

**Erie County Fiscal Stability Authority**

**Resolution No. 09-14**

**APPROVING THE 2008 ANNUAL FINANCIAL AUDIT**

WHEREAS, Chapter 182 of the New York Laws of 2005 created the Erie County Fiscal Stability Authority (“ECFSA”), to serve as a corporate governmental agency and instrumentality of the State of New York, and as a public benefit corporation to “oversee [Erie] County’s budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability;” and

WHEREAS, the ECFSA is a public authority of the State of New York and, as such, section 3971(1) of the New York Public Authorities Law (“Public Authorities Law”) requires the ECFSA to select an independent certified accountant to perform its annual financial audit; and

WHEREAS, in adopting Resolution 08-70 on July 15, 2008, the ECFSA selected Toski, Schaefer & Co., P.C., which the New York State Office of General Services has approved as a statewide vendor of auditing and accounting services, to perform its annual financial audit for fiscal years 2008 through 2010; and

WHEREAS, Toski, Schaefer & Co., P.C., has completed the ECFSA 2008 annual financial audit (the “2006 Audit”), and presented it to the Audit Committee during an open meeting on March 25, 2009; and

WHEREAS, section 2800(3) of the Public Authorities Law further requires the ECFSA to approve a financial audit for fiscal year 2008; and

WHEREAS, the Audit Committee has recommended approval of the 2008 Audit;

NOW, THEREFORE, BE IT RESOLVED that the ECFSA hereby approves the 2008 Audit, a copy of which is attached to this resolution; and

BE IT FURTHER RESOLVED that the 2008 Audit be submitted to the Erie County Executive, the Presiding Officer of the Erie County Legislature, the Erie County Comptroller, the Governor, the State Comptroller, the Chair and Ranking Minority Member of the State Senate Finance Committee, and the Chair and Ranking Minority Member of the State Assembly Ways and Means Committee, as required by section 3971(1) of Public Authorities Law.

This resolution shall take effect immediately.

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Stanley J. Keysa  
Secretary

Dated: March 25, 2009

**ERIE COUNTY FISCAL STABILITY AUTHORITY**  
**(A Component Unit of Erie County)**  
**Financial Statements and Management's**  
**Discussion and Analysis**  
**December 31, 2008 and 2007**  
**(With Independent Auditors' Report thereon)**

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Erie County Fiscal Stability Authority:

We have audited the accompanying financial statements of the governmental activities and general fund of the Erie County Fiscal Stability Authority (the Authority), a component unit of Erie County, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and general fund of the Authority, as of December 31, 2008 and 2007, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2009, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 to 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Williamsville, New York  
February 20, 2009

ERIE COUNTY FISCAL STABILITY AUTHORITY  
(A Component Unit of Erie County)  
Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS AND ANALYSIS

Financial Highlights

The Erie County Fiscal Stability Authority's (the Authority) 2008 fiscal year was highlighted by spending only \$488,088 of the allocated \$764,200 operating budget. Most of the unspent funds were returned to Erie County. The Authority spent approximately 64% of its allocated budget, despite being in a control status for the entire year.

Other financial highlights include the transfer of \$710,676 in New York State efficiency grant monies to Erie County primarily for costs related to Six Sigma Implementation, Sheriff Patrol Vehicles, a GPS System and for more efficient space utilization. In early 2008, the Authority agreed to fund a space utilization coordinator in the amount of \$160,000 and a six sigma coordinator, to create management efficiencies, in the amount of \$200,000.

The Authority has brought almost \$25 million in efficiency grant monies to Erie County, with over \$7 million of those funds already allocated to cost-saving projects that will bring recurring savings of almost \$6 million over the period of the current financial plan alone.

The Authority has established a four year planning cycle to provide reasonable assurance that short-term benefits are not made at a cost to long term stability. The Authority, through its financial oversight, hiring freeze and contract review process, has contributed significantly to four straight years of surpluses for Erie County.

