

**AUDITED
BASIC FINANCIAL STATEMENTS**

**ERIE COUNTY FISCAL STABILITY
AUTHORITY**
(A COMPONENT UNIT OF ERIE COUNTY)

DECEMBER 31, 2014

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Erie County Fiscal Stability Authority:
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Erie County Fiscal Stability Authority (the Authority), a component unit of Erie County, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 30, 2015

**Management's Discussion and Analysis
Erie County Fiscal Stability Authority
Fiscal Year ended December 31, 2014**

This section of Erie County Fiscal Stability Authority's (the Authority) annual financial report presents its discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2014. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

The Erie County fiscal Stability Authority is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation. Although legally separate and independent of Erie County, the Authority is incorporated into the financial statements of the County as a blended component unit. (See notes to financial statements)

Financial Highlights

The Erie County Fiscal Stability Authority's 2014 fiscal year was again highlighted by spending 94% of its allocated budget. With a 2014 general fund operating budget of general and administrative expenditures of \$519,389 and actual G & A expenditures of \$487,068 the Authority achieved a savings of \$32,321 or 7%. For the ninth consecutive year, the Authority has expended less than its annual operating budget by at least 7% or more and has very effectively held the line on operational spending keeping it to a bare minimum.

In 2014 the Authority issued short term bonds in the amount of \$109,190,000 on behalf of Erie County for the County's short term capital needs further saving the County and taxpayers \$236,000 in financing costs by issuing the bonds through the Authority.

Overview of the Financial Statements

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the Authority:

- Statement of Net Position (*Figure A-1*)
- Changes in Net Position from Operating Results (*Figure A-2*)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements present the financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Authority as well as all liabilities (including long-term debt).

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

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Authority's overall health, you need to consider additional non-financial factors such as changes in the bond interest rates.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's funds. These statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balances.

In addition to these two types of statements, the financial statements include a reconciliation between the government-wide and fund financial statements. Accompanying notes to the financial statements are an integral part of the financial statements.

Financial Analysis of the Authority as a Whole

Figure A-1 summarizes the Authority's net position as of December 31, 2014 and 2013.

Figure A-1

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2014	2013	
ASSETS:			
Cash and cash equivalents	\$ 152	\$ 132	15.2%
Investments	36,008	25,159	43.1%
Sales tax receivable	46,939	48,620	-3.5%
Efficiency grants receivable	480	2,462	-80.5%
Serial bonds, loan and interest receivable from Erie County	546,544	582,572	-6.2%
Other assets	9	6	50.0%
Total assets	630,132	658,951	-4.4%
LIABILITIES:			
Accrued liabilities	43	31	38.7%
Accrued interest payable on bonds	5,811	5,894	-1.4%
Bond anticipation notes payable	109,190	109,440	-0.2%
Unearned revenues - efficiency grants	416	1,381	-69.9%
Unamortized bond premiums	29,930	37,806	-20.8%
Due to Erie County - sales tax	46,939	48,620	-3.5%
Due to Erie County - efficiency grants	166	1,183	-86.0%
Due to Erie County - debt set-asides	35,936	25,093	43.2%
Funds held for payoff	51	51	0.0%
Residual accrued interest	1	1	0.0%
Bonds payable	391,770	422,670	-7.3%
Total liabilities	620,253	652,170	-4.9%
NET POSITION:			
Restricted for debt service	9,859	6,777	45.5%
Unrestricted	20	4	400.0%
Total net position	\$ 9,879	\$ 6,781	45.7%

The Authority's overall total net position increased 45% in 2014 to \$9,879 from \$6,781 in 2013 mainly due to an increase in investments held in trust for the payment of long term debt offset by decreases in bonds payable and unamortized bond premiums.

Cash and cash equivalents increased 15% due to the accumulation of unused operational funding in the operations checking account. The Authority withholds \$40,000 each month from the interception of sales tax revenues from New York State to fund its operations. Cash outflows for operational expenditures each month may or may not exceed the monthly operational funding.

Since the Authority has an arrangement with Erie County to issue bonds on its behalf and then use the funds to purchase mirror bonds "notes" from the County, the Authority accrues interest receivable from the County on those mirror bonds and reduces the receivable when payment is received from Erie County and made to the outside bondholders. The Authority has an ongoing requirement to set aside Erie County funds through the interception of sales tax revenues from New York State to make the periodic interest and principal payments on its outstanding bonds issued. The Authority's "total liabilities" correspondingly decreased primarily as a result of the reduction in outstanding bonds payable (long term debt).

