AUDITED
BASIC FINANCIAL STATEMENTS

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A COMPONENT UNIT OF ERIE COUNTY)

DECEMBER 31, 2015

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

Contents

FreedMaxick CPAs, P.C.

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, 2015, 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, 2015, 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.

Emphasis of Matter

As stated in Note 1, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally accepted Accounting Principles for State and Local Governments.*

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of net pension liability and the schedule of the Authority's pension contributions on pages on pages 3-10 and 31-32 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 29, 2016 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 29, 2016

FreedMaxick™ CPAs, P.C.

Management's Discussion and Analysis
Erie County Fiscal Stability Authority
Fiscal Year ended December 31, 2015

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, 2015. 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 2015 fiscal year was again highlighted by controlling spending to 86% of it's allocated budget. With a 2015 general fund operating budget of general and administrative expenditures of $537,953 and actual G & A expenditures of $465,102 the Authority achieved a savings of $72,850 or 14%. For the Tenth consecutive year, the Authority has expended less than it's annual operating budget by at least 7% or more, year over year.

The Authority remains committed to conducting its oversight functions of Erie County finances using the lowest level of resources it needs to meet its State mandated responsibilities and reporting requirements.

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 and deferred outflows of resources 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, 2015 and 2014.

Figure A-1

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2015	2014	
ASSETS:			
Cash and cash equivalents	$ 176	$ 152	15.8%
Investments	38,986	36,008	8.3%
Sales tax receivable	53,164	46,939	13.3%
Efficiency grants receivable	-	480	-100.0%
Serial bonds, loan and interest receivable from Erie County	388,138	546,544	-29.0%
Other assets	15	9	66.7%
Total assets	480,479	630,132	-23.7%
Deferred outflows of resources	50		
LIABILITIES:			
Accrued liabilities	35	43	-18.6%
Accrued interest on bonds	4,119	5,811	-29.1%
Bond anticipation notes payable	-	109,190	-100.0%
Unearned revenues - NYS efficiency grants	10	416	-97.6%
Unamortized bond premiums	22,963	29,930	-23.3%
Due to Erie County - sales tax	53,164	46,939	13.3%
Due to Erie County - efficiency grants	-	166	-100.0%
Due to Erie County - debt set-asides	38,919	35,936	8.3%
ECFSA funds held for payoff	51	51	0.0%
Residual accrued interest	1	1	0.0%
Bonds payable	349,040	391,770	-10.9%
Net pension liability	31	-	100.0%
Total liabilities	468,333	620,253	-24.5%
NET POSITION:			
Restricted for debt service	12,032	9,859	22.0%
Unrestricted	164	20	720.0%
Total net position	$ 12,196	$ 9,879	23.5%

The Authority's overall total net position increased 23.5% in 2015 to $12,196 from $9,879 in 2014 mainly due to slight increases in investments held in trust for the payment of long term debt offset by decreases in bond anticipation notes payables, bonds payables, and other accrued liabilities.

Cash and cash equivalents increased 15.8% due to less than expected expenditures. The Authority withholds $40,000 each month from the interception of sales tax revenues from New York State to fund it's 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 it's 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 it's outstanding bonds issued. The Authority's "total liabilities" correspondingly decreased primarily as a result of the reduction in outstanding bonds payable (long term debt) and no issuance of Revenue Anticipation Notes (Short term debt) in 2015.

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 2015 and 2014 issuance of bonds.

Figure A-2

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

	Governmental Activities 2015	Governmental Activities 2014	Total Percentage Change
GENERAL REVENUES:			
Sales tax	425,226	$ 418,572	1.6%
Efficiency grant income	404	972	-58.4%
Interest and other income	17,385	19,397	-10.4%
Less - distributions to Erie County	(425,036)	(419,064)	-1.4%
Total revenues	17,979	19,877	-9.5%
EXPENSES:			
General and administrative	442	487	-9.2%
Interest and amortization	15,211	16,074	-5.4%
Excess funds distribution	4		-100.0%
Other expenses-RAN issuance costs	-	218	100.0%
Total expenses	15,657	16,561	-5.5%
Change in net position	2,322	3,098	25.0%
Net position - beginning, as previously stated	9,879	6,781	-50.4%
Restatement of net position - Note 10	(5)	-	-100.0%
Net position - beginning, as restated	9,874	6,781	45.6%
Net position - ending	$ 12,196	$ 9,879	23.5%