The Authority's basic financial statements consist of two government-wide financial statements and accompanying notes, an integral part of the financial statements. The *Statement of Net Assets* presents the Authority's assets, liabilities, and net assets. The *Statement of Activities and Changes in Net Assets* presents the Authority's revenue, expenses and the resulting change in net assets. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 - "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" using the economic resource measurement focus and accrual basis of accounting to display information about the reporting entity as a whole. Governmental fund financial statements are not prepared or required for the Authority as only one fund - the Authority's General Fund - is used for operations and there were no differences in the Authority's fund balances under the modified accrual basis of accounting and its net assets under the accrual basis of accounting. Comparative and financial statement line item analyses are presented below.

Although legally separate and independent of Erie County, New York (the County), the Authority is a component unit of the County for financial reporting purposes and, accordingly, is included in the County's financial statements. A discussion of the County's fiscal activities and financial condition will be available in the County's 2008 Financial Statements and Management's Discussion and Analysis.

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

**Management's Discussion and Analysis, Continued**

Comparative Analysis

Table 1 summarizes the Authority's net assets as of December 31, 2008 and 2007.

**Table 1**  
**Net Assets as of December 31, 2008 and 2007**

	2008	2007
<b>Assets:</b>		
Cash and equivalents.....	\$ 719,411	538,724
Sales tax receivable.....	42,495,367	47,088,443
Efficiency grant receivable.....	142,337	-
Prepaid expenses.....	9,107	9,462
<b>Total assets.....</b>	<b>\$ 43,366,222</b>	<b>47,636,629</b>
<b>Liabilities:</b>		
Accounts payable.....	24,151	17,559
Accrued liabilities.....	24,046	19,427
Due to Erie County - sales tax.....	42,495,367	47,088,443
Efficiency grant payable to Erie County.....	423,253	-
<b>Total liabilities.....</b>	<b>42,966,817</b>	<b>47,125,429</b>
<b>Net Assets - unrestricted.....</b>	<b>399,405</b>	<b>511,200</b>
<b>Total liabilities and net assets.....</b>	<b>\$ 43,366,222</b>	<b>47,636,629</b>

Table 2 summarizes the change in the Authority's net assets during the years ended December 31, 2008 and 2007.

**Table 2**  
**Increase (Decrease) in Net Assets for the Years**  
**ended December 31, 2008 and 2007**

	2008	2007
<b>Revenue:</b>		
Sales tax.....	\$386,851,388	368,695,655
Efficiency grant income.....	710,676	419,312
State aid incentives.....	668,332	668,332
Interest and other income.....	375,943	653,946
Less - distributions to Erie County.....	(388,230,396)	(369,783,299)
<b>Total revenue.....</b>	<b>375,943</b>	<b>653,946</b>
<b>Expenses - general and administrative.....</b>	<b>487,738</b>	<b>535,397</b>
<b>Increase (decrease) in net assets</b>	<b>(111,795)</b>	<b>118,549</b>
<b>Net assets at beginning of year</b>	<b>511,200</b>	<b>392,651</b>
<b>Net assets at end of year</b>	<b>\$ 399,405</b>	<b>511,200</b>

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

Management's Discussion and Analysis, Continued

General and Administrative Expense

During the year ended December 31, 2008, the Authority's general and administrative expenses totaled \$487,738. General and administrative expenses were \$276,462 lower than the \$764,200 budgeted, primarily due to lower than expected professional fees and wage expense. The Authority budgeted \$295,000 for professional fees and \$401,200 for wage expense in 2008. Actual 2008 professional fees were \$127,801 and actual wage expense was \$306,378. The Authority's general and administrative consist of the following expense categories:

**Table 3 – 2008 and 2007 General and Administrative Expenses**

<i>Category</i>	<i>2008</i>	<i>2007</i>
Wages and employee-related	\$ 306,378	330,064
Professional fees	127,801	147,604
Office related	34,477	40,984
Authority meetings	17,920	15,295
Travel	1,162	1,450
<b>Total</b>	<b>\$ 487,738</b>	<b>535,397</b>

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, 2008, there were four Authority employees. The Authority's directors serve without compensation, but are reimbursed for any Authority-related expenses.