Accrued interest payable, bond anticipation notes payable, unamortized bond premiums, bonds payable, debt set-asides, due to Erie County, and residual accrued interest due to Erie County all relate as liability components to the Authority's 2014 and 2013 issuance of bonds.

Figure A-2

Changes in Net Position from Operating Results
(in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2014	2013	
GENERAL REVENUES:			
Sales tax	\$ 418,572	\$ 407,581	2.7%
Efficiency grant income	972	2,386	-59.3%
Interest and other income	19,397	19,448	-0.3%
Less - distributions to Erie County	(419,064)	(409,511)	-2.3%
Total revenues	<u>19,877</u>	<u>19,904</u>	<u>-0.1%</u>
EXPENSES:			
General and administrative	487	447	8.9%
Interest and amortization	16,074	22,427	-28.3%
Bond issuance costs	-	916	-100.0%
Excess funds distribution	-	741	-100.0%
Other expenses-RAN issuance costs	218	-	100.0%
Total expenses	<u>16,779</u>	<u>24,531</u>	<u>-31.6%</u>
Change in net position	3,098	(4,627)	167.0%
Net position - beginning, as previously stated	6,781	13,680	-50.4%
Restatement of net position	<u>-</u>	<u>(2,272)</u>	<u>100.0%</u>
Net position - beginning, as restated	<u>6,781</u>	<u>11,408</u>	<u>-40.6%</u>
Net position - ending	<u>\$ 9,879</u>	<u>\$ 6,781</u>	<u>45.7%</u>

The increase in sales tax revenues of 2.7% is due to the overall improving economic condition of Erie County residents as well as continuing strong cross border spending from Canadian citizens. Efficiency Grant income declined by 59% as a result of declining reimbursement requests to New York State due to the winding down of remaining efficiency grant balances. General and administrative expenses increased by 8.9% due to an increase in overall G & A spending. Bond issuance costs decreased due to no issuance of long term debt in 2014. Excess funds distribution decreased due to a 2013 one time transfer of excess operations funds back to Erie County from the ECFSA operations checking account.

Financial Analysis of the Authority's Funds

General & Administrative Expenses

For the year ended December 31, 2014, the Authority's general and administrative expenses totaled \$487,000 verses \$447,000 in 2013. General and administrative expenses were 8.9% higher in 2014 compared to 2013 primarily due to increases in wages and employee related expenses and professional fees offset by declines in Authority meeting and miscellaneous expenses.

Figure A-3

**General and Administrative Expenses
(in thousands of dollars)**

	Total Cost of Services		Total Percentage Change
	2014	2013	
	Wages and employee-related expenses	\$ 420	
Professional fees	29	23	26.1%
Office related	29	25	16.0%
Authority meetings	4	5	-20.0%
Miscellaneous	5	6	-16.7%
Total	\$ 487	\$ 447	8.9%

Wages and employee related expenses include salaries, payroll taxes, health insurance (net of employee contributions) and New York State and Local Retirement System (NYSLRS) contributions. As of December 31, 2014 there were four Authority employees. Wage increases of 1.5% and additional staff hours related to one employee as well as an increase in health insurance premiums were the main drivers for the 8.2% increase in wage and employee-related expenses.

Figure A-4

**Wages and Employee Related Expenses
(in thousands of dollars)**

	Total Cost of Services		Total Percentage Change
	2014	2013	
	Salaries	\$ 268	
Payroll taxes	21	19	10.5%
Benefits	131	117	12.0%
Total	\$ 420	\$ 388	8.2%

Professional fees are paid for independent audit, legal, financial advisory, payroll and banking services. Legal fees increased 50% due to additional billings for legal counsel. Audit fees remain unchanged and are based on a three year audit contract expiring in 2016. Payroll and banking service fees increased due to additional M & T trust account fees for debt service.

