the next fiscal year.

Debt Contracting Limitation and Unissued Bonds

The City's debt contracting limitation under its legal debt margin at June 30, 2008, was approximately \$519.0 million. The effective borrowing capacity is \$191.4 million.

The list of the City's authorized and unissued bonds at June 30, 2008, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds — City of Buffalo	\$ 11,396,110
General Improvement Bonds — Board of Education	<u>1,926,000</u>
Total	<u>\$ 13,322,110</u>

Board of Education

The following is a summary of changes in Board's long-term liabilities for the year ended June 30, 2008:

	Balance June 30, 2007	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
Due to other governments	\$ 16,686,667	\$	\$ 713,334	\$ 15,973,333	\$ 713,333
Due to NYS aid repayment	490,071		490,071		
Revenue bonds payable	31,650,000		1,480,000	30,170,000	1,525,000
JSCB bonds payable	463,100,000	353,225,000	14,665,000	801,660,000	20,830,000
Compensated absences	19,168,783	4,444,901	4,608,981	19,004,703	5,640,000
Other long-term debt EPC	5,555,719		717,141	4,838,578	740,377
Other postemployment benefits		178,284,000	40,736,000	137,548,000	43,886,000
Judgments, claims, and contingencies	<u>2,383,525</u>	<u>355,910</u>	<u>187,435</u>	<u>2,552,000</u>	<u>400,000</u>
Total	<u>\$539,034,765</u>	<u>\$ 536,309,811</u>	<u>\$63,597,962</u>	<u>\$ 1,011,746,614</u>	<u>\$73,734,710</u>

Source of Funding — Amounts due to other governments, revenue bonds payable, other long-term debt — Energy Performance Contracts (EPC), judgments, claims, and contingencies and other postemployment benefits are repaid through annual appropriation of the Board's General Fund. Payments to the retirement systems for early retirement incentives and other related items and payments for compensated absences are charged to the fund where employees' normal payroll is charged.

Due to Other Governments — In June 2000, the State Legislatures passed special legislation to advance the Board \$20 million in lottery aid for a contract settlement. In June 2006, the Board received an additional lottery aid advance of \$1.4 million. The advances are recorded as a long-term interest-free loan with annual maturities as follows:

Fiscal Years Ending June 30	Principal
2009	\$ 713,333
2010	713,334
2011	713,334
2012	713,332
2013	713,334
2014-2018	3,566,666
2019-2023	3,566,668
2024-2028	3,566,666
2029-2033	1,566,666
2034-2036	<u>140,000</u>
Total	<u>\$ 15,973,333</u>

Due to New York State Aid Repayment — Due to the State Aid Repayment represents amounts due to the State as an amount due for aid to be repaid. Amount is payable over a five-year period, with payments of \$490,071 annually. The final payment was made in fiscal year 2008.

Revenue Bonds Payable — Revenue Bonds Payable represents amounts due for Municipal Bond Bank Agency Revenue Bonds issued pursuant to the State of New York Municipal Bond Bank Agency (the "Agency") Act and a General Resolution and a Series Resolution to provide funds to (1) finance a portion of the cost of settling litigation involving the Board and the Buffalo Teachers Federation, (2) fund the Debt Service Reserve Fund to, at least, the Debt Service Reserve Fund Requirement, and (3) 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 will be secured by annual payments payable by the City from all monies legally available therefore (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 with the State are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2009	\$ 1,525,000	\$ 1,464,028	\$ 2,989,028
2010	1,585,000	1,407,753	2,992,753
2011	1,645,000	1,345,478	2,990,478
2012	1,715,000	1,278,031	2,993,031
2013	1,790,000	1,203,828	2,993,828
2014–2018	4,360,000	5,202,169	9,562,169
2019–2023	4,845,000	4,120,219	8,965,219
2024–2028	6,255,000	2,711,888	8,966,888
2029–2031	<u>6,450,000</u>	<u>782,775</u>	<u>7,232,775</u>
Total	<u>\$ 30,170,000</u>	<u>\$ 19,516,169</u>	<u>\$ 49,686,169</u>

Joint Schools Construction Board Bonds Payable — The Joint Schools Construction Board (JSCB) Bonds Payable represents bonds acquired for the design, construction, reconstruction, and financing of public educational facilities in the City.

Remaining annual maturities are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2009	\$ 20,830,000	\$ 44,595,900	\$ 65,425,900
2010	25,075,000	43,554,400	68,629,400
2011	26,720,000	42,300,650	69,020,650
2012	28,095,000	40,964,650	69,059,650
2013	29,535,000	39,559,900	69,094,900
2014–2018	173,680,000	172,816,350	346,496,350
2019–2023	230,260,000	118,136,625	348,396,625
2024–2028	243,380,000	44,871,850	288,251,850
2029	<u>24,085,000</u>	<u>1,384,888</u>	<u>25,469,888</u>
Total	<u>\$ 801,660,000</u>	<u>\$ 548,185,213</u>	<u>\$ 1,349,845,213</u>

Compensated Absences — Compensated absences, which total \$19,004,703 at June 30, 2008, 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 \$5,640,000 will be paid in the next fiscal year.

Other Long-Term Debt — EPC — The other long-term debt represents amounts due for equipment installed at school facilities to improve energy efficiency. Payments totaled \$717,141 during the year leaving a balance of \$4,838,578 at year-end. The remaining annual maturities are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2009	\$ 740,377	\$ 177,613	\$ 917,990
2010	774,771	154,004	928,775
2011	806,337	122,438	928,775
2012	839,188	89,587	928,775
2013	873,378	55,397	928,775
2014	<u>804,527</u>	<u>19,814</u>	<u>824,341</u>
Total	<u>\$4,838,578</u>	<u>\$ 618,853</u>	<u>\$5,457,431</u>

Judgments, Claims, and Contingencies — Judgments, claims, and contingencies, which total \$2,552,000 at June 30, 2008, represent estimated amounts due for various outstanding claims. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation). The Board has estimated that \$400,000 will be paid during the next fiscal year.

Other Postemployment Benefits—Refer to Note 12.

Buffalo Urban Renewal Agency

The summary of changes in long-term liabilities for the year ended June 30, 2008, is as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
Section 108 loans	\$ 18,287,391	\$	\$ (4,890,000)	\$ 13,397,391	\$ 710,000
Other postemployment benefits		1,303,696		1,303,696	
Fannie Mae	<u>1,600,000</u>	<u>2,000,000</u>		<u>3,600,000</u>	<u>1,200,000</u>
Total noncurrent liabilities	<u>\$ 19,887,391</u>	<u>\$ 3,303,696</u>	<u>\$ (4,890,000)</u>	<u>\$ 18,301,087</u>	<u>\$ 1,910,000</u>

Section 108 Loans — BURA is indebted to the Federal Financing Bank under promissory notes for advances received under HUD Section 108 Loan Guarantee Program. There are two types of HUD Section 108 programs. Under the first type, promissory notes are payable in 20 annual installments of principal and interest beginning in August 1983. Under the second type, effective on October 30, 1986, interest on promissory notes is payable in 12 semiannual installments, starting with the first February and August after loan issuance. The entire principal amount of the loan is due at the same time as the 12th semiannual interest payment is due.

Interest rates vary on each loan and are determined by HUD based on prevailing market rates at the time of loan issuance.

As of June 30, 2008, future maturities of the Section 108 loans are as follows:

Fiscal year ending June 30, 2009	\$ 710,000
Fiscal year ending June 30, 2010	1,925,000
Fiscal year ending June 30, 2011	1,285,000
Fiscal year ending June 30, 2012	1,255,000
Fiscal year ending June 30, 2013	1,265,000
Fiscal year ending June 30, 2014	1,255,000
Thereafter	<u>5,702,391</u>
	13,397,391
Less current portion	<u>(710,000)</u>
Total long term obligations	\$ 12,687,391

Fannie Mae — During the year ended June 30, 2006, BURA established a nonrevolving line of credit in the amount of \$6 million with Fannie Mae. Interest is at LIBOR Rate, plus 125 basis points. The agreement, along with other stipulations, requires a cash collateral account of \$600,000 and includes a covenant requiring an annual line item with the CDBG program budget in the amount of \$1.2 million for the past two and next two years. The annual budget allocations totaling \$6,000,000 will be used to repay the line of credit. The funds have been designated for various revitalization projects in downtown Buffalo and other specified areas of the City. BURA initially borrowed \$2,000,000 from Fannie Mae on March 31, 2006. Another \$2,000,000 was borrowed on March 23, 2007. These funds were in turn loaned to private developers. The first annual principal amount of \$1,200,000 plus interest was paid on June 26, 2007. BURA made a second principal repayment of \$1,200,000 on June 30, 2008. BURA borrowed another \$2,000,000 during the year ended June 30, 2008.

The future maturities of the Fannie Mae term loan are as follows:

Fiscal Years Ending June 30	Amount
2009	\$ 1,200,000
2010	1,200,000
2011	<u>1,200,000</u>
	3,600,000
Less current portion	<u>(1,200,000)</u>
Non-current	<u>\$ 2,400,000</u>

Other Postemployment Benefits – Refer to Note 12

9. OPERATING LEASES

Operating lease obligations are primarily for rental of space and equipment. Lease expenditures/expenses for the year were approximately \$354,336. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Years Ending June 30	
2009	\$ 355,792
2010	202,447
2011	61,060
2012	48,300
2013	<u>12,075</u>
Total	<u>\$ 679,674</u>

Buffalo Fiscal Stability Authority — The BFSA leases its office space from a City-related entity under the terms of an operating lease which includes renewal options through May 31, 2010. Rental expense amounted to \$36,543 for the year ended June 30, 2008. Future minimum rental requirements for the years ending June 20, 2009 and 2010, are \$37,800 and \$35,780.

Board of Education

Operating lease obligations are primarily for rental of space and equipment. Lease expenses for the year were approximately \$7,682,464. The future minimum rental payments required for noncancelable leases are as follows:

Fiscal Years Ending June 30	
2009	\$ 7,543,174
2010	5,371,397
2011	5,203,326
2012	4,253,986
2013	3,742,702
2014–2018	10,643,425
2019–2023	3,663,566
2024–2025	<u>759,022</u>
Total	<u>\$ 41,180,598</u>

10. 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 Dunn Tire Park, public employee liability, and data processing equipment. 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, 2006, 2007, and 2008, the City incurred expenditures of \$4,614,499, \$1,448,236, and \$12,146,974, respectively, for property damage and personal injury claims. For the fiscal years ended June 30, 2006, 2007, and 2008, the City expensed \$7,506,522, \$7,617,766, and \$8,506,998, respectively, for workers' compensation claims, including the health insurance portion. 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, 2008, the City estimated the following general liabilities:

	Governmental Activities	Business-Type Activities
Workers' Compensation — fire and police	\$ 7,431,860	\$ 0
Workers' Compensation — other employees	<u>4,230,769</u>	<u>1,436,175</u>
Total	<u>\$ 11,662,629</u>	<u>\$ 1,436,175</u>

The proprietary-type funds 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 proprietary fund since June 30, 2006, are shown in the following chart:

	Workers' Compensation	General Liability	Total
Estimated claims — June 30, 2006	\$1,183,456	\$	\$1,183,456
Claims incurred	448,324		448,324
Payments 2006–07	<u>(587,044)</u>	<u> </u>	<u>(587,044)</u>
Estimated claims — June 30, 2007	1,044,736		1,044,736
Claims incurred	1,274,206	3,412	1,277,618
Payments 2007–08	<u>(882,767)</u>	<u>(3,412)</u>	<u>(886,179)</u>
Estimated claims — June 30, 2008	<u>\$1,436,175</u>	<u>\$</u>	<u>\$1,436,175</u>

11. LABOR RELATIONS

Approximately 2,688 of the City's employees are covered by a total of eight collective bargaining agreements. The white-collar union has negotiated a contract through June 30, 2011, and the crossing guards have settled through June 30, 2010. The agreements for the firefighters, building inspectors, and pipe caulkers expired on June 30, 2004, the operating engineers and blue collar expired on June 30, 2002, and the police agreements on June 30, 2007. The City's wage freeze was lifted by BFSAs effective July 1, 2007; all remaining union contracts are currently being negotiated.

12. OTHER POSTEMPLOYMENT BENEFITS

In adopting the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by employers for Postemployment Benefits Other Than Pensions* (GASB 45), for the year ended June 30, 2008, the City has opted to implement this statement prospectively. GASB Statement No. 45 states that postemployment benefits are part of an exchange of salaries and benefits for employee services rendered, and from an accrual perspective, the cost of OPEB should be recognized when the related services are received by the employer. In conjunction with the initial year implementation of GASB Statement No. 45, the City recognizes the cost of postemployment 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 liability accumulated from prior years will be amortized over 30 years, commencing with the 2008 liability.

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. Health care benefits for nonunion employees are similar to those of union employees pursuant to City Charter. The retiree's share of premium costs in most instances range from 0% to 66%, depending on the employee group and length of service. 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 are currently 167 firefighters that receive such compensation.

The number of participants as of July 1, 2007, the effective date of the biannual OPEB valuation, follows. There have been no significant changes in the number of employees covered or the type of coverage since July 1, 2007 through June 30, 2008.

Active employees	2,771
Retired employees	2,783
Spouses of retirees	1,840
Total	<u>7,394</u>

Funding Policy — Postemployment benefits are financed on a pay-as-you-go basis.