**Table 4 – 2008 and 2007 Wages and Employee-Related Expenses**

<i>Sub-Category</i>	<i>2008</i>	<i>2007</i>
Salaries	\$ 225,687	236,561
Payroll taxes	19,771	20,878
Benefits	60,920	72,625
<b>Total</b>	<b>\$ 306,378</b>	<b>330,064</b>

Professional fees were paid for independent audit, legal, financial advisory and payroll services as follows:

**Table 5 – 2008 and 2007 Professional Fees**

<i>Sub-Category</i>	<i>2008</i>	<i>2007</i>
Legal services	\$ 74,022	91,370
Financial advisory services	45,400	48,972
Independent audit services	6,386	5,884
Payroll and banking services	1,993	1,378
<b>Total</b>	<b>\$ 127,801</b>	<b>147,604</b>

The Authority signed a five year, two month lease for office space with Ellicott Development in August 2005. Office-related expenses were incurred for the Authority's lease of office space, insurance, and office supplies as follows:

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

Management's Discussion and Analysis, Continued

**Table 6 – 2008 and 2007 Office Related Expenses**

<i>Sub-Category</i>	<i>2008</i>	<i>2007</i>
Lease and utilities	\$ 23,708	21,483
Office supplies	8,541	16,868
Insurance	2,228	2,633
<b>Total</b>	<b>\$ 34,477</b>	<b>40,984</b>

Revenue and Sales Tax Distributions

Revenue of the Authority includes the County's share of Erie County sales tax revenue and, to a much smaller extent, interest income earned on cash held by the Authority and state aid, if any, 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 percent consisting of a 3 percent base rate and 1.75 percent, 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, 2008 amounted to \$386,851,388. The Authority received \$368,315 in interest on sales tax transferred to the Authority by the New York State Office of the State Comptroller. In addition, the Authority realized \$7,628 in interest income on cash held in interest-bearing bank accounts.

Revenue of the Authority must be applied first to pay debt service on 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 \$388,230,396 to the County in the 2008 fiscal year.

Contacting the Authority

The Authority's financial statements and management's discussion and analysis are designed to provide citizens, taxpayers and government officials with a general overview of the Authority's finances and to show its accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority by phone at (716) 847-7184, by e-mail at [info@ecfsa.state.ny.us](mailto:info@ecfsa.state.ny.us) or by mail at 295 Main Street, Suite 946, Buffalo, New York 14203.

**ERIE COUNTY FISCAL STABILITY AUTHORITY**  
 (A Component Unit of Erie County)  
 Statements of Net Assets - General Fund  
 December 31, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and equivalents	\$ 719,411	538,724
Sales tax receivable	42,495,367	47,088,443
Efficiency grant receivable	142,337	-
Prepaid expenses	9,107	9,462
Total assets	<u>\$ 43,366,222</u>	<u>47,636,629</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	24,151	17,559
Accrued liabilities	24,046	19,427
Due to Erie County - sales tax	42,495,367	47,088,443
Efficiency grant payable to Erie County	423,253	-
Total liabilities	<u>42,966,817</u>	<u>47,125,429</u>
Unrestricted net assets - general fund	399,405	511,200
Commitment (note 8)	<u>                  </u>	<u>                  </u>
Total liabilities and net assets	<u>\$ 43,366,222</u>	<u>47,636,629</u>

See accompanying notes to financial statements.

**ERIE COUNTY FISCAL STABILITY AUTHORITY**  
**(A Component Unit of Erie County)**  
**Statements of Activities and Changes in Net Assets - General Fund**  
**Years ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Expenses:		
General and administrative:		
Payroll	\$ 225,687	236,561
Payroll taxes and employee benefits	80,691	93,503
Consulting fees	45,400	48,972
Legal fees	74,022	91,370
Audit fees	6,386	5,884
Rent and parking	21,159	19,841
Insurance	2,228	2,633
Electricity	2,548	1,642
Office supplies	8,541	16,868
Meeting expense	17,920	15,295
Travel	1,163	1,450
Payroll and bank service fees	1,993	1,378
Total expenses	<u>487,738</u>	<u>535,397</u>
General revenue:		
Sales tax	386,851,388	368,695,655
Efficiency grant income	710,676	419,312
State aid incentives	668,332	668,332
Interest earned on sales tax revenue while held by New York State	368,315	640,186
Other interest and income earned	7,628	13,760
Less - amounts transferable to Erie County	(388,230,396)	(369,783,299)
Total general revenue	<u>375,943</u>	<u>653,946</u>
Increase (decrease) in net assets	(111,795)	118,549
Net assets at beginning of year	<u>511,200</u>	<u>392,651</u>
Net assets at end of year	<u>\$ 399,405</u>	<u>511,200</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2008 and 2007

(1) Organization

The Erie County Fiscal Stability Authority (the Authority) is as a corporate governmental agency and instrumentality of the State of New York 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 by Chapter 182 of the Laws of 2005 (the Act), as amended by Chapter 183 of the Laws of 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 making 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 in the form of efficiency grants. The remainder of efficiency grants available from New York State is approximately \$23,400,000 at December 31, 2008.