Figure A-5

Professional Fees
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2014	2013	
Legal services	\$ 3	\$ 2	50.0%
Independent audit services	8	8	0.0%
Payroll and banking services	18	13	38.5%
Total	\$ 29	\$ 23	26.1%

On November 1, 2010 the Authority renewed it's lease on a month-to-month basis at the same monthly rate of the original lease. The month-to-month lease arrangement is still in effect through 2014. Office supplies expense increased primarily due to hardware and installation costs on a new server for the office.

Figure A-6

Office Related Expenses
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2014	2013	
Lease and utilities	\$ 17	\$ 17	0.0%
Office supplies	12	7	71.4%
Insurance	-	1	-100.0%
Total	\$ 29	\$ 25	16.0%

Factors Bearing on the Authority's Future

The Authority was created on July 12, 2005 by Chapter 182 of the Laws of 2005, and amended by Chapter 183 of the Laws of 2005, to monitor and oversee the finances of the County. The Authority is enacted to operate through December 31, 2039.

Revenues & Sales Tax Distribution

Revenues of the Authority includes the County's share of sales tax revenue and interest income earned on cash held by the Authority, granted to the County. The Authority's enabling legislation grants the Authority a first lien and perfected security interest in net collections from sales and compensating use tax authorized by the State and levied by the County.

The current sales and compensation use tax rate in the County is 4.75% consisting of a 3.00% base rate and a 1.75% additional rate, which is subject to periodic renewals. The Authority receives all sales tax revenue imposed by the County except for the component that is allocable to the towns, cities, school districts and villages within the County. Sales tax revenue is dependent upon various factors including economic conditions in the County, which has experienced numerous cycles of growth and recession.

Sales tax revenue of the Authority for the year ended December 31, 2014 amounted to \$418,572,405. The Authority received \$18,239 in interest on sales tax transferred to the Authority by the New York State Office of the State Comptroller. In addition the Authority realized \$102 in interest income on cash held in interest-bearing bank accounts and interest income on notes receivable from the County amounting to \$19,378,465.

The Authority retained \$480,000 of sales tax revenue in 2014 to offset the reduction in interest on sales tax revenue due to historically low interest rates.

Revenue of the Authority must be applied first to pay debt service on the Authority bonds, then for Authority operating expenses and finally subject to agreements with the County, the balance is transferred to the County. The Authority transferred \$357,091,823 in net sales tax revenues to the County in the 2014 fiscal year.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority by phone at (716)847-7184, by email at info@ecfsa.state.ny.us or by mail at Erie County Fiscal Stability Authority, 295 Main Street, Suite 946, Buffalo, New York 14203.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

Statement of Net Position

December 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 152,043
Investments	36,007,855
Due from other governments - NYS sales tax	46,939,304
Due from other governments - NYS efficiency grants	480,002
Prepays	9,367
Interest receivable on notes with Erie County	4,449,843
Serial bonds receivable - Erie County	313,155,000
Loan receivable - Erie County	78,615,000
Unamortized discount - Erie County serial bonds	31,751,084
Unamortized discount - Erie County loan	8,573,180
Notes receivable - Erie County - due in one year	110,000,000
	<hr/>
Total assets	630,132,678
LIABILITIES	
Accrued liabilities	43,415
Accrued interest on bonds	5,810,746
Due to Erie County:	
Sales taxes	46,939,304
Efficiency grants	165,830
Debt service set-asides	35,936,022
Interest on debt service set-asides	699
Unamortized bond premiums	29,930,357
Bond anticipation note payable	109,190,000
Bonds payable:	
Due within one year	42,730,000
Due beyond one year	349,040,000
Unearned revenues - NYS efficiency grants	415,996
ECFSA funds held for payoff	50,469
Residual accrued interest	947
	<hr/>
Total liabilities	620,253,785
NET POSITION	
Restricted for debt service	9,858,775
Unrestricted	20,118
	<hr/>
Total net position	\$ 9,878,893

See accompanying notes.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

Statement of Activities

For the year ended December 31, 2014

	Governmental Activities
GENERAL REVENUES	
State sales taxes transferable to Erie County	\$ 357,091,823
State sales taxes set aside for Bonds	61,000,582
State sales taxes retained by ECFSA	480,000
State efficiency grants	972,221
Interest earned on sales tax	18,239
Interest earned on notes with Erie County	19,378,465
Other interest income	102
	<hr/>
Total general revenues	438,941,432
	<hr/>
EXPENSES	
General and administrative	487,068
Distributions:	
Erie County - NYS sales taxes	357,091,823
Erie County - NYS efficiency grants	972,221
Debt service set-asides	61,000,582
Bond interest expense	16,074,124
Other expenses - RAN issuance costs	218,311
	<hr/>
Total expenses	435,844,129
	<hr/>
Change in net assets	3,097,303
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Net position - beginning	6,781,590
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Net position - ending	\$ 9,878,893
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See accompanying notes.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