Annual OPEB Benefit Cost – For the year ended June 30, 2008, the City's annual OPEB cost (expense) is equal to the Annual Required Contribution of approximately \$57,158,000. Considering the annual expense as well as payment for current health insurance premiums which totaled approximately \$35,324,000 for retirees and their beneficiaries, the result was an increase in the net OPEB obligation of approximately \$21,834,000 for the year ended June 30, 2008.

Annual OPEB Cost and Net OPEB Obligation

		Governmental		Business-type		Total
		Activities		Activities		Primary Government
Actuarial accrued liability (AAL)	\$	899,836	\$	45,763	\$	945,599
Unfunded actuarial accrued liability (UAAL)	\$	899,836	\$	45,763	\$	945,599
Normal cost at the beginning of the year	\$	34,341	\$	1,747	\$	36,088
Amortization factor based on 30 years		26.2		26.2		26.2
Annual covered payroll	\$	157,350	\$	171,122	\$	328,472
UAAL as a percentage of covered payroll		571.9%		26.7%		287.9%

Level Dollar Amortization
Calculation of ARC under Projected Unit Credit Method

ARC normal cost with interest to end of year	\$	34,711	\$	1,981	\$	36,692
UAAL over 30 years with interest at end of year		19,079		1,387		20,466
Annual required contribution (ARC)		53,790		3,368		57,158
Interest on net OPEB obligation						
Adjustment to ARC						
Annual OPEB cost (expense)		53,790		3,368		57,158
Contribution for year ended June 30, 2008		(33,941)		(1,383)		(35,324)
Increase in net OPEB obligation		19,849		1,985		21,834
Net OPEB obligation at June 30, 2007		-		-		-
Net OPEB obligation at June 30, 2008	\$	19,849	\$	1,985	\$	21,834
Percent of annual OPEB cost contributed		63.1%		41.1%		61.8%

Funded Status and Funding Progress — As of July 1, 2006, the most recent actuarial valuation date, the OPEB plan was unfunded, resulting in an unfunded accrued liability of \$945,598,800.

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 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, 2006 actuarial valuation, the liability was computed using the projected unit credit method. The actuarial assumptions utilized a 5.0% 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 valuation assumes health care cost trends as follows: pre-65 medical, 8.5%; post-65 medical, 10.5%; and prescription 13.0%; all reduced by decrements to reach a rate of 5.0% in 2018.

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

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 postemployment benefits plan (OPEB). 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, 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 (ARC). The Board has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45 for employers in plans with more than one hundred 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 following table shows 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, 2008:

<u>Annual OPEB Cost</u>	(000's omitted)
Normal cost	\$35,438
Amortization of UAAL	70,367
Interest	
ARC	<u>105,805</u>
Interest on OPEB obligation	3,679
Adjustment to ARC	<u>(4,787)</u>
OPEB expense	104,697
Decrease in net OPEB obligation	(40,736)
Net OPEB obligation at beginning of year	<u>73,387</u>
Net OPEB obligation at end of year	<u>\$137,548</u>
Percentage of expense contributed	<u>38.91%</u>

Funded Status and Funding Progress — As of June 30, 2008, the accrued liability for benefits was \$1,081,714,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$291,315,274, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 371%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

- Discount Rate as of June 30, 2008 — Five percent (5%) per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.
- Withdrawal From Service — Withdrawal from service follows sample annual rates for participants in the Teachers Retirement System and Employees Retirement System on average.
- Board Plan Cost — All active employees are assumed to continue their current benefit plans upon retirement. Actual elections for retiree were used.

- Medicare — Medicare is expected to continue to cover the same portion of costs as it currently does.
- Marriage Rates — 70% of males and 60% of females were assumed married at retirement. Actual spousal information was used for retirees.
- Health Care Trend Factors — Health care and prescription drug costs are assumed to increase in accordance with the following schedule:

Year	Trend Rate
2008-2009	9%
2009-2010	8%
2010-2011	7%
2011-2012	6%
2012 & beyond	5%

- Retirement Rates — Employees are assumed to retire in accordance with the following schedule:

Age	Retirement
55	50%
55-64	15%
65	100%

- Change in Assumptions — This is the first year for which these calculations have been made
- Change in Plan Provision — None.

Buffalo Urban Renewal Agency

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

The number of participants as of June 30, 2008 was as follows:

Active Employees	53
Retired Employees	35
Spouses of Retired Employees	20
	108

108

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

Annual Other Postemployment Benefit Cost - For the fiscal year ended June 30, 2008, BURA's annual OPEB cost of \$2,028,394 was equal to the Annual Required Contribution. The payment of current health insurance premiums, which totaled \$724,698 for retirees and their beneficiaries, resulted in a NET OPEB cost of \$1,303,696 for the year ended June 30, 2008.

Annual OPEB Cost and Net OPEB Obligation - BURA's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). BURA has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of BURA's annual OPEB cost for the year, the amount actually contributed to the plan and changes in BURA's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution, Including Interest	\$2,028,394
Contributions Made	<u>(724,698)</u>
Increase in Net OPEB Obligation	1,303,696
Net OPEB Obligation - Beginning of the Year	<u>-</u>
Net OPEB Obligation - End of the Year	<u><u>1,303,696</u></u>

BURA is required to report the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year June 30, 2008 and the two preceding fiscal years. BURA did not begin implementing GASB 45 until the fiscal year ending June 30, 2008; therefore there were no prior obligations.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2006	\$ -	0%	\$ -
June 30, 2007	-	0%	-
June 30, 2008	2,028,394	35.73%	1,303,696

Funded Status and Funding Progress – As of June 30, 2008, the actuarial accrued liability for benefits was \$25,032,240, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,452,718, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1020.59 percent.

The projection of future benefit payments for an ongoing plan involves estimated 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 healthcare 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. 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 liabilities of benefits.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and 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.

The following simplifying assumptions were made:

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

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

Mortality – Life expectancies were based on the RP 2000 Mortality Life Tables for Males and for Females

Turnover – Non-group-specific-age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employees until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

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

Health Insurance Premiums – The June 30, 2008 health insurance premiums for retirees were used as the basis for the calculation of the present value of total benefits to be paid.

Inflation Rate – The expected long-term inflation assumption of 3.0 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability insurance Trust Funds for an intermediate growth scenario.

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

Based on the historical and expected returns of BURA’s short-term investment portfolio, a discount rate of 4.9 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was thirty years.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
-	\$ -	\$ -	\$ -	0%	\$ -
-	-	-	-	0%	-
June 30, 2008	-	25,032,240	25,032,240	0%	2,028,394

13. EMPLOYEE RETIREMENT BENEFITS

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

Funding Policy — The Systems are noncontributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary. The State Legislature passed legislation in 2000 that suspends the 3% contribution for employees who have 10 years or more of credited service. Additionally, members who meet certain eligibility requirements will receive one month additional service credit for each completed year of service up to a maximum of two additional years of service credit. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund.

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

	ERS	PFRS
2008	\$ 5,295,133	\$ 16,817,788
2007	5,911,258	18,167,876
2006	5,993,620	13,754,100

The City's contributions made to the Systems were equal to 100% of the contributions required for each year.

The BFSAs made 100% of its required contributions for the year ended June 30, 2008, which amounted to \$35,567, and is not included in the table above.

Board of Education

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

The Board's required contributions to ERS for the current and preceding two years are as follows:

2008	\$ 4,568,445
2007	5,168,955
2006	5,409,398

The Board's contributions made to the ERS were equal to 100% of the contributions required for each year.

Teachers' Retirement System:

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

Funding Policy — Plan members who joined the System before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976, who have less than 10 years of service are required to contribute 3% of their annual salary. Employers are required to contribute at an actuarially determined rate.

The required contributions for the current year and two preceding years were as follows:

2008	\$21,819,496
2007	21,492,071
2006	16,495,409

The Board's contribution made to the TRS was equal to 100% of the contributions required for each year.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. The payroll for all employees covered by the System for the year ended June 30, 2008, was \$2,452,718. All full-time BURA employees at June 30, 2008 were covered by the pension plan.

BURA's required contributions for the current and preceding two years are as follows:

	ERS
2008	\$ 183,883
2007	161,935
2006	274,374

14. NET ASSETS DEFICIT

The Solid Waste and Recycling Enterprise Fund has a total net asset deficit of \$15,039,619 at June 30, 2008. The City does not budget for depreciation and other noncash expenditures. The City has made provisions for the deficit within the General Fund.

Net assets of the BBOE decreased \$68,740, representing all the changes in the assets and liabilities of the Board, including long-term assets and liabilities such as other postemployment benefits which totaled \$137,548. Excluding OPEB liabilities, net assets would have increased \$68,808. As discussed in Note 1, complete financial statements of the Board can be obtained from its administrative office.

15. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City (primary government). The ultimate outcome of these claims and lawsuits cannot presently be determined. In the opinion of the City Corporation Counsel, the potential loss on all claims and lawsuits pending against the City is estimated to be \$8,611,508. The range of potential loss is estimated between \$0 and \$40,218,000. The estimate of \$8,611,500 for general liabilities is reflected in the government-wide financial statements. This liability is the City's best estimate based on available information.

Board of Education

Judgments, Claims and Contingencies — Various types of claims have been asserted against the Board by various claimants. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and recorded as a liability. The claims are in various stages of processing and some may ultimately be brought to trial. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provision for loss 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, 2008, are subject to potential revision.

Health Insurance Litigation— On September 1, 2005, following a competitive bid process, the Board selected one insurance carrier to provide four health care plans to Board employees — three HMO plans and one traditional indemnity plan. Prior to September 1, 2005, the Board paid three insurance carriers to provide the same four plans. Some of the Board's unions, including the Buffalo Teachers' Federation (BTF), challenged the Board's decision to go to a single carrier in arbitration. On October 21, 2006, the arbitrator in the BTF arbitration ruled that the Board must return to multiple carriers effective January 1, 2007, and reinstate all teachers laid off effective September 1, 2005, with "make whole" monetary damages, including back pay and benefits with interest at the statutory judgment rate. The arbitrator also retained jurisdiction to decide any unresolved claims for reimbursement of out-of-pocket expenses incurred by individual teachers under the signed carrier arrangement. The Board appealed the decision and the Appellate Division ruled that while the Board violated the contract in moving to a single carrier for health care, the Board is not required to reinstate all laid off teachers. The BTF moved and the Board cross-moved to appear to the Court of Appeals. If granted, the Court of Appeals will hear substantive arguments in the case. At this time, in accordance with the decision of the Appellate Division, the Board has not accrued the amount pertaining to the lay-off, the amount of which is not expected to exceed \$3,500,000.

Buffalo Urban Renewal Agency

Hickory Woods Personal Injury/Property Damage Actions — This matter arises out of four actions in which BURA and others have been sued for alleged personal injuries and harm to property resulting from chemicals allegedly disposed of on or migrating to plaintiff's properties. Settlement was reached by the parties that required no contribution by BURA.

BURA has been named under a New York State Department of Environmental Conservation (NYSDEC) order to remediate subsoil contaminants on vacant property held by BURA. The complete remedy proposed by NYSDEC has not commenced any action against BURA for implementation of the remedy.

BURA has received a "Notice of Claim" on a personal injury matter at property not owned by BURA. The project had been funded under a grant provided by BURA. Under the original contract with the contractor, the contractor agreed to defend and indemnify BURA. BURA believes that it is not a proper party to the underlying claim and any action will be vigorously defended.

BURA has been named as a defendant in a personal injury matter in which the claimant incurred an injury on the land leased by BURA. This matter will be vigorously defended and BURA's rights to a defense and indemnification will be pursued.

BURA participates in numerous Federal and state grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. This examination is currently in process and the report will be issued

under separate cover. Additionally, grantors reserve the right to conduct separate grant audits as deemed necessary. Under such audits, grant expenditures may be questioned and ultimately deemed unallowable. The amount, if any, of expenditures, which may be disallowed by grantor, agencies cannot be determined at this time.

16. SUBSEQUENT EVENTS

In July 2008, the City issued \$30,920,000 of general obligation bonds, consisting of \$22,000,000 City general improvement serial bonds and \$8,920,000 of Board serial bonds. Principal payments begin on February 1, 2009; such bonds mature February 1, 2016. These bonds bear an interest rate ranging between 4.3% and 5.25%.

* * * * *

Nonmajor Governmental Funds

Special Revenue Fund

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

Federal and State Grant Fund -This fund is used to account for all the special Federal and State grants that are restricted for non capital 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 the 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.