The slight increase in sales tax revenues of 1.6% while positive is less than expected with that mainly being attributable to the significant decline in gas prices in the area. Efficiency Grant income declined by 58.4% as a result of declining reimbursement requests to New York State due to the winding down of remaining efficiency grant balances. As of December 31, 2015 there are no more Efficieny Grant funds available for awarding and no unreimbursed claims by Erie County. General and administrative expenses decreased by 4.5% due to decreases in overall general and administrative expenditures. Bond issuance costs decreased due to no issuance of long term debt in 2015

Financial Analysis of the Authority's Funds

General & Administrative Expenses

For the year ended December 31, 2015, the Authority's general and administrative expenses totaled $465,102 verses $487,000 in 2014. General and administrative expenses were 4.5% lower in 2015 compared to 2014 primarily due to the GASB 68 pension adjustment and 25% allocation of 2015's annual pension contribution reconciliation payment to 2016's fiscal year. There were also declines in expenditures relating to office supplies, legal fees, telephone and postage.

Figure A-3

General and Administrative Expenses
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2015	2014	
Wages and employee-related expenses	$ 407	$ 420	-3.1%
Professional fees	25	29	-13.8%
Office related	24	29	-17.2%
Authority meetings	4	4	0.0%
Miscellaneous	5	5	0.0%
Total	$ 465	$ 487	-4.5%

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, 2015 there were four Authority employees. Wage and employee related expenses decrease of 3.1% is mainly attributable to a compensated (vacation) expense adjustment posted in 2014 and no adjustment posted in 2015 offset by a 2% COLA wage increase.

Figure A-4

Wages and Employee Related Expenses
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2015	2014	
Salaries	$ 274	$ 268	2.2%
Payroll taxes	21	21	0.0%
Benefits	112	131	-14.5%
Total	$ 407	$ 420	-3.1%

Professional fees are paid for independent audit, legal, financial advisory, payroll and banking services. There were no legal expenditures in 2015 Audit fees increased slightly and are based on a three year audit contract expiring in 2016. Payroll and banking service fees remain unchanged.

Figure A-5

Professional Fees
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2015	2014	
Legal services	$ -	$ 3	-100.0%
Independent audit services	7	8	-12.5%
Payroll and banking services	18	18	0.0%
Total	$ 25	$ 29	-13.8%

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 2016. 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
	2015	2014	
Lease and utilities	$ 16	$ 17	-5.9%
Office supplies	8	12	-33.3%
Insurance	-	-	0.0%
Total	$ 24	$ 29	-17.2%

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, 2015 amounted to $425,226,000. The Authority received $17,385 in interest on sales tax transferred to the Authority by the New York State Office of the State Comptroller. In addition the Authority realized $67 in interest income on cash held in interest-bearing bank accounts and interest income on notes receivable from the County amounting to $376,683.

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 $425,036,000 in net sales tax revenues to the County in the 2015 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, 2015

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	176,096
Investments		38,986,410
Due from other governments - NYS sales tax		53,163,439
Prepaids		15,427
Interest receivable on notes with Erie County		3,568,060
Serial bond receivable - Erie County		274,475,000
Loan receivable - Erie County		74,565,000
Unamortized discount - Erie County serial bonds		27,569,497
Unamortized discount - Erie County- due in one year		7,960,809
Total assets		480,479,738
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows		10,014
Deferred pension outflows, contributions subsequent to measurement date		39,803
Deferred outflows of resources		49,817
LIABILITIES		
Accrued liabilities	$	35,288
Accrued interest on bonds		4,118,963
Due to Erie County		
Sales Taxes		53,163,439
Debt service set-asides		38,918,914
Interest on debt service set- asides		699
Unamortized bond premiums		22,962,969
Bonds payable:		
Due within one year		46,935,000
Due beyond one year		302,105,000
Unearned revenues - NYS efficiency grants		10,000
ECFSA funds held for payoff		50,469
Residual accrued interest		1,236
Net pension liability		31,120
Total liabilities		468,333,097
NET POSITION		
Restricted for debt service		12,032,205
Unrestricted		164,253
Total net position	$	12,196,458