Balance Sheet - Governmental Funds

December 31, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 152,043	\$ -	\$ 152,043
Investments	4,646	36,003,209	36,007,855
Due from other governments - NYS Sales taxes	46,939,304	-	46,939,304
Due from other governments - NYS efficiency grants	480,002	-	480,002
Prepays	9,367	-	9,367
Notes receivable Erie County - due in one year	110,000,000	-	110,000,000
Total assets	<u>\$ 157,585,362</u>	<u>\$ 36,003,209</u>	<u>\$ 193,588,571</u>
LIABILITIES			
Accrued liabilities	\$ 43,415	\$ -	\$ 43,415
Due to Erie County:			
Sales taxes	46,939,304	-	46,939,304
Efficiency grants	165,830	-	165,830
Debt service set-asides	-	35,936,022	35,936,022
Interest revenue on bond set-asides	699	-	699
Bond anticipation note payable	109,190,000	-	109,190,000
Unearned revenues - NYS efficiency grants	415,996	-	415,996
ECFSA funds held for payoff	-	50,469	50,469
Residual accrued interest	-	947	947
Total liabilities	<u>156,755,244</u>	<u>35,987,438</u>	<u>192,742,682</u>
FUND BALANCES			
Nonspendable - prepaid expenses	9,367	-	9,367
Restricted for debt service	-	15,771	15,771
Unassigned	820,751	-	820,751
Total fund balances	<u>830,118</u>	<u>15,771</u>	<u>845,889</u>
Total liabilities and fund balances	<u>\$ 157,585,362</u>	<u>\$ 36,003,209</u>	<u>\$ 193,588,571</u>

See accompanying notes.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

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

December 31, 2014

Total fund balances - governmental funds balance sheet	\$ 845,889
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Interest receivable is recognized when earned in the government-wide statements . In the governmental funds balance sheet interest is accrued only if it will be received within sixty days of year end. This is the portion of interest receivable related to long term debt which will not be received within sixty days of year end.	4,449,843
Purchase of notes relating to long term bonds issued to the Authority by Erie County are reported as assets in the Statement of Net Position but not reported as assets in the governmental funds balance sheet.	391,770,000
Unamortized bond premiums for long term debt is reported as a liability in the Statement of Net Position and not reported in the governmental funds balance sheet.	(29,930,357)
Accrued Interest on long-term debt is reported as a liability in the Statement of Net Position and not reported in the governmental funds balance sheet.	(5,810,746)
Unamortized bond discounts for long term debt is reported as an asset in the Statement of Net Position and not reported in the governmental funds balance sheet	40,324,264
Certain liabilities, including bonds payable are not due and payable currently and therefore are not reported as liabilities in the governmental funds balance sheet but for accrual basis purposes are reported in the Statement of Net Position. These liabilities consist of long term debt associated with the the 2013A, 2013B, 2013C, 2011A, 2011B, 2011C, 2010A, 2010B and 2010C series bond issuances.	<u>(391,770,000)</u>
Net position of governmental activities	\$ <u>9,878,893</u>