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

CITY OF BUFFALO, NEW YORK

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Fund	BFSA Debt Service Fund	Permanent Fund	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,855,268		\$ 73,550	\$ 7,928,818
Investments		14,673,611	61,472	14,735,083
Receivables:				
Other receivables	2,587		208	2,795
Due from other governments	4,426,855			4,426,855
Due from component units	54,289			54,289
Net receivables	<u>4,483,731</u>		<u>208</u>	<u>4,483,939</u>
 Total assets	 <u>\$ 12,338,999</u>	 <u>\$ 14,673,611</u>	 <u>\$ 135,230</u>	 <u>\$ 27,147,840</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,762,635			1,762,635
Due to other governments and agencies	2,897			2,897
Due to other funds	3,851,273	87,952		3,939,225
Retainages payable	294,336			294,336
Accrued liabilities		2,354,573		2,354,573
Total liabilities	<u>5,911,141</u>	<u>2,442,525</u>		<u>8,353,666</u>
Fund balance:				
Reserved for encumbrances	1,816,678			1,816,678
Reserved for federal and state programs	4,611,180			4,611,180
Reserved for debt service		12,231,086		12,231,086
Reserved - other			135,230	135,230
Total fund balances	<u>6,427,858</u>	<u>12,231,086</u>	<u>135,230</u>	<u>18,794,174</u>
 Total liabilities and fund balances	 <u>\$ 12,338,999</u>	 <u>\$ 14,673,611</u>	 <u>\$ 135,230</u>	 <u>\$ 27,147,840</u>

CITY OF BUFFALO, NEW YORK

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	Special Revenue Fund	BFSA Debt Service Fund	Permanent Fund	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 8,283,739	\$	\$	\$ 8,283,739
Investment interest	355,567	962,114	1,995	1,319,676
Total revenues	<u>8,639,306</u>	<u>962,114</u>	<u>1,995</u>	<u>9,603,415</u>
Expenditures:				
Current:				
General government	1,479,656			1,479,656
Public safety	8,410,069			8,410,069
Streets and sanitation	1,218,194			1,218,194
Economic assistance and opportunity	848,616			848,616
Culture and recreation	24,926			24,926
Health and community services	67,639			67,639
Debt service:				
Principal retirement		7,225,000		7,225,000
Interest and other fiscal charges		6,986,003		6,986,003
Total expenditures	<u>12,049,100</u>	<u>14,211,003</u>		<u>26,260,103</u>
(Deficiency) excess of revenues over expenditures	<u>(3,409,794)</u>	<u>(13,248,889)</u>	<u>1,995</u>	<u>(16,656,688)</u>
Other financing sources:				
Operating transfers in		16,965,974		16,965,974
Total other financing sources		<u>16,965,974</u>		<u>16,965,974</u>
Change in fund balances	<u>(3,409,794)</u>	<u>3,717,085</u>	<u>1,995</u>	<u>309,286</u>
Fund balances - beginning of year	9,837,652	8,514,001	133,235	18,484,888
Fund balances - end of year	<u>\$ 6,427,858</u>	<u>\$ 12,231,086</u>	<u>\$ 135,230</u>	<u>\$ 18,794,174</u>

CITY OF BUFFALO, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) — DEBT SERVICE FUND YEAR ENDED JUNE 30, 2008

	Debt Service Fund			
	Original	Final	Actual	Variance
REVENUES:				
Interest	\$ 3,413,594	\$ 3,413,594	\$ 2,961,726	\$ (451,868)
Intergovernmental	16,249,029	16,249,029	16,182,381	(66,648)
Service charges	57,903	57,903	40,064	(17,839)
Miscellaneous	350,430	350,430	269,759	(80,671)
Total revenues	<u>20,070,956</u>	<u>20,070,956</u>	<u>19,453,930</u>	<u>(617,026)</u>
EXPENDITURES:				
Debt services	49,861,228	49,861,228	35,678,007	14,183,221
Other	200,000	200,000	-	200,000
Total expenditures	<u>50,061,228</u>	<u>50,061,228</u>	<u>35,678,007</u>	<u>14,383,221</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(29,990,272)</u>	<u>(29,990,272)</u>	<u>(16,224,077)</u>	<u>13,766,195</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	27,292,020	27,292,020	27,292,020	0
Transfers to other funds	-	-	(14,042,702)	(14,042,702)
Total other financing sources (uses)	<u>27,292,020</u>	<u>27,292,020</u>	<u>13,249,318</u>	<u>(14,042,702)</u>
NET CHANGE IN FUND BALANCE	(2,698,252)	(2,698,252)	(2,974,759)	(276,507)
FUND BALANCE — Beginning	<u>12,071,786</u>	<u>12,071,786</u>	<u>12,071,786</u>	<u>-</u>
FUND BALANCE — Ending	<u>\$ 9,373,534</u>	<u>\$ 9,373,534</u>	<u>\$ 9,097,027</u>	<u>\$ (276,507)</u>

CITY OF BUFFALO, NEW YORK

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS BUDGET AND ACTUAL — SOLID WASTE AND RECYCLING AND PARKING FUNDS YEAR ENDED JUNE 30, 2008

	Solid Waste & Recycling				Parking			
	Original	Final	Actual	Variance	Original	Final	Actual	Variance
REVENUES:								
Charges for services	\$ 19,049,267	\$ 19,049,267	\$ 18,274,270	\$ (774,997)	\$ -	\$ -	\$ -	\$ -
Interest	3,711	3,711	32,680	28,969	20,000	20,000	79,034	59,034
Intergovernmental			4,860	4,860				
Fines	95,000	95,000	54,823	(40,177)				
Miscellaneous	95,000	95,000	84,962	(10,038)	5,367,028	5,367,028	7,396,558	2,029,530
Local sources and other			13,203	13,203			41,466	41,466
Total revenues	<u>19,242,978</u>	<u>19,242,978</u>	<u>18,464,798</u>	<u>(778,180)</u>	<u>5,387,028</u>	<u>5,387,028</u>	<u>7,517,058</u>	<u>2,130,030</u>
EXPENDITURES:								
Personal services	5,341,205	4,546,071	6,333,268	(1,787,197)	31,921	31,921	28,121	3,800
Utilities	243,898	236,497	174,063	62,434	36,474	37,190	9,815	27,375
Travel and transportation		232		232				
Materials and supplies	965,705	1,012,918	1,236,847	(223,929)	525	525	44	481
Purchase of services	8,444,866	9,848,777	9,716,934	131,843	29,622	123,694	99,273	24,421
Equipment	318,410	318,410		318,410	1,150,000	1,056,900	19,863	1,037,037
Fringe benefits	2,690,903	2,640,903	3,827,113	(1,186,210)	16,714	16,714	14,441	2,273
Debt services			5,210	(5,210)	3,671,772	3,671,772	1,151,970	2,519,802
Depreciation and amortization			464,002	(464,002)			1,630,920	(1,630,920)
Other	491,600	3,010	2,221	789	0	0	0	0
Total expenditures	<u>18,496,587</u>	<u>18,606,818</u>	<u>21,759,658</u>	<u>(3,152,840)</u>	<u>4,937,028</u>	<u>4,938,716</u>	<u>2,954,447</u>	<u>1,984,269</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>746,391</u>	<u>636,160</u>	<u>(3,294,860)</u>	<u>(3,931,020)</u>	<u>450,000</u>	<u>448,312</u>	<u>4,562,611</u>	<u>4,114,299</u>
OTHER FINANCING SOURCES (USES):								
Transfers from other funds			384,178	384,178				
Transfers to other funds	(746,391)	(746,391)	(673,048)	73,343	(450,000)	(450,000)	(511,884)	(61,884)
Total other financing uses	<u>(746,391)</u>	<u>(746,391)</u>	<u>(288,870)</u>	<u>457,521</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(511,884)</u>	<u>(61,884)</u>
NET CHANGE IN FUND BALANCES		(110,231)	(3,583,730)	(3,473,499)		(1,688)	4,050,727	4,052,415
FUND BALANCES — Beginning	<u>(11,455,889)</u>	<u>(11,455,889)</u>	<u>(11,455,889)</u>		<u>33,726,465</u>	<u>33,726,465</u>	<u>33,726,465</u>	
FUND BALANCES — Ending	<u>\$ (11,455,889)</u>	<u>\$ (11,566,120)</u>	<u>\$ (15,039,619)</u>	<u>\$ (3,473,499)</u>	<u>\$ 33,726,465</u>	<u>\$ 33,724,777</u>	<u>\$ 37,777,192</u>	<u>\$ 4,052,415</u>

CITY OF BUFFALO, NEW YORK

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) — WATER FUNDS
 YEAR ENDED JUNE 30, 2008

	Division of Water			Buffalo Water Board			Buffalo Water Authority			Total Water Funds			Variance
	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual	
REVENUES:													
Charges for services	\$ -	\$ -	\$ -	\$ 39,070,000	\$ 39,070,000	\$ 36,878,753	\$ -	\$ -	\$ -	\$ 39,070,000	\$ 39,070,000	\$ 36,878,753	\$ (2,191,247)
Interest			251,195	1,316,100	1,316,100	2,042,341				1,316,100	1,316,100	2,293,536	977,436
Other				36,077	36,077	351,540				36,077	36,077	351,540	315,463
Total revenues	-	-	251,195	40,422,177	40,422,177	39,272,634	-	-	-	40,422,177	40,422,177	39,523,829	(898,348)
EXPENDITURES:													
Personal services	6,342,008	6,302,008	5,876,944							6,342,008	6,302,008	5,876,944	425,064
Utilities	1,400,000	1,400,000	359,865							1,400,000	1,400,000	359,865	1,040,135
Materials and supplies	85,740	191,727	148,392	100	100					85,840	191,827	148,392	43,435
Purchase of services	111,741	64,241	58,255	7,590,580	8,600,737	7,412,774	40,200	40,300	5,150	7,742,521	8,705,278	7,476,179	1,229,099
Equipment	300,000	339,000	578,230	929,770	2,255,914	415,742				1,229,770	2,594,914	993,972	1,600,942
Fringe benefits	2,721,162	2,721,162	3,161,787			5,566,216	183,618	183,618	182,410	2,721,162	2,721,162	3,161,787	(440,625)
Debt service	684,533	684,533	184,952							868,151	868,151	5,933,578	(5,065,427)
Other	20,000	20,000	2,549	1,450,000	1,322,000	4,012,937				1,470,000	1,342,000	4,015,486	(2,673,486)
Total expenditures	11,665,184	11,722,671	10,370,974	9,970,450	12,178,751	17,407,669	223,818	223,918	187,560	21,859,452	24,125,340	27,966,203	(3,840,863)
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(11,665,184)	(11,722,671)	(10,119,779)	30,451,727	28,243,426	21,864,965	(223,818)	(223,918)	(187,560)	18,562,725	16,296,837	11,557,626	(4,739,211)
OTHER FINANCING SOURCES (USES):													
Transfers from other funds	11,665,184	11,665,184	9,425,370				223,818	223,818	187,560	11,889,002	11,889,002	9,612,930	(2,276,072)
Transfers to other funds				(30,451,727)	(31,186,727)	(14,979,514)				(30,451,727)	(31,186,727)	(14,979,514)	16,207,213
Total other financing sources (uses)	11,665,184	11,665,184	10,119,779	(30,451,727)	(31,186,727)	(14,979,514)	223,818	223,818	187,560	(18,562,725)	(19,297,725)	(5,366,584)	13,931,141
NET CHANGE IN NET ASSETS	-	(57,487)	-	-	(2,943,301)	6,885,451	-	(100)	-	-	(3,000,888)	6,191,042	9,191,930
NET ASSETS --- Beginning				24,127,797	24,127,797	24,127,797				24,127,797	24,127,797	24,127,797	-
NET ASSETS --- Ending	\$ -	\$ (57,487)	\$ -	\$ 24,127,797	\$ 21,184,496	\$ 31,013,248	\$ -	\$ (100)	\$ -	\$ 24,127,797	\$ 21,126,909	\$ 30,318,839	\$ 9,191,930

- 69 -

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

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2008

	Agency Funds						Total
	Surety Bonds and Deposits	Prisoner Property	Payroll Revolving	Fire Insurance Revolving	Medical Revolving	Miscellaneous Revolving	
Assets							
Cash and cash equivalents	\$ 31,897	\$ 960,641	\$ 20,344	\$ 191,348	\$ 47,773	\$ 12,381	\$ 1,264,384
Investments	10,000						10,000
Total assets	<u>\$ 41,897</u>	<u>\$ 960,641</u>	<u>\$ 20,344</u>	<u>\$ 191,348</u>	<u>\$ 47,773</u>	<u>\$ 12,381</u>	<u>\$ 1,274,384</u>
Liabilities							
Accounts payable		2,516				180	\$ 2,696
Due to other governments			20,344				20,344
Due to others	41,897	958,125		191,348	47,773	12,201	1,251,344
Total liabilities	<u>41,897</u>	<u>960,641</u>	<u>20,344</u>	<u>191,348</u>	<u>47,773</u>	<u>12,381</u>	<u>1,274,384</u>
Net Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

- 06 -

CITY OF BUFFALO, NEW YORK

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2008**

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash and cash equivalents	\$ 1,303,991	\$ 15,013,052	\$15,052,659	\$ 1,264,384
Investments	10,000			10,000
Total assets	<u>\$ 1,313,991</u>	<u>\$ 15,013,052</u>	<u>\$15,052,659</u>	<u>\$ 1,274,384</u>
Liabilities				
Accounts payable	\$ 99,909	\$ 13,901,185	\$13,998,398	\$ 2,696
Due to other governments	33,091	47,075	59,822	20,344
Held in custody for others:				
Surety bonds and deposits	42,377	28,114	28,594	41,897
Prisoner property	856,204	402,740	300,819	958,125
Fire insurance proceeds	186,348	289,752	284,752	191,348
Medical reimbursements	82,283	58,753	93,263	47,773
Miscellaneous - other	13,779	285,433	287,011	12,201
Total amounts held in custody for others	<u>1,180,991</u>	<u>1,064,792</u>	<u>994,439</u>	<u>1,251,344</u>
Total liabilities	<u>\$ 1,313,991</u>	<u>\$ 15,013,052</u>	<u>\$15,052,659</u>	<u>\$ 1,274,384</u>

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 require supplementary information says about the government's overall financial health.