See notes to basic financial statements.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

Statement of Activities

For the year ended December 31, 2015

		Governmental Activities
GENERAL REVENUES		
State sales taxes remitted to Erie County	$	361,120,196
State sales taxes set aside for Bonds		63,602,604
State sales taxes retained by ECFSA		480,000
State efficiency grants		404,656
Interest earned on sales tax		23,275
Interest earned on notes with Erie County		17,384,613
Other interest income		67
Total general revenues		443,015,411
EXPENSES		
General and administrative		441,969
Distributions		
Erie County - NYS sales taxes		361,120,196
Erie County - NYS efficiency grants		312,831
Debt service set-asides		63,602,604
Bond interest expense		15,211,183
Excess funds distribution		4,627
Total expenses		440,693,410
Change in net position		2,322,001
Net position - beginning of year, as previously stated		9,878,893
Restatement of net position- note 10		(4,436)
Net position- beginning of year, as restated		9,874,457
Net position - ending	$	12,196,458

See notes to basic financial statements.

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

Balance Sheet - Governmental Funds

December 31, 2015

	General Fund	Debt Service Fund	Total
ASSETS			
Cash and cash equivalents	$ 176,096	$ -	$ 176,096
Investments	19	38,986,390	38,986,409
Due from other governments - NYS Sales taxes	53,163,439	-	53,163,439
Prepaids	15,427	-	15,427
Total assets	$ 53,354,981	$ 38,986,390	$ 92,341,371
LIABILITIES			
Accrued liabilities	$ 35,287	$ -	$ 35,287
Due to Erie County:			
Sales taxes	53,163,439	-	53,163,439
Debt service set-asides	-	38,918,914	38,918,914
Interest revenue on bond set-asides	699	-	699
Unearned revenues - NYS efficiency grants	10,000	-	10,000
ECFSA funds held for payoff	-	50,469	50,469
Residual accrued interest	-	1,236	1,236
Total liabilities	53,209,425	38,970,619	92,180,044
FUND BALANCES			
Nonspendable - prepaid expenses	15,427	-	15,427
Restricted for debt service	-	15,771	15,771
Unassigned	130,129	-	130,129
Total fund balances	145,556	15,771	161,327
Total liabilities and fund balances	$ 53,354,981	$ 38,986,390	$ 92,341,371

See notes to basic financial statements.

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, 2015

Total fund balances - governmental funds	$	161,327
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.		3,568,060
Purchase of notes and 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.		349,040,000
Deferred outflows are not assets of the current period and therefore are not reported in the funds.		49,817
Unamortized bond premiums for long term debt are reported as a liability in the Statement of Net Position and not reported in the governmental funds balance sheet.		(22,962,969)
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.		(4,118,963)
Unamortized bond discounts for long term debt are reported as an asset in the Statement of Net Position and not reported in the governmental funds balance sheet.		35,530,306
Pension liabilities are not due and payable in the current period and therefore are not reported in the funds.		(31,120)
Certain liabilities, including bonds payable are not due and payable currently and therfore 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 assiciated with the the 2013A, 2013B, 2013C, 2011A, 2011B, 2011C, 2010A, 2010B and 2010C series bond issuances.		(349,040,000)
Net position of governmental activities	$	12,196,458

See notes to basic financial statements.

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, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
State sales taxes remitted to Erie County	$ 361,120,196	$ -	$ 361,120,196
State sales taxes set aside for bonds	63,602,604	-	63,602,604
State sales taxes retained by ECFSA	480,000	-	480,000
NYS efficiency grants	404,656	-	404,656
Interest earned on sales taxes	23,275	-	23,275
Other interest income	67	-	67
Principal payments received on notes with Erie County	376,683	17,889,713	18,266,396
Interest received on notes with Erie County	-	42,730,000	42,730,000
Total revenues	426,007,481	60,619,713	486,627,194
EXPENDITURES			
General and administrative	465,102	-	465,102
Distributions:			
Erie County - sales taxes	361,120,196	-	361,120,196
Erie County - efficiency grants	312,831	-	312,831
Debt service set-asides	63,602,604	-	63,602,604
Debt Service for revenue anticipation notes:			
Principal	-	42,730,000	42,730,000
Interest	1,186,683	17,889,713	19,076,396
Excess Funds Distribution - RAN Account	4,627		
Total expenditures	426,692,043	60,619,713	487,307,129
Net change in fund balances	(684,562)	-	(684,562)
Fund balances - beginning	830,118	15,771	845,889
Fund balances - ending	$ 145,556	$ 15,771	$ 161,327

See notes to basic financial statements.