See accompanying notes.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

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

For the year ended December 31, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
State sales taxes remitted to Erie County	\$ 357,091,823	\$ -	\$ 357,091,823
State sales taxes set aside for bonds	61,000,582	-	61,000,582
State sales taxes retained by ECFSA	480,000	-	480,000
NYS efficiency grants	972,221	-	972,221
Interest earned on sale tax	18,239	-	18,239
Other interest income	102	-	102
Principal payments received on notes with Erie County	-	30,900,000	30,900,000
Interest received on notes with Erie County	1,015,360	19,256,546	20,271,906
Premiums on bond anticipation notes	1,032,937	-	1,032,937
Total revenues	<u>421,611,264</u>	<u>50,156,546</u>	<u>471,767,810</u>
EXPENDITURES			
General and administrative	487,068	-	487,068
Distributions:			
Erie County - sales taxes	357,091,823	-	357,091,823
Erie County - efficiency grants	972,221	-	972,221
Debt service set-asides	61,000,582	-	61,000,582
Debt Service for revenue anticipation notes:			
Principal	-	30,900,000	30,900,000
Interest	1,015,360	19,256,546	20,271,906
Revenue anticipation notes issuance costs	218,311	-	218,311
Total expenditures	<u>420,785,365</u>	<u>50,156,546</u>	<u>470,941,911</u>
Net change in fund balances	825,899	-	825,899
Fund balances - beginning	<u>4,219</u>	<u>15,771</u>	<u>19,990</u>
Fund balances - ending	<u>\$ 830,118</u>	<u>\$ 15,771</u>	<u>\$ 845,889</u>

See accompanying notes.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

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

For the year ended December 31, 2014

Net change in fund balances - total governmental funds	\$ 825,899
Amounts reported for governmental activities in the statement of activities are different because:	
Interest revenue on notes with Erie County relating to long and short term debt is reported in the Statement of Activities and not reported in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances.	19,001,782
Interest expense accrued on long term debt is reported in the Statement of Activities and not reported in the governmental funds statement of revenue and expenditures.	(15,920,378)
Interest revenue accrued on short term note receivables is reported in the Statement of Activities and not reported in the governmental funds statement of revenue and expenditures.	376,683
Interest expense accrued on short term debt is reported in the Statement of Activities and not reported in the governmental funds statement of revenue and expenditures.	<u>(1,186,683)</u>
Change in net position of governmental activities	<u>\$ 3,097,303</u>

See accompanying notes.

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Erie County Fiscal Stability Authority (the Authority) is a corporate governmental agency and instrumentality of the State of New York (the State) constituting a public benefit corporation. The Authority is incorporated into the financial statements of Erie County, New York (the County) as a blended component unit. The Authority was created on July 12, 2005, to monitor and oversee the finances of the County. Agencies and departments to be covered by the Authority's activities include all Erie County Departments, Erie Community College, the Buffalo & Erie County Public Libraries and Erie County Sewer Districts.

The business of the Authority is carried out by the Authority's Board of Directors at public meetings, which are required to be held not less than quarterly during a control period and not less than annually during an advisory period. Board meetings are typically held monthly. No action may be taken by the Authority without a favorable vote of at least four directors. The Authority is to be governed by seven directors, each appointed by the Governor including one each appointed on the written recommendation of the Temporary President of the State Senate, the Speaker of the State Assembly and the State Comptroller. The Governor designates a chair and vice chair from among the directors. One director appointed by the Governor and the directors appointed on the recommendation of the Temporary President of the State Senate, the Speaker of the State Assembly and the State Comptroller must be residents of Erie County. All directors of the Authority serve without salary.

In its oversight capacity, the Authority is vested with control and advisory powers to review County financial plans submitted to it and make recommendations, or if necessary, adverse findings thereon. Annually, the Authority is required to review and approve a budget and four-year financial plan submitted by the County, which details expenditures, revenues and gap closing measures. The Authority may impose a control period upon, make one of several statutory findings concerning the County's financial position and, if necessary, develop financial plans on behalf of the County, if the County is unwilling or unable to take the required steps toward fiscal stability. The Authority is also empowered to make appropriated State aid available as it determines necessary in the form of efficiency grants.

On November 3, 2006, the Authority imposed a control period on the County in accordance with Section 3595(1)(e) of New York Public Authorities Law through resolution 06-49. The resolution empowered the Authority to operate with its maximum authorized compliment of control and oversight powers over County finances. On that date, the Board also imposed a hiring freeze and a contract review process.

On June 2, 2010 the Authority elected to revert from control status to advisory status.

The Authority is required to comment on proposed borrowings by the County and it may issue bonds or other obligations to achieve budgetary savings through debt restructuring, deficit financing or by financing short-term cash flow or capital needs. The aggregate principal amount of long-term general obligation or revenue borrowing by the Authority on behalf of the County shall not exceed \$700 million at any one time excluding any cost of issuance, debt reserve fund or future refunding of bonds net of unearned bond accretion. In addition, the aggregate principal amount of short-term cash flow borrowing by the Authority on behalf of the County shall not exceed \$250 million at any one time.