Contents

Capital Projects Fund

This schedule contains information to help the reader understand the government's use of resources for individual capital projects for the year ended June 30, 2008.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
DEPARTMENT OF ADMINISTRATION & FINANCE — Division of Budget — Planning for Capital Projects								
	\$ 8,406	\$ 130,000	\$ 138,406	\$ 8,400	\$ 130,006	\$ 6	\$ -	\$ 130,000
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering:								
Multi-Modal Program	526,186	579,051	1,105,237	525,077	580,160	80,160		500,000
New York State Chips 1998-99	2,197,711	2,069,379	4,267,090	2,302,699	1,964,391	1,121,333		843,058
Hillary Park Academy	(14,350)		(14,350)		(14,350)			(14,350)
Storm Damage FEMA Reimbursement 12/01	532		532		532			532
Total Division of Engineering	2,710,079	2,648,430	5,358,509	2,827,776	2,530,733	1,201,493		1,329,240
Division of Buildings:								
Cleaning and Restorn of City Monument	1,600		1,600		1,600			1,600
Squaw Island Remediation	3,061		3,061		3,061			3,061
Reconstr City Swimming & Diving Pools	76,599		76,599	70,908	5,691			5,691
Renovation of City Hall Dome & Tower	4,038		4,038		4,038			4,038
Pratt-Willard Community Center	16,124		16,124	3,154	12,970			12,970
Reconstruction 118 East Utica	201		201		201			201
Constr East Side Transfer Station	156,978		156,978		156,978			156,978
Main/Mercer Fire Station	(1)	1						
Delavan/Filmore Fire Station	122,382		122,382	3,500	118,882			118,882
Elmwood/Hertel Fire Station	192,780		192,780		192,780			192,780
Bailey Abbott Fire Station	220,000		220,000		220,000			220,000
Bailey Kensington Fire Station	250,000		250,000		250,000			250,000
Total Division of Buildings	1,043,762	1	1,043,763	77,562	966,201			966,201
DEPARTMENT OF INSPECTION AND LICENSES — Division of Housing and Bldg Inspection:								
Neighborhood Redevelopment Site Prep	103,203		103,203		103,203			103,203

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
DEPARTMENT OF COMMUNITY DEVELOPMENT — Division of Development:								
Reconstr of Exchange Street	45,204		45,204		45,204			45,204
Restoration of Monuments	3,556		3,556		3,556			3,556
Restoration of City Monuments	1,814		1,814		1,814			1,814
Reconstruction/Renovations Mem Aud	1	(1)						
Total Division of Development	50,575	(1)	50,574		50,574			50,574
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering:								
Reconstruction Seneca Street Garage	(1,137)		(1,137)		(1,137)			(1,137)
Division of Buildings — Reconstruction Various Elevators								
	67,314		67,314		67,314			67,314
DEPARTMENT OF COMMUNITY DEVELOPMENT — Division of Development — Reconstruction N.I.C. Facade								
	11,884		11,884		11,884			11,884
DEPARTMENT OF AUDIT & CONTROL — Purchase of Data Systems								
	3,781		3,781		3,781			3,781
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering:								
Local Match-Recon Bridges & Streets	944,816	(333,212)	611,604		611,604	3,000		608,604
Reconstruction Curbs, Sidewalks	(115,536)		(115,536)		(115,536)			(115,536)
Installation of Lighting Allentown	6,376		6,376		6,376			6,376
Squaw Island Remediation	550		550		550	550		
Reconstruction Exchange Street-Phase II	148,732		148,732		148,732			148,732
Total Division of Engineering	984,938	(333,212)	651,726		651,726	3,550		648,176

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
Division of Buildings:								
Restoration of Monuments	26,523	10,000	36,523	31,000	5,523			5,523
Restoration of Kleinhans Music Hall	5,175		5,175		5,175			5,175
Total Division of Buildings	31,698	10,000	41,698	31,000	10,698			10,698
DEPARTMENT OF COMMUNITY DEVELOPMENT — Division of Development — Neighborhood Information Center	23,660		23,660		23,660			23,660
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering:								
Erie Basin Marina Rehab Phase IV	1,060		1,060		1,060			1,060
Squaw Island Remediation, 98-99	195,723		195,723	19,892	175,831			175,831
Local Match Reserve-Bridges, 98-99	222,029	(20,000)	202,029	20,500	181,529			181,529
Local Match Reserve-Roads, 98-99	1,648,516		1,648,516		1,648,516	7		1,648,509
Traffic Calming Project, 98-99	27,980		27,980		27,980			27,980
Total Division of Engineering	2,095,308	(20,000)	2,075,308	40,392	2,034,916	7		2,034,909
Division of Buildings:								
Improvements to Library — Various	4,127		4,127		4,127			4,127
Cazenovia Ice Rink	102,363		102,363		102,363			102,363
City Hall Fire Safety Systems	16,693		16,693		16,693			16,693
Kleinhans Music Hall Restoration 98-99	13,793		13,793		13,793			13,793
Cazenovia Park Casino, 98-99	37,136		37,136		37,136			37,136
Friends of Elderly, Acq. & Expansion, 98-99	1,434		1,434		1,434			1,434
City Demolitions	19,791		19,791		19,791			19,791
Improvements to Various Community Ctrs	(46,663)		(46,663)		(46,663)			(46,663)
S. District Buildings-Okell Field House	22,406		22,406		22,406			22,406
Total Division of Buildings	171,080		171,080		171,080			171,080

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
DEPARTMENT OF COMMUNITY DEVELOPMENT — Division of Development:								
Neighborhood Development, Demolitions	27,940		27,940		27,940	27,540		400
South Ellicott — Demolitions	5,355		5,355		5,355	5,355		-
Improvements Seneca Babcock, 91-92	98,930		98,930		98,930			98,930
Broadway Market Renovation, 98-99	10,769		10,769		10,769			10,769
Improvements Niagara Square, 97-98	31,050		31,050	598	30,452			30,452
Total Division of Development	174,044		174,044	598	173,446	32,895		140,551
DEPARTMENT OF FIRE:								
Purchase Pumper Truck 99-00	(917)		(917)		(917)			(917)
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering:								
Citywide Tree Removal 98-99	9		9		9	9		-
Lovejoy Bldg (Seneca/Babcock CC) 98-99	32,715		32,715		32,715			32,715
Reconst Marine Drive 99-00	15,481		15,481		15,481	10,696		4,785
Infrastructure Improve 99-00	3		3		3			3
Infrastructure Impr/North & Niagara 99-00	108,328		108,328	7,570	100,758			100,758
Total Division of Engineering	156,536		156,536	7,570	148,966	10,705		138,261
Division of Buildings:								
Rehab Underground Tanks 98-99	34,964		34,964		34,964			34,964
Monument Restoration 98-99	31,911		31,911		31,911			31,911
Handicapped Access Improvements 99-00	15,714		15,714	1,035	14,679			14,679
Zoo Improvements 99-00	1,598		1,598		1,598			1,598
Restoration-Council Chamber 99-00	(40,711)		(40,711)		(40,711)			(40,711)
Neighborhood Redevelopment 98-99	(63,326)		(63,326)		(63,326)			(63,326)
Total Division of Buildings	(19,850)		(19,850)	1,035	(20,885)			(20,885)

CITY OF BUFFALO, NEW YORK

CAPITAL PROJECT FUND STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE YEAR ENDED JUNE 30, 2008

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
DEPARTMENT OF COMMUNITY DEVELOPMENT — Division of Development:								
Citywide Park Improve 98-99	114		114		114			114
Neighborhood Redevelopment 98-99	36,075		36,075	5,830	30,245	26,512		3,733
Citywide Playground Renov 98-99	10,199		10,199	12,091	(1,892)	246		(2,138)
Downtown Development 98-99	347,212		347,212		347,212	60,172		287,040
Imp Info System/Mapping 99-00	10,749		10,749		10,749	3,375		7,374
School #62 Conversion 99-00	70,204		70,204	4,290	65,914	11,030		54,884
Total Division of Development	474,553		474,553	22,211	452,342	101,335		351,007
EXECUTIVE DEPARTMENT — Division of Strategic Planning — Environmental Testing and Remediation 00-01								
	43,931		43,931	586	43,345			43,345
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering:								
Citywide Tree Trim & Removal	298		298		298	5,339		(5,041)
Reconstruction Clinton Underpass 00-01	10,420		10,420		10,420	3,003		7,417
Infrastructure Improvements 00-01	(2,631)		(2,631)		(2,631)	165		(2,796)
Total Division of Engineering	8,087		8,087		8,087	8,507		(420)
Division of Buildings:								
Precinct #11 Renovation 99-00	38		38		38			38
"B" Dist -Main/Tupper 99-00	71,873		71,873	44,583	27,290			27,290
Bailey-Kensington CC 93-94	183,798		183,798		183,798			183,798
Apollo Center Equipment 00-01	190,204		190,204	133,104	57,100			57,100
Expansion Tosh Collins Center 00-01	257,763		257,763		257,763			257,763
Reconstruction City Court 00-01	292,775	200,000	492,775	39,869	452,906	392,788		60,118
Reconstruction City Hall 00-01	10,115		10,115		10,115			10,115
Shea's Theatre Exterior Expansion 00-01	41,346		41,346		41,346			41,346
Total Division of Buildings	1,047,912	200,000	1,247,912	217,556	1,030,356	392,788		637,568

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
Division of Demolitions — Demolition of City Buildings 00-01	122,399		122,399		122,399	58,000		64,399
DEPARTMENT OF COMMUNITY DEVELOPMENT — Division of Development:								
Citywide Parks & Playgrounds	1,793		1,793	893	900	900		-
Neighborhood Redevelopment 99-00	40,500		40,500		40,500	35,525		4,975
Total Division of Development	42,293		42,293	893	41,400	36,425		4,975
EXECUTIVE DEPARTMENT — Enviro Test & Remediation 00-01	129,279	(67,097)	62,182	(82,632)	144,814	7,308		137,506
DEPARTMENT OF PUBLIC WORKS — Division of Engineering:								
60 Hedley Place 00-01	47,058		47,058		47,058	23,714		23,344
Recons Elmwood Ave 00-01	43,567		43,567		43,567			43,567
Neighborhood Redev/CI 00-01	89,701		89,701		89,701			89,701
Total Division of Engineering	180,326		180,326		180,326	23,714		156,612
DEPARTMENT OF PUBLIC WORKS — Division of Building								
McKinley Monument Analysis	9,451		9,451		9,451			9,451
Broadway Garage Study	7,500		7,500		7,500			7,500
Cogenerating District Heating Plan	8,939		8,939		8,939			8,939
Handicap Access Improvements 00-01	140,694		140,694	68,130	72,564			72,564
Fire Alarms Various Libraries 99-00	52,930		52,930		52,930			52,930
Museum of Science Improvements	16,268		16,268	3,880	12,388			12,388
Restoration of Monuments 99-00	66,313		66,313	39,465	26,848			26,848
Reconstruction of Zoo Facilities 00-01	2,183		2,183		2,183			2,183
Auto Impound Roof 00-01	287,541		287,541	123,091	164,450			164,450
Reconstruction Delaware Park Casino 00-01	8,309		8,309		8,309			8,309
Reconstruction JFK Center 00-01	40,009		40,009		40,009			40,009
Reconstruction Fronczak Library 00-01	57,168		57,168		57,168			57,168

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
Reconstruction East Clinton Library 00-01	47,900		47,900		47,900			47,900
Constr Jefferson Ave Libr 99-00	78,647		78,647	78,647				-
City Blds Improv City Wide 2002	211,704	22,447	234,151	189,865	44,286	23,910		20,376
Total Division of Buildings	1,035,556	22,447	1,058,003	503,078	554,925	23,910		531,015
DEPARTMENT OF PARKS:								
Refurbish Cazenovia Pool 00-01	19,159		19,159		19,159			19,159
City Parks Improv 2001	30,543		30,543	18,599	11,944	11,950		(6)
Total Division of Parks	49,702		49,702	18,599	31,103	11,950		19,153
DEPARTMENT OF PERMITS AND INSPECTIONS — Neighborhd Redev/Clearance 2001	54,471		54,471		54,471	7,975		46,496
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering — Citywide Infrastr Improv 2001	61		61		61	58,300		(58,239)
Division of Buildings:								
City Hall Restor 2003	234,628		234,628	230,204	4,424			4,424
Jefferson Library 2004	59,662		59,662	59,329	333			333
Fire Fac Assessment 2004	627		627		627			627
Recon Fire Hse-Main & Mercr 2004	257		257		257			257
Constr Fire Hse-Bailey/Genesee 2004	30,230		30,230	9,320	20,910	20,910		-
Total Division of Buildings	325,404		325,404	298,853	26,551	20,910		5,641
DEPARTMENT OF PARKS — Citywide Tree Trim & Remov 2001	24,046		24,046	2,860	21,186	21,186		-

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
DEPARTMENT OF PERMITS AND INSPECTIONS:								
Neigh Redev/Clear 2001	(5,004)		(5,004)		(5,004)			(5,004)
Citywide Neigh Redev/Clear 2002	33,899		33,899		33,899	2,175		31,724
Total Permits and Inspections	28,895		28,895		28,895	2,175		26,720
DEPARTMENT OF FIRE — Fire Apparatus 04								
	7,517		7,517		7,517			7,517
DEPARTMENT OF PUBLIC WORKS:								
Parks and Streets — Purchase Snow Plows 05	381,087		381,087		381,087			381,087
Division of Engineering:								
Bond Sale Expense	838		838		838			838
Enviro Remediation 2005	499,291	7,256	506,547	346,548	159,999	130,924		29,075
Infrastructure Improv-City Wide 2002	19,681		19,681	1,556	18,125			18,125
Infrastructure Improv-City Wide 2005	52,374		52,374	51,093	1,281	611		670
Total Division of Engineering	572,184	7,256	579,440	399,197	180,243	131,535		48,708
Division of Buildings:								
Reconst Fire Station Main & Mercer 04	10,851		10,851		10,851			10,851
60 Hedley Place 00-01	364,000		364,000		364,000	22,500		341,500
City Hall Restor 2005	1,989,697		1,989,697	147,499	1,842,198	1,842,197		1
Improv City Bldg 2005	503,047		503,047	407,702	95,345	57,155		38,190
Jefferson Library 2004	149,622	3,340	152,962	52,890	100,072	775		99,297
Reconst City Own Bldg 2005	6,400		6,400		6,400			6,400
Total Division of Buildings	3,023,617	3,340	3,026,957	608,091	2,418,866	1,922,627		496,239