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, 2015

Net change in fund balances - total governmental funds	$	(684,562)
Amounts reported for governmental activities in the statement of activities are different because:		
Interest revenue on notes with Erie County relating to long & short term debt is reported in the Statement of Activities and not reported in the governmental Statement of Revenue and Expenditures.		17,384,613
Amortization of Issuance costs for long term debt are amortized over the term of the debt in the Statement of Activities and are not reported in the governmental Statement of Revenue and Expenditures.		(4,793,958)
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.		(10,417,225)
The repayment of serial bonds and long term notes receivable from Erie County is recorded as a revenue in the government funds Statement of Revenues & Expenditures but not on the Statement of Activities.		(42,730,000)
The repayment of long term notes receivable interest from Erie County is recorded as a revenue in the government funds statement of revenues & exependitures but not on the statement of activities.		(17,889,713)
The payment of principal on long term debt is recorded as an expenditure in the governmental funds statement of revenues & expenditures and not recorded in the government wide statement of activities. It will however be recorded as a reduction of the long term debt principal in the liability section of the government wide statement of net assets.		42,730,000
The payment of interest on long term debt is recorded as an expenditure in the governmental funds statement of revenues & expenditures and not recorded in the government wide statement of activities. It will however be recorded as a reduction of the long term debt interest receivable in the asset section of the government wide statement of net position.		17,889,713
The repayment of RAN notes receivable interest from Erie County is recorded as a revenue in the government funds statement of revenues & exependitures but not on the statement of activities.		(376,683)
Increase in the proportionate share of net pension liability reported in the Statement of Net Position does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.		10,507
Increase in the proportionate share of the net deferred inflow and outflow reported in the Statement of Net Position of the difference during the mreasurement period between the Authority's contributions and its proportionate share to the total contributions to the pension systems susequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		12,626
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.		1,186,683
Change in net position of governmental activities	$	2,322,001

See 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.

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. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority. Governmental activities normally are supported by sales taxes.

B. 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.

C. 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 measureable 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.

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.

D. 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.

E. 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.

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

G. 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.

H. 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.

I. 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".

J. 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.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

only has two items that qualify for reporting in this category. These are related to pensions reported in the government-wide Statement of Net Position. See details of deferred pension outflows in Note 3.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item that qualifies for reporting in this category.

L. NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2015, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

The primary objective of Statement No. 68 and No. 71 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The GASB has issued the following new statements:

- Statement No. 72, *Fair Value Measurement and Application*, which will be effective for the year ending December 31, 2016; and

The Authority is currently reviewing these statements and plans on adoption, as required.

M. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after March 29, 2016 which is the date these financial statements were available to be issued.

NOTE 3. DETAIL NOTES ON ALL ACTIVITIES AND FUND

PENSION OBLIGATIONS

New York State and Local Employees' Retirement System (ERS)

PLAN DESCRIPTION

The Authority participates in the New York State and Local Employees' Retirement System (ERS), which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System.

NOTE 3. DETAIL NOTES ON ALL ACTIVITIES AND FUND (Continued)

The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefit's provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

CONTRIBUTIONS

The System is noncontributory except for employees who joined the System after July 27, 1976 who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for the entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required and were as follows:

2015	$ 53,522
2014	50,038
2013	52,037

The Authority chose to prepay the required contribution by December 15 and received an overall discount of $482.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2015, the Authority reported a liability of $31,120 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2015, the Authority's proportion of the net pension liability was .00921 percent.