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION (Continued)

Revenue of the Authority consists of sales tax revenue, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County, and investment earnings on funds deposited in Authority bank accounts. Sales tax revenue collected by the New York State Office of the State Comptroller (the State Comptroller) for transfer to the Authority are not subject to appropriation by the State or County. Revenues of the Authority that are not required to pay operating expenses and other costs of the Authority are payable to the County as frequently as practicable.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Authority has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The Authority has prepared government-wide financial statements titled the statement of net position and statement of activities as well as the required supplementary information titled management's discussion and analysis which precedes the financial statements. The Authority also prepares the fund financial statements, which are the general and debt service fund balance sheet, and statement of revenues, expenditures and changes in fund balances.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. New assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Amounts for each of the two classes of net position – restricted and unrestricted – are displayed in the statement of net position and the amounts of change in each of those classes of net position are displayed in the statement of activities.

The Authority follows the modified accrual basis of accounting on its governmental funds, which focuses on changes in available resources, in preparation of the fund financial statements. Under the modified accrual basis of accounting, revenues and related receivables are recorded in the accounting period that they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (sixty days or less). Expenditures and related liabilities are recognized in the accounting period the liability is due and payable. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority reports the following funds as major governmental funds:

General fund - the Authority's primary operating fund and accounts for substantially all activity of the Authority.

Debt Service fund - this fund accounts for certain sales tax revenue that is set-aside to service the debt service of the Authority's serial bonds.

Revenue Recognition: No revenues are generated from operating activities of the Authority, therefore, all revenues are defined by the Authority as general revenues. Revenues are received in the General Fund. Overhead expenses of the Authority that arise in the course of providing the Authority's oversight services, such as payroll and office expenses, are considered operating expenses and are accounted for in the General Fund.

Postemployment Benefits Other Than Pensions: The Authority has no obligation requiring financial statement reporting under GASB Statement No. 43 or GASB Statement No. 45, as there are no employees of the Authority who are currently entitled to postemployment benefits other than pensions.

Cash and Cash Equivalents: Cash and cash equivalents include certificates of deposit which mature within 90 days of issuance, if applicable.

Bond Issuance Costs: Bond issuance costs are expensed and recognized in the period issued in the governmental funds. The Authority adopted GASB Statement No. 65 in 2013 which requires bond issuance costs to also be expensed and recognized in the period issued in the government-wide statements.

Bond Premiums: In the government-wide statements, proceeds from the issuance of bonds received in excess of face value (premiums) are deferred and added to the bonded liability. These amounts are subsequently amortized on a straight-line basis as an offset of interest expense over the life of the bond.

Net Position: GASB requires the classification of net position into three components, of which the Authority uses two, as defined below:

Restricted Net Position - consists of net positions with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - all other net positions that do not meet the definition of "restricted".

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. NEW ACCOUNTING PRONOUNCEMENTS

As of December 31, 2014, the Governmental Accounting Standards Board (GASB) has issued both GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending December 31, 2015 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which should be applied simultaneously with the provisions of Statement No. 68. These Statements would require the Authority to record the unfunded liability related to the Employees' Retirement System (ERS). As of December 31, 2014, ERS has not provided sufficient information related to this liability to determine whether it will have a material impact on the Authority financial statements upon implementation.

NOTE 3. DEPOSITS AND INVESTMENTS

The Authority's investment policies are governed by State statutes as required by New York Public Authority's Law. In addition, the Authority has adopted their own written investment policy. The Authority's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and municipalities and school districts.

Investments consist of accounts held at Wilmington Trust for set-aside sales tax revenue for the payment of the Authority's debt service requirements. These set-aside funds are held on behalf of Erie County for its payment of mirror serial bonds payable to the Authority in a segregated trust account and not commingled with the assets of the bank. Additionally, they are invested in Treasury Securities which provides for full principal protection in accordance with the Eligible Investments of the Indenture. The balance in these accounts is \$36,007,855 at December 31, 2014.

Investment and Deposit Policy

The Authority implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Authority currently follows an investment and deposit policy as directed by State statutes, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Board of Directors.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

The Authority's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Authority's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Authority's investment and deposit policy, all deposits of the Authority including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Authority restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by the New York State and its localities.