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
DEPARTMENT OF PARKS:								
Parks/Playground Improv City Wide 02	29,260		29,260	(32,913)	62,173	22,782		39,391
City Wide Tree Trim & Removal 2001	349,448		349,448	260,675	88,773	88,772		1
Total Division of Parks	378,708		378,708	227,762	150,946	111,554		39,392
DEPARTMENT OF PERMITS AND INSPECTIONS:								
City Wide Neighborhood Redv & Clrg 2002	149,556		149,556	145,305	4,251	4,251		-
Neighborhood Redv & Clrg City Wide 2005	201,499		201,499	195,915	5,584	4,484		1,100
Total Permits and Inspections	351,055		351,055	341,220	9,835	8,735		1,100
DEPARTMENT OF FIRE:								
Fire Apparatus 04	18,011		18,011		18,011			18,011
Division of Engineering:								
Bond Sale Expense	382		382		382			382
Monument Restoration 02	250,000		250,000		250,000			250,000
Rehab Sts/Curbs/Sdwlk Citywide 06	290,374		290,374	286,959	3,415	3,393		22
Rehab Sts/Curbs/Sdwlk Homezone 06	830,000		830,000		830,000			830,000
Tree Trimming/Removal Citywide 06	378,621	20,000	398,621	227,355	171,266	171,266		240,000
Constr Outer Harbor Trail Ph II 06	240,000		240,000		240,000			240,000
Improv Ellicott Gateway 06	386,174		386,174	(48,826)	435,000			435,000
Total Division of Engineering	2,375,551	20,000	2,395,551	465,488	1,930,063	174,659		1,755,404
Division of Buildings:								
Improve City Libraries 06	172,900		172,900	5,138	167,762	18,100		149,662
Improv Historical Society 06	150,000		150,000	2,173	147,827			147,827
Improve Museum of Science 06	160,000		160,000	1,699	158,301			158,301
Reconstr Firehouses 06	2,039,536	3,750	2,043,286	673,286	1,370,000	99,233		1,270,767
Improve Mass Ave CC 06	286,125		286,125	123,996	162,129	35,254		126,875
Improve Northwest CC 06	96,702		96,702	95,011	1,691			1,691

CITY OF BUFFALO, NEW YORK

CAPITAL PROJECT FUND STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE YEAR ENDED JUNE 30, 2008

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
Improve Marcy Casino 06	106,850		106,850	12,389	94,461	53,526		40,935
Improve City Bldg/Fac Citywide 06	941,305		941,305	133,473	807,832	502,034		305,798
Total Division of Buildings	3,953,418	3,750	3,957,168	1,047,165	2,910,003	708,147		2,201,856
DEPARTMENT OF PARKS:								
Improve Parks/Playground Citywide 06	112,028		112,028	95,010	17,018	15,893		1,125
Centennial Pool Splash Pad 06	622,550		622,550	29,800	592,750	99,200		493,550
Total Division of Parks	734,578		734,578	124,810	609,768	115,093		494,675
DEPARTMENT OF PERMITS AND INSPECTIONS:								
Demo Private Bldg/Structures 06	57,527		57,527	57,527				
Demo City Bldgs/Structures 06	493,477		493,477	251,536	241,941	238,982		2,959
Total Permits and Inspections	551,004		551,004	309,063	241,941	238,982		2,959
DEPARTMENT OF FIRE:								
Purch Fire Apparatus 07	1,558,418		1,558,418		1,558,418			1,558,418
Division of Engineering:								
Bond Sale Expense	191		191		191			191
BMC Streetscape 07	213,336	(213,336)						
C/W Arterial Pavement 07	112,001		112,001		112,001			112,001
C/W Infrastructure Repair & Replace 07	3,533,985	300,000	3,833,985	2,481,471	1,352,514	834,114		518,400
Emergency Bridge Repair 07	426,672		426,672	426,672				
Niagara St Gateway Proj 07	89,921	(89,921)						
Porter Ave Observ Pnt Impr 07	96,001		96,001		96,001			96,001
Sycamore Village Infrastr 07	1,629,526	380,822	2,010,348	833,392	1,176,956	214,159		962,797
Improv W/W Parks 07	1,064,134	4,157	1,068,291	603,442	464,849	185,250		279,599
C/W Tree Removal & Plant 07	266,670		266,670	125,499	141,171	8,054		133,117
Total Division of Engineering	7,432,437	381,722	7,814,159	4,470,476	3,343,683	1,241,577		2,102,106

CITY OF BUFFALO, NEW YORK

CAPITAL PROJECT FUND STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE YEAR ENDED JUNE 30, 2008

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
Division of Buildings:								
Bailey/Gen Fire Station 07	3,733,377	200,000	3,933,377	999,593	2,933,784	2,917,368		16,416
Bailey/Kensington Fire Station 07	266,670		266,670		266,670	178,000		88,670
City Court Fire Alarm 07	533,340		533,340		533,340	135,000		398,340
City Hall Fire Alarm 07	1,066,679		1,066,679	46,725	1,019,954			1,019,954
City Hall Reconstruction 07	2,133,359		2,133,359	126,228	2,007,131	1,336,521		670,610
Improv Buildings & Facilities C/W 07	728,981	34,365	763,346	213,710	549,636	66,105		483,531
Improv Kleinhans Electric 07	99,734		99,734		99,734			99,734
Museum of Science Ph I Plumbing 07	106,668		106,668		106,668			106,668
New Streets Garage 07	266,670		266,670		266,670			266,670
NW Comm Center Air Condition 07	160,002		160,002		160,002	45,513		114,489
Police Garage Car Wash 07	123,735		123,735		123,735	9,850		113,885
Total Division of Buildings	9,219,215	234,365	9,453,580	1,386,256	8,067,324	4,688,357		3,378,967
Street Sanitation — Vehicle Purch PW 07	837,343		837,343	752,892	84,451			84,451
DEPARTMENT OF PERMITS AND INSPECTIONS — Emer Demo Bldg & Str 07	997,846		997,846	937,479	60,367			60,367
DEPARTMENT OF PUBLIC WORKS:								
Division of Engineering:								
Marine Midland Arena-Phase I	177,078		177,078		177,078			177,078
BMC Streetscape Imp PH2		349,752	349,752	151,464	198,288	48,536		149,752
Porter Ave. Reconstr		307,500	307,500		307,500	209,963		97,537
Niagara St. Gateway Project		279,921	279,921		279,921			279,921
Bridge washing project		20,000	20,000	7,461	12,539	1,865		10,674
Fuhrmann Blvd Project		350,000	350,000	33,913	316,087	1,707		314,380
JB Wiley sports complex Sv\		2,000,000	2,000,000		2,000,000			2,000,000
Cars on Main St - 700 Block		566,746	566,746	260,420	306,326	8,144		298,182
Recon Genesee St-Bailey/City Line	837,999	22,380	860,379	236,037	624,342	381,643		242,699
Reconstruction of Hertel Ave	203,587	736,831	940,418		940,418			940,418
Kleinhans Music Hall Restoration	35		35		35			35
Intermodal Trans Center Project	10,178		10,178		10,178			10,178
Squaw Island Remediation Grant	186,749		186,749	36,326	150,423	(35,122)		185,545
GIS Development	171,152	47,800	218,952	2,752	216,200	80,605		135,595

- 102 -

(Continued)

CITY OF BUFFALO, NEW YORK

CAPITAL PROJECT FUND STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE YEAR ENDED JUNE 30, 2008

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
Ferry St Lift Bridge Rehab	804,510		804,510		804,510	460,304		344,206
Emerson Playgrd Ftbl Field	400		400		400			400
So Park Lift Bridge Rehab	1,196,636		1,196,636	396,250	800,386	251,820		548,566
Classific Study Rt 198 Study Scaj	41,475		41,475		41,475	329		41,146
Bflo Corridor Mgt Proj	103,741	74,335	178,076	123,211	54,865	53,979		886
Recon Main St	3,502,853	3,380,000	6,882,853	326,021	6,556,832	229,017		6,327,815
Recon Main St. Ph II	739,770	16,275,500	17,015,270	775,813	16,239,457	14,000,085	129,637	2,109,735
Recon Fuhrmann Blvd	48,098		48,098		48,098			48,098
Signal Improv-Sycamore & Walden	477,194		477,194		477,194	19,478		457,716
Signal Improv-Filmore-Best/Main	194,422		194,422		194,422	4,829		189,593
Signal Improv-Michigan	38,176		38,176		38,176			38,176
Signal Improv-Bailey	71,204	2,685,000	2,756,204	220,379	2,535,825	2,048,245		487,580
Signal Improv-Elmwd/Chip	114,888	12,912	127,800	19,822	107,978	33,810		74,168
Signal Improv-Amherst	200,000		200,000	94,451	105,549	41,548		64,001
Signal Improv-Genesee	913,703		913,703	499,243	414,460	279,174		135,286
Signal Improv-Buffalo Citywide	1,632,562	211,873	1,844,435	930,221	914,214	344,206		570,008
Signal Improv-Masten	51,475		51,475		51,475	50,127		1,348
Replace Babcock St Bridge	858,519	212,188	1,070,707	244,579	826,128	294,212		531,916
Inner Harbor Transport Infrac Fac	198,010		198,010		198,010	28,103		169,907
Elmwood-Delavan to Rt 198	1,516,100		1,516,100		1,516,100	70,416		1,445,684
N. Bflo Rails to Trails	97,324		97,324		97,324	17,298		80,026
Tift St Greenway	449,247	33,091	482,338		482,338	408		481,930
Grider St Reconstr	1,134,292	5,362,653	6,496,945	2,706,973	3,789,972	2,950,435		839,537
Seneca-Caz Instrastr Proj	100,000		100,000		100,000			100,000
Peace Bridge EIS	151,860	(88,538)	63,322	63,322				
Cars on Main St	639,335	(511,757)	127,578	2,661	124,917	335		124,582
Bailey Ave Bridge — Caz Creek	93,925		176,008	115,211	60,797	45,442		15,355
Peace Bridge Area Improvements	338,267	81,313	419,580	90,939	328,641			328,641
Erie Canal Harbor St-Coml Ph I	940,680	227,014	1,167,694	254,766	912,928	14,587		898,341
CN Rail Road Bridge over Rt I-190	1,791,740	333,212	2,124,952	1,828,209	296,743	264,243		32,500
Michican Ave Streetscape	181,668	188,252	369,920	197,905	172,015	90,867		81,148
Fargo/D'Youville College Gateway	181,668	47,204	228,872	50,306	178,566	25,928		152,638
Kenmore Ave-Starin to Main	312,537	253	312,790		312,790			312,790
Traffic Signal & Controllers	2,014,624	13,309	2,027,933	1,171,832	856,101	245,312		610,789
Total Division of Engineering	22,717,681	33,300,827	56,018,508	10,840,487	45,178,021	22,561,878	129,637	22,486,506

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

- 104 -

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
Division of Buildings:								
Historical Society Building	59,661		59,661		59,661			59,661
Parkside Lodge	2,416		2,416		2,416			2,416
Energy Services Ph 6	8,831		8,831		8,831			8,831
Renovations Buffalo Zoo	7		7		7			7
Renovation Zoo Camp Conserv	4,097		4,097		4,097			4,097
Boone Park Remediation	87,593	(4,032)	83,561	83,561				
City Court Chiller	308,801		308,801	93,505	215,296	5,999		209,297
Shea Buffalo Improvements	2,933		2,933		2,933			2,933
Historical Society Ext Restor	52,916		52,916		52,916			52,916
Shea's Improvement HVAC	320,004		320,004	172,168	147,836	127,175		20,661
Total Division of Buildings	847,259	(4,032)	843,227	349,234	493,993	133,174		360,819
DEPARTMENT OF COMMUNITY DEVELOPMENT — Division of Development:								
Scajaquada Pathway-Phase II	243,082		243,082		243,082	3,301		239,781
Scajaquada Pathway-Phase III	329,906	301,586	631,492	375,926	255,566	464		255,102
Remediation Brownfields	56,139		56,139		56,139	548		55,591
Total Division of Development	629,127	301,586	930,713	375,926	554,787	4,313		550,474
EXECUTIVE DEPARTMENT:								
Union Ship Canal (03)	166,025		166,025		166,025	7,396		158,629
Remediation 90 Hopkins	86,676		86,676	591	86,085	60,393		25,692
Frank L. Wright Boathouse		568,875	568,875		568,875			568,875
Total Executive Department	252,701	568,875	821,576	591	820,985	67,789		753,196
DEPARTMENT OF PARKS:								
Massachusetts Ave Park	1,063		1,063		1,063			1,063
MLK Park Improvements	109,539		109,539	109,539				
Franczyk Park Enviro Remediation	1,506,632	1,019,105	2,525,737	1,198,801	1,326,936	1,326,936		
Total Division of Parks	1,617,234	1,019,105	2,636,339	1,308,340	1,327,999	1,326,936		1,063