NOTE 3. DETAIL NOTES ON ALL ACTIVITIES AND FUND (Continued)

For the year ended December 31, 2015, the Authority recognized a pension expense of $16,670. At December 31, 2015 the Authority's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 996	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,405	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	3,613	-
Total	$ 10,014	$ -
Authority's contributions subsequent to the measurement date	$ 39,803	$ -

The amount of $39,803 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2016	$ 2,504
2017	2,504
2018	2,504
2019	2,504
2020	-
Thereafter	-

NOTE 3. DETAIL NOTES ON ALL ACTIVITIES AND FUND (Continued)

ACTUARIAL ASSUMPTIONS

The total pension liability as of the March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Inflation rate	2.7%
Salary increases	4.9%
Investment rate of return (net of investment expense, including inflation)	7.5%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Class	Long Term Expected Real Rate of Return
Domestic equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

NOTE 3. DETAIL NOTES ON ALL ACTIVITIES AND FUND (Continued)

DISCOUNT RATE

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

The following tables presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	ERS		
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (asset)	$ 207,426	$ 31,120	$ (117,727)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

	ERS (Dollars in Thousands)
Employers' total pension liability	$ 164,591,504
Plan net position	161,213,259
Employers net pension total	$ 3,378,245
Ratio of Plan net position to the Employers' total pension liability	97.9%

NOTE 4. 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.

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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 $38,986,410 at December 31, 2015.

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.

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 5. 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 2015 of $425,202,801 and the subsequent disbursements of $361,120,196 were remitted to the County.

b. The Authority retained $480,000 of sales tax revenue in 2015 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 2015 of $312,831 and reimbursement of $312,831 to the County.

d. Notes, serial bonds and accrued interest receivable in the amount of $388,138,366 were owed to the Authority by the County at December 31, 2015.

NOTE 6. SALES TAX RECEIVABLE /DUE TO ERIE COUNTY

Sales tax receivable amounted to $53,163,439 at December 31, 2015. 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 7. LONG-TERM LIABILITIES

Authority serial bonds, as follows:

	December 31, 2014	Increases	Decreases	December 31, 2015	Due in one year
Series 2010A bond, maturing May 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	$ 121,340,000	$ -	$ 11,175,000	$ 110,165,000	$ 11,640,000
Series 2010B bond, maturing July 2022 with interest ranging from 2.0% to 5.0% over the life of the bond	25,605,000	-	6,925,000	18,680,000	7,160,000
Series 2010C bond, maturing March 2020 with interest ranging from 2.25% to 5.24% over the life of the bond.	36,600,000	-	5,425,000	31,175,000	5,675,000

NOTE 7. LONG-TERM LIABILITIES (Continued)

	December 31, 2014	Increases	Decreases	December 31, 2015	Due in one year
Series 2011A bond, maturing April 2018 with interest ranging from 2.0% to 5.0% over the life of the bond.	27,280,000	-	6,340,000	20,940,000	1,153,500
Series 2011B bond, maturing September 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	13,495,000	-	1,250,000	12,245,000	1,295,000
Series 2011C bond, maturing December 2028 with interest ranging from 4.0% to 5.0% over the life of the bond.	78,615,000	-	4,050,000	74,565,000	4,210,000
Series 2013A bond, maturing March 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	25,635,000	-	2,165,000	23,470,000	2,230,000
Series 2013B bond, maturing January 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	30,350,000	-	2,410,000	27,940,000	4,935,000
Series 2013C bond, maturing August 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	32,850,000	-	2,990,000	29,860,000	3,140,000
	$ 391,770,000	$ -	$ 42,730,000	$ 349,040,000	$ 46,935,000

NOTE 7. LONG-TERM LIABILITIES (Continued)

Debt service requirements:

Year ending December 31,	Principal	Interest	Total
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	41,195,000	7,617,278	48,812,278
2021-2025	106,210,000	16,571,677	122,781,677
2026-2028	21,615,000	2,196,750	23,811,750
	$ 349,040,000	$ 77,255,890	$ 426,295,890