NOTE 4. TRANSACTIONS WITH AND ON BEHALF OF ERIE COUNTY

The Act and other legal documents of the Authority established various financial relationships between the Authority and the County. The resulting financial transactions between the Authority and the County include:

- a. The receipt of sales tax revenues in 2014 of \$418,572,405 and the subsequent disbursements of \$357,091,823 were remitted to the County.
- b. The Authority retained \$480,000 of sales tax revenue in 2014 to offset the reduction in interest on sales tax revenue due to historically low interest rates.
- c. The receipt and accrual of New York State Efficiency Grants in 2014 of \$972,221 and reimbursement of \$972,221 to the County.
- d. Notes, serial bonds and accrued interest receivable in the amount of \$546,544,107 were owed to the Authority by the County at December 31, 2014.

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. SALES TAX RECEIVABLE /DUE TO ERIE COUNTY

Sales tax receivable amounted to \$46,939,304 at December 31, 2014. These amounts are receivable from the State Comptroller and are also due to the County. These amounts were received by the Authority and transferred to the County subsequent to year-end.

NOTE 6. BOND ANTICIPATION NOTES

In 2014, the Authority issued a bond anticipation note Series 2014A totaling \$109,190,000, with interest at 1.25%, due July 31, 2015.

NOTE 7. REVENUE ANTICIPATION NOTES

In 2014, Erie County issued a revenue anticipation note Series 2014 totaling \$110,000,000, with interest at 1.00%, due June 30, 2015.

NOTE 8. LONG-TERM LIABILITIES

Authority serial bonds, as follows:

	<u>December 31, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2014</u>	<u>Due in one year</u>
Series 2010A bond, maturing May 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	\$ 132,075,000	\$ -	\$ 10,735,000	\$ 121,340,000	\$ 11,175,000
Series 2010B bond, maturing July 2022 with interest ranging from 2.0% to 5.0% over the life of the bond	32,340,000	-	6,735,000	25,605,000	6,925,000
Series 2010C bond, maturing March 2020 with interest ranging from 2.25% to 5.24% over the life of the bond.	41,800,000	-	5,200,000	36,600,000	5,425,000
Series 2011A bond, maturing April 2018 with interest ranging from 2.0% to 5.0% over the life of the bond.	27,285,000	-	5,000	27,280,000	6,340,000

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LONG-TERM LIABILITIES (Continued)

	December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2014</u>	<u>Due in one year</u>
Series 2011B bond, maturing September 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	14,710,000	-	1,215,000	13,495,000	1,250,000
Series 2011C bond, maturing December 2028 with interest ranging from 4.0% to 5.0% over the life of the bond.	82,505,000	-	3,890,000	78,615,000	4,050,000
Series 2013A bond, maturing March 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	25,635,000	-	-	25,635,000	2,165,000
Series 2013B bond, maturing January 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	30,485,000	-	135,000	30,350,000	2,410,000
Series 2013C bond, maturing August 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	<u>35,835,000</u>	<u>-</u>	<u>2,985,000</u>	<u>32,850,000</u>	<u>2,990,000</u>
	<u>\$ 422,670,000</u>	<u>\$ -</u>	<u>\$ 30,900,000</u>	<u>\$ 391,770,000</u>	<u>\$ 42,730,000</u>

Debt service requirements:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 42,730,000	\$ 17,889,711	\$ 60,619,711
2016	46,935,000	15,963,255	62,898,255
2017	48,455,000	13,848,168	62,303,168
2018	45,095,000	11,533,850	56,628,850
2019	39,535,000	9,524,912	49,059,912
2020-2024	140,875,000	22,781,705	163,656,705
2025-2028	<u>28,145,000</u>	<u>3,604,000</u>	<u>31,749,000</u>
	<u>\$ 391,770,000</u>	<u>\$ 95,145,601</u>	<u>\$ 486,915,601</u>

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. SERIAL BONDS AND LONG-TERM LOAN RECEIVABLE FROM ERIE COUNTY

Erie County issued mirror bonds and long-term loan to the Authority, as follows:

	December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2014</u>	<u>Due in one year</u>
Series 2010A bond, maturing May 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	\$ 132,075,000	\$ -	\$ 10,735,000	\$ 121,340,000	\$ 11,175,000
Series 2010B bond, maturing July 2022 with interest ranging from 2.0% to 5.0% over the life of the bond	32,340,000	-	6,735,000	25,605,000	6,925,000
Series 2010C bond, maturing March 2020 with interest ranging from 2.25% to 5.24% over the life of the bond.	41,800,000	-	5,200,000	36,600,000	5,425,000
Series 2011A bond, maturing April 2018 with interest ranging from 2.0% to 5.0% over the life of the bond.	27,285,000	-	5,000	27,280,000	6,340,000
Series 2011B bond, maturing September 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	14,710,000	-	1,215,000	13,495,000	1,250,000
Series 2011C loan, maturing December 2028 with interest ranging from 4.0% to 5.0% over the life of the loan.	82,505,000	-	3,890,000	78,615,000	2,990,000
Series 2013A bond, maturing March 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	25,635,000	-	-	25,635,000	2,165,000

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. SERIAL BONDS AND LONG-TERM LOAN RECEIVABLE FROM ERIE COUNTY (Continued)

	December 31, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2014</u>	<u>Due in one year</u>
Series 2013B bond, maturing January 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	30,485,000	-	135,000	30,350,000	2,410,000
Series 2013C bond, maturing August 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	<u>35,835,000</u>	-	<u>2,985,000</u>	<u>32,850,000</u>	<u>4,050,000</u>
	<u>\$ 422,670,000</u>	<u>\$ -</u>	<u>\$ 30,900,000</u>	<u>\$ 391,770,000</u>	<u>\$ 42,730,000</u>

Debt service requirements:

Year ending <u>December 31,</u>	<u>Serial bonds</u>		<u>Long-term loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 38,680,000	\$ 13,999,461	\$ 4,050,000	\$ 3,890,250
2016	42,725,000	12,235,005	4,210,000	3,728,250
2017	44,035,000	10,330,418	4,420,000	3,517,750
2018	40,455,000	8,237,100	4,640,000	3,296,750
2019	34,660,000	6,460,162	4,875,000	3,064,750
2020-2024	112,600,000	11,366,205	28,275,000	11,415,500
2025-2028	-	-	<u>28,145,000</u>	<u>3,604,000</u>
	<u>313,155,000</u>	<u>\$ 62,628,351</u>	78,615,000	<u>\$ 32,517,250</u>
Unamortized discount	<u>31,751,084</u>		<u>8,573,180</u>	
	<u>\$ 344,906,084</u>		<u>\$ 87,188,180</u>	

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. PENSION PLAN

PLAN DESCRIPTION

The Authority participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (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 New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

FUNDING POLICY

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3.0% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the systems more than ten years are no longer required to contribute. In addition, employees' contribution rates under ERS tier VI vary based on a sliding salary scale. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

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

	<u>ERS</u>
2014	\$ 50,038
2013	52,037
2012	63,715

The Authority's contributions made to the System were equal to 100 percent of the contributions required for each year. The Authority chose to prepay the required contributions by December 15, 2014 and received an overall discount of \$450.

NOTE 11. FUND BALANCES

As of December 31, 2014, fund balances on the fund basis statements are classified as follows:

Nonspendable - amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

**ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY)**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11. FUND BALANCES (Continued)

Committed - amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision making authority, i.e., the Board of Directors. As of December 31, 2014, the Authority has no committed fund balances.

Assigned - amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The assigned category typically includes funds encumbered and appropriations of fund balances. As of December 31, 2014, the Authority has no assigned fund balances.

Unassigned - all other spendable amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Authority

The Authority has not adopted a formal spending policy, under the provisions of GASB Statement No. 54, stating the Board of Directors will assess the current financial condition of the Authority and then determine the order of application of expenditures to which fund balance classifications will be charged. Under the provisions of GASB Statement No. 54, absent of a formal policy, committed funds will be reduced first, followed by assigned fund, and then unassigned funds when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Erie County Fiscal Stability Authority
City of Buffalo, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Erie County Fiscal Stability Authority (the Authority), a component unit of Erie County, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 30, 2015



INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of the
Erie County Fiscal Stability Authority

We have examined Erie County Fiscal Stability Authority's (the Authority) compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the year ended December 31, 2014. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2014.

This report is intended solely for the information and use of the Board of Directors, management and others within the Authority and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 30, 2015