CITY OF BUFFALO, NEW YORK

**CAPITAL PROJECT FUND
STATEMENT OF ADDITIONS, EXPENDITURES, AND UNRESERVED FUND BALANCE
YEAR ENDED JUNE 30, 2008**

	Fund Balance June 30, 2007	Revenues and Other Financing Sources (Uses)	Total Available	Expenditure and Other Financing Uses	Fund Balance June 30, 2008	Encumbrances	Reserve for Prepays	Unreserved, Designated Fund Balance June 30, 2008
DEPARTMENT OF PERMITS AND INSPECTIONS								
Demo Project - Economic Development		2,755,600	2,755,600	620,910	2,134,690	1,465,975		668,715
Restore NY Comm 06-07	<u>3,203,592</u>		<u>3,203,592</u>	<u>2,040,560</u>	<u>1,163,032</u>	<u>1,114,254</u>		<u>48,778</u>
Total Department of Permits & Inspections	<u>3,203,592</u>	<u>2,755,600</u>	<u>5,959,192</u>	<u>2,661,470</u>	<u>3,297,722</u>	<u>2,580,229</u>		<u>717,493</u>
UNDESIGNATED	<u>137,291</u>		<u>137,291</u>		<u>137,291</u>			<u>137,291</u>
GRAND TOTAL (Non-GAAP)	72,978,153	41,182,962	<u>\$ 114,161,115</u>	30,582,284	83,578,831	38,038,724	129,637	45,410,470
PRIOR YEAR FINANCING SOURCES REPORTED AS REVENUE AS OF JUNE 30, 2008	(12,631,931)	12,631,931						
CURRENT YEAR FINANCING SOURCES NOT REPORTED AS REVENUE AS OF JUNE 30, 2008		(33,370,513)			(33,370,513)			(33,370,513)
ACCOUNTS PAYABLE AT JUNE 30, 2007 NOT INCLUDED IN ENCUMBRANCES	(67,865)			(67,865)				
ENCUMBRANCES AT JUNE 30, 2007 REPORTED AS EXPENDITURES AS OF JUNE 30, 2007	(1,686,787)			(1,686,787)				
ENCUMBRANCES AT JUNE 30, 2008 NOT REPORTED AS 2008 EXPENDITURES				<u>3,681,025</u>	<u>(3,681,025)</u>	<u>(3,681,025)</u>		
TOTAL ON A GAAP BASIS	<u>\$ 58,591,570</u>	<u>\$ 20,444,380</u>		<u>\$ 32,508,657</u>	<u>\$ 46,527,293</u>	<u>\$ 34,357,699</u>	<u>\$ 129,637</u>	<u>\$ 12,039,957</u>

CITY OF BUFFALO, NEW YORK

NET ASSETS BY COMPONENT LAST SIX FISCAL YEARS (Accrual basis of accounting) (Amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008
GOVERNMENTAL ACTIVITIES:						
Invested in capital assets — net of related debt	\$ 94,802	\$ 139,514	\$ 161,821	\$ 156,122	\$ 176,114	\$ 192,336
Restricted	12,585	14,155	19,390	23,093	50,939	58,163
Unrestricted	<u>(45,862)</u>	<u>(10,286)</u>	<u>(41,596)</u>	<u>(18,878)</u>	<u>(15,446)</u>	<u>(27,307)</u>
Total governmental activities net assets	<u>61,525</u>	<u>143,383</u>	<u>139,615</u>	<u>160,337</u>	<u>211,607</u>	<u>223,192</u>
BUSINESS-TYPE ACTIVITIES:						
Invested in capital assets — net of related debt	41,446	31,727	34,945	40,674	39,680	43,550
Unrestricted	<u>12,194</u>	<u>(8,813)</u>	<u>(6,659)</u>	<u>(3,178)</u>	<u>6,718</u>	<u>10,201</u>
Total business-type activities net assets	<u>53,640</u>	<u>22,914</u>	<u>28,286</u>	<u>37,496</u>	<u>46,398</u>	<u>53,751</u>
PRIMARY GOVERNMENT:						
Invested in capital assets — net of related debt	136,248	171,241	196,766	196,796	215,794	235,886
Restricted	12,585	14,155	19,390	23,093	50,939	58,163
Unrestricted	<u>(33,668)</u>	<u>(19,099)</u>	<u>(48,255)</u>	<u>(22,056)</u>	<u>(8,728)</u>	<u>(17,106)</u>
TOTAL PRIMARY GOVERNMENT NET ASSETS	<u>\$115,165</u>	<u>\$ 166,297</u>	<u>\$ 167,901</u>	<u>\$ 197,833</u>	<u>\$ 258,005</u>	<u>\$276,943</u>

Prior years information not available.

CITY OF BUFFALO, NEW YORK

CHANGES IN NET ASSETS LAST SIX FISCAL YEARS (Accrual basis of accounting) (Amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008
EXPENSES:						
Governmental activities:						
General governmental	\$ 111,367	\$ 139,917	\$ 147,731	\$ 172,605	\$ 173,843	\$ 207,031
Public safety	136,642	131,927	128,972	124,879	130,179	142,437
Streets and sanitation	20,129	19,271	20,451	14,045	50,666	22,532
Economic assistance and opportunity	9,171	3,951	6,016	5,536	5,886	10,649
Culture and recreation	4,965	3,954	3,076	4,994	555	3,121
Health and community services	3,187	2,816	3,205	4,709	3,219	3,469
Education ⁽¹⁾		61,409	68,936	62,416	70,955	70,323
Interest on long-term debt	23,005	22,665	25,072	26,371	24,251	19,659
Total governmental activities expenses	<u>308,466</u>	<u>385,910</u>	<u>403,459</u>	<u>415,555</u>	<u>459,554</u>	<u>479,221</u>
Business-type activities:						
Dunn Tire Park ⁽²⁾	2,045					
Solid waste and recycling	17,300	18,385	16,366	18,810	18,937	21,758
Parking	3,378	3,398	4,286	5,028	4,406	2,913
Water	33,014	31,052	29,737	29,179	28,191	27,780
Total business-type activities expenses	<u>55,737</u>	<u>52,835</u>	<u>50,389</u>	<u>53,017</u>	<u>51,534</u>	<u>52,451</u>
Total primary government expenses	<u>364,203</u>	<u>438,745</u>	<u>453,848</u>	<u>468,572</u>	<u>511,088</u>	<u>531,672</u>
PROGRAM REVENUES:						
Governmental activities:						
Charges for services:						
General governmental	10,932	7,373	8,585	8,853	8,834	8,643
Public safety	7,045	7,559	7,812	9,007	8,620	7,597
Streets and sanitation	220	1,339	1,063	1,138	1,120	1,282
Economic assistance and opportunity	2,258	3,495	3,441	3,778	3,654	3,628
Culture and recreation	750	732	1			
Health and community services	317	735	532	502	634	622
Operating grants and contributions	9,159	13,528	12,285	8,110	45,122	12,277
Capital grants and contributions	13,768	12,809	14,178	25,176	20,785	18,562
Total governmental activities program revenues	<u>44,449</u>	<u>47,570</u>	<u>47,897</u>	<u>56,564</u>	<u>88,769</u>	<u>52,611</u>
Business-type activities:						
Charges for services:						
Dunn Tire Park ⁽²⁾	669					
Solid waste and recycling	15,096	15,572	18,969	18,928	18,564	18,431
Parking	5,233	4,890	5,578	6,145	6,862	7,397
Water	34,849	34,578	37,783	41,738	38,658	37,230
Operating grants and contributions						
Capital grants and contributions						
Total business-type activities program revenues	<u>55,847</u>	<u>55,040</u>	<u>62,330</u>	<u>66,811</u>	<u>64,084</u>	<u>63,058</u>
Total primary government program revenues	<u>100,296</u>	<u>102,610</u>	<u>110,227</u>	<u>123,375</u>	<u>152,853</u>	<u>115,669</u>

(Continued)

CITY OF BUFFALO, NEW YORK

CHANGES IN NET ASSETS LAST SIX FISCAL YEARS (Accrual basis of accounting) (Amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008
NET (EXPENSE) REVENUE:						
Governmental activities	\$ (264,017)	\$ (338,340)	\$ (355,562)	\$ (358,991)	\$ (370,785)	\$ (426,610)
Business-type activities	<u>110</u>	<u>2,205</u>	<u>11,941</u>	<u>13,794</u>	<u>12,550</u>	<u>10,607</u>
Total primary government net assets	<u>(263,907)</u>	<u>(336,135)</u>	<u>(343,621)</u>	<u>(345,197)</u>	<u>(358,235)</u>	<u>(416,003)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:						
Governmental activities:						
Taxes:						
Property taxes	127,758	127,766	128,382	127,150	128,721	131,240
Sales taxes ⁽³⁾	59,542					
Other taxes	16,286	28,716	28,836	28,128	27,156	25,756
State aid	138,949	120,083	136,817	139,591	132,968	158,356
Intergovernmental ⁽²⁾		88,508	70,743	63,687	111,652	101,242
Unrestricted grants and contributions	1,171	867	553	460	399	412
Investment earnings	2,159	1,686	3,696	10,605	12,722	11,482
Allocation to school district ⁽¹⁾	(59,849)					
Miscellaneous	3,889	4,118	2,416	4,061	2,689	4,234
Transfers	<u>1,845</u>	<u>3,800</u>	<u>7,215</u>	<u>6,034</u>	<u>5,747</u>	<u>5,473</u>
Total governmental activities	<u>291,750</u>	<u>375,544</u>	<u>378,658</u>	<u>379,716</u>	<u>422,054</u>	<u>438,195</u>
Business-type activities:						
Investment earnings	958	467	576	1,450	2,100	2,219
Miscellaneous	370	4,031	70			
Transfers	<u>(1,524)</u>	<u>(3,733)</u>	<u>(7,215)</u>	<u>(6,034)</u>	<u>(5,747)</u>	<u>(5,473)</u>
Total business-type activities	<u>(196)</u>	<u>765</u>	<u>(6,569)</u>	<u>(4,584)</u>	<u>(3,647)</u>	<u>(3,254)</u>
Total primary government	<u>291,554</u>	<u>376,309</u>	<u>372,089</u>	<u>375,132</u>	<u>418,407</u>	<u>434,941</u>
CHANGE IN NET ASSETS:						
Governmental activities	27,733	37,204	23,096	20,725	51,269	11,585
Business-type activities	<u>(86)</u>	<u>2,970</u>	<u>5,372</u>	<u>9,210</u>	<u>8,903</u>	<u>7,353</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 27,647</u>	<u>\$ 40,174</u>	<u>\$ 28,468</u>	<u>\$ 29,935</u>	<u>\$ 60,172</u>	<u>\$ 18,938</u>

(Concluded)

⁽¹⁾ Tax levy for school purposes reclassified from transfers to education.

⁽²⁾ Operation of Dunn Tire Park transferred to County on January 1, 2003.

⁽³⁾ Intergovernmental includes sales tax, transfers from school district for debt service and BFSFA deficit borrowings.

CITY OF BUFFALO, NEW YORK

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE LAST SEVEN FISCAL YEARS (Accrual basis of accounting) (Amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008
PROPERTY TAX ⁽¹⁾	\$ 114,581	\$ 115,482	\$ 127,766	\$ 128,382	\$ 127,149	\$ 128,721	\$ 131,240
GROSS UTILITY TAX	12,144	13,652	13,558	12,887	13,455	12,050	12,033
COB FRANCHISE TAX	3,005	2,280	2,416	2,646	2,576	2,491	2,244
MORTGAGE TAX	2,037	2,022	2,606	2,701	2,716	2,704	2,431
FOREIGN FIRE INSURANCE TAX	324	354	346	353	343	340	0
OCCUPANCY TAX	<u>8</u>	<u>7</u>	<u>8</u>	<u>11</u>	<u>11</u>	<u>9</u>	<u>8</u>
	<u>\$ 132,099</u>	<u>\$ 133,797</u>	<u>\$ 146,700</u>	<u>\$ 146,980</u>	<u>\$ 146,250</u>	<u>\$ 146,315</u>	<u>\$ 147,956</u>

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

Prior years information not available.

CITY OF BUFFALO, NEW YORK

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified accrual basis of accounting) (Amounts expressed in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GENERAL FUND:										
Reserved	\$ 4,988	\$ 6,809	\$ 6,761	\$ 8,138	\$ 9,262	\$ 6,630	\$ 7,663	\$ 9,204	\$ 11,936	\$ 19,815
Unreserved	<u>14,153</u>	<u>15,655</u>	<u>23,441</u>	<u>9,678</u>	<u>26,744</u>	<u>47,365</u>	<u>69,369</u>	<u>86,457</u>	<u>105,421</u>	<u>113,480</u>
TOTAL	<u>\$ 19,141</u>	<u>\$ 22,464</u>	<u>\$ 30,202</u>	<u>\$ 17,816</u>	<u>\$ 36,006</u>	<u>\$ 53,995</u>	<u>\$ 77,032</u>	<u>\$ 95,661</u>	<u>\$ 117,357</u>	<u>\$ 133,295</u>
ALL OTHER GOVERNMENTAL FUNDS:										
Reserved	\$ 21,262	\$ 43,405	\$ 21,692	\$ 31,602	\$ 23,106	\$ 40,139	\$ 52,250	\$ 44,251	\$ 56,723	\$ 77,078
Unreserved — reported in:										
Capital debt service fund ⁽¹⁾	18,501	18,672	18,878			19,054	2,798			
Capital projects funds	55,161	35,652	33,670	43,308	23,836	11,404	18,752	26,894	45,171	12,040
Fiduciary funds	178	179	177							
Special revenue funds				<u>2,408</u>		<u>420</u>	<u>61</u>	<u>1,599</u>	<u>1,952</u>	<u>1,619</u>
TOTAL	<u>\$ 95,102</u>	<u>\$ 97,908</u>	<u>\$ 74,417</u>	<u>\$ 77,318</u>	<u>\$ 46,942</u>	<u>\$ 71,017</u>	<u>\$ 73,861</u>	<u>\$ 72,744</u>	<u>\$ 103,846</u>	<u>\$ 90,737</u>

⁽¹⁾ Fund balance categories for the capital debt service fund were shifted from unreserved to reserved with the adoption of GASB Statement No. 34.