NOTE 8. 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, 2014	Increases	Decreases	December 31, 2015	Due in one year
Series 2010A bond, maturing May 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	$ 121,340,000	$ -	$ 11,175,000	$ 110,165,000	$ 11,640,000
Series 2010B bond, maturing July 2022 with interest ranging from 2.0% to 5.0% over the life of the bond	25,605,000	-	6,925,000	18,680,000	7,160,000
Series 2010C bond, maturing March 2020 with interest ranging from 2.25% to 5.24% over the life of the bond.	36,600,000	-	5,425,000	31,175,000	5,675,000
Series 2011A bond, maturing April 2018 with interest ranging from 2.0% to 5.0% over the life of the bond.	27,280,000	-	6,340,000	20,940,000	6,650,000
Series 2011B bond, maturing September 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	13,495,000	-	1,250,000	12,245,000	1,295,000
Series 2011C loan, maturing December 2028					

NOTE 8. SERIAL BONDS AND LONG-TERM LOAN RECEIVABLE FROM ERIE COUNTY (Continued)

	December 31, 2014	Increases	Decreases	December 31, 2015	Due in one year
with interest ranging from 4.0% to 5.0% over the life of the loan.	78,615,000	-	4,050,000	74,565,000	4,210,000
Series 2013A bond, maturing March 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	25,635,000	-	2,165,000	23,470,000	2,230,000
Series 2013B bond, maturing January 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	30,350,000	-	2,410,000	27,940,000	4,935,000
Series 2013C bond, maturing August 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	32,850,000	-	2,990,000	29,860,000	3,140,000
	$ 391,770,000	$ -	$ 42,730,000	$ 349,040,000	$ 46,935,000

Debt service requirements:

	Serial bonds		Long-term loan	
Year ending December 31,	Principal	Interest	Principal	Interest
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	36,080,000	4,796,278	5,115,000	2,821,000
2021-2025	76,520,000	6,569,927	29,690,000	10,001,750
2025-2029	-	-	21,615,000	2,196,750
	274,475,000	$ 48,628,890	74,565,000	$ 28,627,000
Unamortized discount	27,569,497		7,960,809	
	$ 302,044,497		$ 82,525,809	

NOTE 9. FUND BALANCES

As of December 31, 2015, 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.
>
> 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, 2015, 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, 2015, 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 funds, and then unassigned funds when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 10 - RESTATEMENT OF FUND BALANCE/NET POSITION

Net Position

For the fiscal year ended December 31, 2015, the Authority implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The implementation of Statements No. 68 and No. 71 resulted in the reporting of deferred outflow of resources, a pension liability and deferred inflow of resources related to the Authority's participation in the New York State and Local Employees' Retirement System (ERS). The Authority's net position has been restated as follows:

Net position beginning of year, as previously stated	$ 9,878,893
GASB Statement No. 68 and No. 71 implementation:	
Beginning System liability	(41,627)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	37,191
Net position beginning of year, as restated	$ 9,874,457

ERIE COUNTY FISCAL STABILITY AUTHORITY
(A Component Unit of Erie County)

SCHEDULE OF AUTHORITY'S NET PENSION LIABILITY
NYSERS PENSION PLAN

DECEMBER 31, 2015

		2015
Authority's proportion of the net pension asset (liability)		0.000921%
Authority's proportionate share of the net pension asset (liability)	$	31,120
Authority's covered-employee payroll		266,365
Authority's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll		12%
Plan fiduciary net position as a percentage of the total pension asset (liability)		97.9%

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A Component Unit of Erie County)

NYSERS PENSION PLAN LAST 10 FISCAL YEARS

DECEMBER 31,

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contractually required contribution	$ 9,220	$ 9,309	$ 20,432	$ 12,012	$ 18,888	$ 26,242	$ 63,142	$ 51,569	$ 49,588	$ 53,070
Contributions in relation to the contractually required contribution	$ 9,220	$ 9,309	$ 20,432	$ 5,997	$ 18,888	$ 26,242	$ 63,142	$ 51,569	$ 49,588	$ 53,070
Contribution deficiency (excess)	-	-	-	6,015	-	-	-	-	-	-
Authority's covered-employee payroll	259,541	233,961	224,803	232,512	248,201	252,350	262,572	250,877	263,553	280,009
Conributions as a percentage of covered-employee payroll	4%	4%	9%	3%	8%	10%	24%	21%	19%	19%

FreedMaxick CPAs, P.C.

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, 2015, 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 29, 2016.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 29, 2016

FreedMaxick CPAs, P.C.