CITY OF BUFFALO, NEW YORK

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified accrual basis of accounting) (Amounts expressed in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES:										
Property taxes, assessments, and other tax items	\$ 155,775	\$ 152,930	\$ 140,451	\$ 127,479	\$ 128,653	\$ 139,562	\$ 141,272	\$ 140,347	\$ 140,457	\$ 143,045
Utility and other non-property tax items	69,776	73,181	75,244	72,269	75,829	16,320	15,886	16,841	14,881	14,277
Intergovernmental	83,244	98,256	126,075	149,226	163,047	224,110	246,582	255,805	320,309	301,038
Investment Interest	7,942	9,960	7,548	4,869	2,998	1,697	3,818	8,842	11,642	10,756
Licenses, permits, rentals, fines, and service chg	29,617	18,157	18,526	16,761	18,215	19,014	18,853	19,570	19,632	18,587
Miscellaneous	14,691	19,380	12,930	8,053	6,341	9,172	4,956	6,863	6,834	7,571
Total revenues	<u>361,045</u>	<u>371,864</u>	<u>380,774</u>	<u>378,657</u>	<u>395,083</u>	<u>409,875</u>	<u>431,367</u>	<u>448,268</u>	<u>513,755</u>	<u>495,274</u>
EXPENDITURES:										
General government	22,357	45,004	44,160	49,819	50,146	49,599	53,162	56,924	63,735	65,225
Public safety	118,054	125,398	134,711	141,791	138,673	131,860	133,372	136,140	136,496	150,004
Streets and sanitation	12,246	10,963	11,487	30,796	27,322	18,682	23,199	34,682	58,047	28,081
Economic assistance and opportunity	3,115	2,101	1,753	8,575	9,075	3,422	5,704	5,488	5,880	10,671
Culture and recreation	5,241	6,279	5,692	11,585	5,218	5,279	1,985	3,825	2,650	2,177
Health and community services	10,158	3,987	5,609	4,666	3,127	2,790	3,205	4,694	2,655	3,141
Education						68,733	71,288	71,238	76,844	70,323
Fringe benefits	49,867	50,188	61,088	62,982	64,514	82,525	85,246	87,900	90,484	100,785
Other	33,253	8,710	6,691	1,802	6,713	5,577	7,675	3,618	4,972	17,695
Capital outlay	44,665	55,990	61,502							
Debt service:										
Principal	23,272	26,463	29,570	30,598	31,125	35,312	35,818	35,564	32,608	31,836
Interest and other fiscal charges	13,160	20,439	22,233	25,275	30,220	22,350	26,828	28,525	23,614	18,909
Total expenditures	<u>335,388</u>	<u>355,522</u>	<u>384,496</u>	<u>367,889</u>	<u>366,133</u>	<u>426,129</u>	<u>447,482</u>	<u>468,598</u>	<u>497,985</u>	<u>498,847</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>25,657</u>	<u>16,342</u>	<u>(3,722)</u>	<u>10,768</u>	<u>28,950</u>	<u>(16,254)</u>	<u>(16,115)</u>	<u>(20,330)</u>	<u>15,770</u>	<u>(3,573)</u>

CITY OF BUFFALO, NEW YORK

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified accrual basis of accounting) (Amounts expressed in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
										(Continued)
OTHER FINANCING SOURCES (USES):										
Transfers in	\$ 40,828	\$ 43,316	\$ 45,961	\$ 31,527	\$ 31,399	\$ 38,914	\$ 76,738	\$ 46,008	\$ 74,467	\$ 50,994
Transfers out	(94,496)	(90,746)	(98,738)	(29,343)	(29,554)	(35,064)	(69,523)	(39,974)	(68,720)	(45,521)
Disbursement of bond proceeds								(42,819)		
Disbursement of bond proceeds to Enterprise Funds								(6,761)		
Refunding bonds issued	15,950		19,901		52,999	10,285			1,557	929
Capital Notes										
Bonds issued	52,758	37,217	21,686	25,479		40,990	28,030	74,335	28,470	
Premium on bonds/BANs issued					1,504	2,038	2,656	5,968	1,254	
Payments to refunded bond escrow agent	(15,950)		(20,006)		(48,515)	(9,802)		1,084		
Allocation to/from school district				(51,876)	(49,491)					
Proceeds of capital lease							4,095			
Total other financing sources (uses)	(910)	(10,213)	(31,196)	(24,213)	(41,658)	47,361	41,996	37,841	37,028	6,402
NET CHANGE IN FUND BALANCES	\$ 24,747	\$ 6,129	\$ (34,918)	\$ (13,445)	\$ (12,708)	\$ 31,107	\$ 25,881	\$ 17,511	\$ 52,798	\$ 2,829
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	12.53 %	15.66 %	16.04 %	17.02 %	18.72 %	14.31 %	15.35 %	15.65 %	12.19 %	10.86 %

(Concluded)

CITY OF BUFFALO, NEW YORK

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST SEVEN FISCAL YEARS
(Modified accrual basis of accounting)
(Amounts expressed in thousands)**

	2002	2003	2004	2005	2006	2007	2008
PROPERTY TAX ⁽¹⁾	\$ 115,369	\$ 116,376	\$ 126,820	\$ 127,969	\$ 128,250	\$ 128,183	\$ 131,565
GROSS UTILITY TAX	12,144	13,652	13,558	12,887	13,455	12,050	12,033
COB FRANCHISE TAX	3,005	2,280	2,416	2,646	2,576	2,491	2,244
MORTGAGE TAX	2,037	2,022	2,606	2,701	2,716	2,704	2,431
FOREIGN FIRE INSURANCE TAX	324	354	346	353	343	340	0
OCCUPANCY TAX	<u>8</u>	<u>7</u>	<u>8</u>	<u>11</u>	<u>11</u>	<u>9</u>	<u>8</u>
	<u>\$ 132,887</u>	<u>\$ 134,691</u>	<u>\$ 145,754</u>	<u>\$ 146,567</u>	<u>\$ 147,351</u>	<u>\$ 145,777</u>	<u>\$ 148,281</u>

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

Prior years information not available.

CITY OF BUFFALO, NEW YORK

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY LAST TEN FISCAL YEARS (In thousands of dollars)

Fiscal Years 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⁾	Assessed Value as a Percentage of Actual Value
1999	\$ 4,508,497	\$ 4,544,710	\$ 333,126	\$ 3,288,767	\$ 6,097,566	\$24.74	\$ 5,508,187	170.41%
2000	4,460,067	4,477,943	332,062	3,303,951	5,966,121	24.73	5,358,952	172.98
2001	4,550,284	4,285,218	313,710	3,298,835	5,850,377	24.08	5,269,660	173.62
2002	3,984,045	4,196,745	322,376	3,172,192	5,330,974	24.55	5,320,333	159.82
2003	4,136,457	4,070,799	333,981	3,165,997	5,375,240	24.53	5,436,674	157.10
2004	4,350,924	3,931,817	328,224	3,196,397	5,414,568	26.10	5,430,316	158.57
2005	4,405,889	3,886,173	312,129	3,189,036	5,415,155	27.02	5,567,711	154.54
2006	4,511,611	3,989,602	341,763	3,249,728	5,593,248	26.16	5,750,230	153.78
2007	4,626,173	4,025,731	330,093	3,275,707	5,706,290	25.64	5,810,887	154.57
2008	4,936,090	4,285,076	348,041	3,483,436	6,085,771	24.04	6,273,345	152.54

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

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS (Per \$1000 of assessed valuation)

Fiscal Year	Class ⁽³⁾	City of Buffalo ⁽¹⁾			School District			County ⁽²⁾⁽⁴⁾	Authority ⁽¹⁾⁽⁴⁾	Total Direct and Overlapping Rates
		Operating	Debt		Operating	Debt		County of Erie	Sewer Authority	
			Service	Total City		Service	Total School			
1999	H	7.07	2.86	9.93	7.24	1.12	8.36	6.90	1.55	26.74
1999	NH	15.04	6.08	21.12	15.88	2.45	18.33	6.90	1.55	47.90
2000	H	7.25	3.00	10.25	6.92	1.12	8.04	5.74	1.55	25.58
2000	NH	15.53	6.41	21.94	15.29	2.46	17.75	5.74	1.55	46.98
2001	H	6.31	3.47	9.78	7.27	1.24	8.51	4.52	1.76	24.57
2001	NH	12.82	7.05	19.87	15.20	2.60	17.80	4.52	1.76	43.95
2002	H	5.29	3.70	8.99	7.97	1.33	9.30	5.00	1.57	24.86
2002	NH	10.68	7.46	18.14	16.58	2.78	19.36	5.00	1.57	44.07
2003	H	5.91	3.64	9.55	8.09	1.40	9.49	4.81	1.73	25.58
2003	NH	10.91	6.71	17.62	15.38	2.66	18.04	4.81	1.73	42.20
2004	H	6.57	4.29	10.86	7.61	2.38	9.99	4.68	2.06	27.59
2004	NH	11.59	7.56	19.15	13.79	4.32	18.11	4.68	2.06	44.00
2005	H	6.92	4.72	11.64	7.97	2.08	10.05	4.59	2.06	28.34
2005	NH	12.15	8.30	20.45	14.37	3.74	18.11	4.59	2.06	45.21
2006	H	6.75	4.49	11.25	8.41	1.30	9.71	5.13	1.99	28.08
2006	NH	11.91	7.92	19.84	15.21	2.36	17.57	5.13	1.99	44.53
2007	H	6.63	4.21	10.84	8.33	1.58	9.91	5.10	1.94	27.79
2007	NH	11.40	7.23	18.63	14.68	2.77	17.45	5.10	1.94	43.12
2008	H	6.67	3.72	10.39	7.94	1.44	9.38	5.19	1.80	26.76
2008	NH	10.92	6.10	17.02	13.33	2.42	15.75	5.19	1.80	39.76

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

⁽¹⁾ The City of Buffalo 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.

CITY OF BUFFALO, NEW YORK

PRINCIPAL PROPERTY TAXPAYERS CURRENT FISCAL YEAR AND NINE YEARS PRIOR (Amounts expressed in thousands)

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Nationalgrid	\$216,864	1	4.20 %	\$238,752	1	3.92 %
National Fuel Gas	142,641	2	2.61	121,603	2	1.99
Seneca One Realty LLC	80,472	3	1.47			
Verizon New York Inc	71,221	4	1.36	84,056	3	1.38
256 W. Genesee, LLC	70,500	5	1.03			
Aquest Government Leases LLC	65,000	6	0.72			
Con-Rail Corporation	56,586	7	0.44	41,911	5	0.69
Manufacturers & Traders Trust Co.	44,800	8	0.43	29,494	6	0.48
LCO Building, LLC	39,102	9	0.29			
Violet Realty Inc	29,750	10	0.25	25,000	7	0.41
One HSBC Center				53,945	4	0.88
Niagara Frontier Services				18,693	8	0.31
American Axle				13,827	9	0.23
General Mills				12,125	10	0.20

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Amounts expressed in thousands)

Fiscal Years Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Interest Added to Levy ⁽¹⁾	Final Tax Levy for Fiscal Year	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage				Amount	Percentage of Levy
1999	\$ 147,132	\$ 136,241	92.60 %	\$ 1,960	\$ 149,092	\$ 10,989	\$ 147,230	98.75 %
2000	139,478	129,207	92.64	1,849	141,327	10,962	140,169	99.18
2001	128,895	119,370	92.61	1,719	130,614	10,487	129,857	99.42
2002	116,054	108,237	93.26	1,407	117,461	8,784	117,021	99.63
2003	116,465	108,771	93.39	1,385	117,850	7,354	116,125	98.54
2004	124,716	116,714	93.58	1,440	126,156	7,694	124,408	98.61
2005	129,365	121,485	93.91	1,418	130,783	7,074	128,559	98.30
2006	129,260	121,415	93.93	1,413	130,673	7,341	128,756	98.53
2007	129,631	121,849	94.00	1,401	131,032	6,313	128,162	97.81
2008	130,108	123,394	94.84	1,209	131,317	419	123,813	94.29

⁽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

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(Amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Component Unit			Energy Performance Contracts	Total Entity	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds (1)	BFSA Revenue Bonds	Capital Leases	General Obligation Bonds	Water Authority Bonds	Capital Leases		General Obligation Bonds (1)	Revenue Bonds	JSCB Lease				
1999	201,507		N/A	42,672	100,550	N/A	344,729	113,154			5,577	463,460	17.59	1,558
2000	219,202		N/A	38,422	111,015	N/A	368,639	121,862			4,205	494,706	17.77	1,668
2001	226,952		N/A	35,011	112,957	N/A	374,920	124,838	27,415		2,907	530,080	18.63	1,796
2002	229,260		\$ 2,775	52,618	110,367	\$ 1,024	396,044	184,007	27,030		758	607,839	21.02	2,114
2003	208,494		2,283	49,246	123,601	456	384,080	178,133	26,615			588,828	19.71	2,070
2004	202,015	25,745	1,841	44,739	120,474	149	394,963	168,825	35,860	178,635		778,283	24.37	2,741
2005	178,565	53,775	5,658	40,472	117,175	N/A	395,645	156,458	34,490	483,885	7,161	1,077,639	32.62	3,820
2006	126,364	126,075	5,036	28,478	125,260	N/A	411,213	136,648	33,085	475,410	6,287	1,062,643	30.55	3,849
2007	106,611	151,085	4,449	26,188	153,467	N/A	441,800	127,254	31,650	463,100	5,556	1,069,360	N/A	3,916
2008	91,040	143,860	3,929	23,833	147,852	N/A	410,514	118,213	30,170	801,660	4,839	1,365,396	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 starting in 2005

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

CITY OF BUFFALO, NEW YORK

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(Amounts expressed in thousands, except per capita amount)

Fiscal Year	General Bonded Debt			Less Amounts Available in Debt Service Fund	Total	Ratio to Assessed Value (1)	Ratio to Equalized Full Value (1)	Per Capita (2)
	City	Schools	Total					
1999	201,507	113,154	314,661	4,192	310,469	5.09	5.64	11,786
2000	219,202	121,862	341,064	3,617	337,447	5.66	6.30	12,123
2001	226,952	124,838	351,790	3,617	348,173	5.95	6.61	12,235
2002	229,260	184,007	413,267	2,755	410,512	7.70	7.72	14,197
2003	208,494	178,133	386,627	2,347	384,280	7.15	7.07	12,866
2004	202,015	168,825	370,840	6,225	364,615	6.73	6.71	11,417
2005	204,732	158,809	363,541	5,054	358,487	6.62	6.45	10,850
2006	210,771	147,822	358,593	4,152	354,441	6.34	6.26	10,189
2007	209,193	143,339	352,532	5,029	347,503	6.09	5.96	N/A
2008	186,460	132,929	319,389	4,329	315,060	5.18	5.02	N/A

Source: City of Buffalo, Division of Accounting

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

(1) See the schedule of assessed value and estimated actual value of taxable property for property value data.

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

CITY OF BUFFALO, YORK

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30 2008
(Amounts expressed in thousands)**

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Erie County	\$ 476,815	14.00 %	\$ 66,754
Buffalo Sewer Authority	73,313	21.00	<u>15,665</u>
Subtotal — overlapping debt			82,419
City of Buffalo general bonded debt			<u>347,525</u>
Total direct and overlapping debt			<u>\$ 429,944</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.

CITY OF BUFFALO, NEW YORK

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (Amounts expressed in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 594,489	\$ 492,836	\$ 483,392	\$ 475,097	\$ 478,212	\$ 483,162	\$ 494,603	\$ 502,572	\$ 518,985	\$ 547,562
Total net debt applicable to limit	<u>284,714</u>	<u>308,011</u>	<u>301,036</u>	<u>385,113</u>	<u>349,434</u>	<u>333,049</u>	<u>341,786</u>	<u>320,264</u>	<u>314,275</u>	<u>279,302</u>
Debt Contracting Margin	309,775	184,825	182,356	89,984	128,778	150,113	152,817	182,308	204,710	\$ 268,260
Authorized but unissued non-exempt debt	<u>70,315</u>	<u>79,483</u>	<u>138,754</u>	<u>74,752</u>	<u>80,988</u>	<u>80,063</u>	<u>61,178</u>	<u>12,750</u>	<u>13,322</u>	<u>13,322</u>
Effective borrowing capacity — July 1	<u>\$ 239,460</u>	<u>\$ 105,342</u>	<u>\$ 43,602</u>	<u>\$ 15,232</u>	<u>\$ 47,790</u>	<u>\$ 70,050</u>	<u>\$ 91,639</u>	<u>\$ 169,558</u>	<u>\$ 191,388</u>	<u>\$ 254,938</u>
Total net debt applicable to the limit as a percentage of debt limit	47.89 %	62.50 %	62.28 %	81.06 %	73.07 %	68.93 %	69.10 %	63.72 %	60.56 %	51.01 %

Legal Debt Margin Calculation for Fiscal Year 2008

Average Full Valuation of Taxable Real Property and Special Franchises as Determined by the Last Completed Roll and the Four Preceding Rolls	<u>\$ 6,084,023</u>
Debt Contracting Limitation — Nine percent of average full valuation — Article VIII, Section 4 of the Constitution of the State of New York	\$ 547,562
Gross indebtedness:	
Borrowings:	
Serial bonds	\$ 305,929
DASNY refunding	<u>41,596</u>
Total gross debt	<u>347,525</u>
Exclusions:	
Exempt debt:	
Water supply bonds	3,481
Solid waste	67
Parking facilities bonds	24,589
Reserve to pay non-exempt debt	4,329
Appropriation in current budget to pay non-exempt debt maturing during remainder of fiscal year	<u>35,757</u>
Total exclusions	<u>68,223</u>
Net indebtedness	<u>279,302</u>
Debt contracting margin	268,260
Authorized but unissued non-exempt debt	<u>13,322</u>
Effective borrowing capacity — July 1, 2008	<u>\$ 254,938</u>

Source: City of Buffalo, Division of Accounting

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.

CITY OF BUFFALO, NEW YORK

DEBT SERVICE COVERAGE FOR BUFFALO MUNICIPAL WATER FINANCE AUTHORITY REVENUE BONDS LAST TEN FISCAL YEARS (Amounts expressed in thousands)

Fiscal Year	Cash Receipts	Cash Disbursements for Operations	Net Available Revenue	Debt Service Payment	Debt Coverage
1999	\$ 26,120	\$ 17,766	\$ 8,354	\$ 6,553	127.48 %
2000	27,077	17,852	9,225	7,235	127.51
2001	26,960	17,267	9,693	8,121	119.36
2002	27,127	17,358	9,769	8,317	117.46
2003	26,912	16,270	10,642	9,202	115.65
2004	31,519	20,676	10,843	9,270	116.97
2005	35,817	25,080	10,737	9,234	116.28
2006	40,352	25,566	14,786	9,542	154.96
2007	39,673	22,681	16,992	10,526	161.43
2008	40,785	22,388	18,397	11,477	160.29

Note: The Buffalo Water Board is required to set rates such that 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.

CITY OF BUFFALO, NEW YORK

DEMOGRAPHIC ECONOMIC STATISTICS LAST TEN CALENDAR YEARS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population (1)	297,400	296,600	295,200	287,500	284,500	283,900	282,100	276,059	272,632	N/A
Per capita Personal income Erie county (2)	\$ 26,343	\$ 27,836	\$ 28,457	\$ 28,915	\$ 29,868	\$ 31,935	\$ 33,039	\$ 34,786	N/A	N/A
School district Enrollment (3)	45,216	46,243	45,618	44,831	43,146	41,101	38,479	36,706	36,563	35,677
Unemployment Rate (4)	8.7 %	5.1 %	5.8 %	6.8 %	7.2 %	7.3 %	6.5 %	6.2 %	5.8 %	7.1 %
Employed (4)	131,300	118,600	116,300	116,400	115,400	115,500	115,400	115,000	114,100	113,700

Source

- 1) Population figures from "Survey of Buying Power" Sales and Marketing Management Magazine 1999–2005 and U.S. Census Bureau (www.factfinder.census.gov) as of 7/1/07.
- 2) U.S. Dept. of Commerce Bureau of Economic Analysis (www.bea.gov).
- 3) Buffalo City School District's Department of Research and Evaluation.
- 4) www.labor.state.ny.us. See "Buffalo, City of" (Average rates computed through September 2008).

CITY OF BUFFALO, NEW YORK

PRINCIPAL EMPLOYERS IN THE BUFFALO METROPOLITAN AREA CURRENT YEAR AND NINE YEARS PRIOR

Employer	2008 (1)		1999 (2)	
	Employees	Rank	Employees	Rank
State of New York	16,608	1	18,845	1
University at Buffalo	10,035	2		
Kaleida Health	10,000	3	6,896	4
United States of America	9,500	4	13,000	2
Erie County	6,383	5	7,545	3
HSBC Bank, USA	5,848	6	4,633	7
Buffalo City School District	5,389	7	5,785	6
Catholic Health System	4,949	8	4,458	8
Employer Services Corp	4,880	9		
M & T Bank	4,820	10		
Delphi Harrison Thermal Systems			6,100	5
City of Buffalo			4,414	9
Powertrain Group of General Motors			4,000	10
	<u>78,412</u>		<u>75,676</u>	

(1) From the 10/25/07 issue of "Business First." Western New York's weekly business newspaper.

(2) From the 10/25/99 issue of "Business First."

CITY OF BUFFALO, NEW YORK

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	-	-	-	-	436	388	379	391	381	384
Public safety:										
Police:	943	841	934	917						
Officers and exempt					832	787	730	722	658	715
Civilians					198	148	150	151	144	142
Fire:	885	877	950	928						
Firefighters and officers					770	725	685	653	630	611
Civilians					42	42	38	47	38	40
Other					170	143	143	136	133	144
Streets and sanitation					247	196	177	173	165	202
Health and welfare					77	64	56	57	57	53
Culture and recreation					156	106	6	8	8	7
Economic assistance					36	21	23	23	21	22
Business activities:										
Water	142	141	141	134	124	128	126	129	127	126
Solid waste and recycling					120	153	176	177	173	146
Parking							1	1	1	0
Total	<u>3,458</u>	<u>3,442</u>	<u>3,507</u>	<u>3,429</u>	<u>3,208</u>	<u>2,901</u>	<u>2,690</u>	<u>2,668</u>	<u>2,536</u>	<u>2,592</u>

Source: City of Buffalo, Division of Accounting

Note: Employee count by all functions not available prior to 2003. Detail does not equal total prior to 2003.

CITY OF BUFFALO, NEW YORK

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administration and finance —										
Parking summons issued	119,607	191,152	181,864	202,440	201,521	193,724	195,000	200,757	179,229	142,801
Police:										
Physical arrests	13,828	12,437	11,674	15,005	19,125	17,229	10,132 (1)	18,105	21,483	19,780
Traffic violations	32,336	30,585	27,906	26,698	31,436	24,734	13,904 (1)	29,746	30,914	25,611
Fire:										
Number of calls answered	32,929	32,460	32,406	32,997	32,554	34,208	33,994	32,861	35,900	34,434
Inspections	5,400 (2)	5,400 (2)	5,400 (2)	5,800	6,272	6,167	4,350 (2)	2,050 (3)	3,600 (3)	2,332 (3)
Public works:										
Street resurfacing (square yards)	N/A	411,573	470,330	409,306	447,434	432,921	436,676	441,025	431,969	232,727
Pothole material used (in tons)	1,054	1,111	1,932	1,603	1,554	1,431	1,632	1,176	1,176	1,800
Sanitation:										
Refuse collected (tons/day)	N/A	N/A	N/A	N/A	428	418	394	525	474	498
Recyclables collected (tons/day)	N/A	N/A	N/A	N/A	41	37	35	35	26	33
Permits and inspections:										
Demolitions completed	510	549	519	466	347	355	618	238	367	481
Inspections	70,202	76,678	78,825	74,578	74,499	65,163	62,560	31,274	46,446	59,001
Water:										
Consumers	91,392	83,276	82,257	81,275	80,520	80,267	79,610	79,192	79,019	78,224
Water main breaks	175	220	206	166	486	357	263	191	175	184
Average daily consumption (thousands of gallons)	103,000	100,000	91,932	94,755	98,400	84,320	80,820	80,200	72,130	66,800

Sources: Various city departments.

- (1) Reflects data for the period January through June 2005.
- (2) Numbers are approximates due to lack of source documents.
- (3) Number reflects calendar basis.

CITY OF BUFFALO, NEW YORK

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety:										
Police:										
Stations (including headquarters)	8	8	8	8	9	8	8	8	7	6
Satellite stations (substations)	6	6	3	4	5	5	5	5	3	1
Fire stations (including headquarters)	28	28	28	28	28	28	25	23	20	20
Sanitation --- Collection trucks	N/A	45	44	44	38	38	38	39	39	44
Highways and streets:										
Streets (miles)	700	700	700	700	700	700	863	863	673	700
Streetlights	32,967	32,907	31,709	31,548	34,319	34,339	35,000	35,035	30,429	32,000
Traffic signals	662	663	664	660	662	664	660	650	665	665
Culture and recreation:										
Parks acreage (including public squares and circles)	1,852	1,859	1,859	2,000	2,000	2,000	2,025	2,025	1,500	1,900
Parks (major)	17	17	17	19	19	19	20	20	16	16
Minor parks and playgrounds	72	72	72	79	79	79	81	81	81	81
Community centers	N/A	N/A	N/A	N/A	N/A	N/A	34	34	34	35
Education --- School buildings	78	79	79	79	76	76	74	74	74	69
Water:										
Water mains (miles)	783	783	783	783	783	783	783	783	875	875
Fire hydrants	7,432	7,432	7,432	7,432	7,432	7,432	7,432	7,432	8,004	8,004
Pumping plant-maximum daily capacity (thousands of gallons)	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000	310,000
Filtration plant-maximum daily capacity (thousands of gallons)	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000

Sources: Various city departments.