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.

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

Notes to Financial Statements, Continued

(1) Organization, Continued

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.

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 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.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The government-wide financial statements of the Authority, which include the statements of net assets and the statements of activities and changes in net assets, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. The statements of net assets and the statements of activities and changes in net assets are prepared using the economic resources measurement focus and the accrual basis of accounting.

(b) Basis of Presentation

The Authority uses one governmental fund (the General Fund) to report its financial position and the results of operations. The General Fund accounts for sales tax revenue received by the Authority and for general operating expenses of the Authority. In 2008, there is no material difference between the net assets of the government-wide financial statements and the fund balance of the general fund financial statements.

(c) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Revenue Recognition

No revenues are generated from operating activities of the Authority, therefore, all revenues are defined by the Authority as non-operating 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.

(3) Transactions with and on Behalf of Erie County

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

- (a) The receipt and accrual of sales tax revenues in 2008 and 2007 of \$386,851,388 and \$368,695,655, respectively, and the subsequent disbursements of \$386,851,388 and \$368,695,655, respectively, were remitted to the County.
- (b) The receipt from New York State of State aid incentives in both 2008 and 2007 of \$668,332, and transfer of that aid to the County.
- (c) The receipt and accrual of a New York State Efficiency Grant in 2008 and 2007 of \$710,676 and \$419,312, respectively, and reimbursement of \$287,423 and \$419,312, respectively, to the County. At December 31, 2008, \$423,253 is a payable to the County.

(4) Cash and Equivalents

The Authority invests in accordance with the guidelines required by New York Public Authorities Law. As of December 31, 2008 and 2007, the Authority only held cash.

All bank deposits of Authority funds are required to be fully collateralized or insured. Collateral for the Authority's cash and certificates of deposit (in amounts in excess of Federal deposit insurance) is 102% of the amount of the cash or certificate of deposit amount, is held by a third party custodian in the Authority's account, and consists of U.S. government or agency obligations. At December 31, 2008 and 2007, all of the Authority's cash balance was Federally insured.

(5) Sales Tax Receivable/Due to Erie County

Sales tax receivable amounted to \$42,495,367 and \$47,088,443 at December 31, 2008 and 2007, respectively. These amounts are receivable from the New York State Office of the State Comptroller and are also due to Erie County. These amounts were received by the Authority and transferred to the County subsequent to year-end.

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

Notes to Financial Statements, Continued

**(6) Efficiency Grant Receivable/Payable**

The Authority approves efficiency grants that are payable to Erie County. At December 31, 2008 revenues and expenses for the grant were as follows:

	<u>Authority</u>	<u>Erie County</u>
Revenue	\$ 710,676	710,676
Less receipts	(568,339)	(287,423)
Grant receivable	\$ <u>142,337</u>	<u>423,253</u>
Expense	710,676	
Less amount paid to Erie County	(287,423)	
Grant payable to Erie County	\$ <u>423,253</u>	

**(7) Retirement Plan**

**(a) Plan Description**

The Authority participates in the New York State and Local Employees' Retirement System (the System), a cost sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and benefits to employees are governed by the 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 System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issued 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 Employees' Retirement System, Governor Alfred E. Smith State Office Building, Albany, NY 12244.

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

Notes to Financial Statements, Continued

(7) Retirement Plan, Continued

(b) Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. The state legislature passed legislation in the year 2000 that suspends the 3% contribution for employees who have ten years or more of credited service. Additionally, members who meet certain eligibility requirements will receive an additional one-month service credit for each completed year of service, up to a maximum of two additional years of service credit. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Authority is required to contribute at an actuarially determined rate. The Authority paid the required contribution of \$20,432 and \$31,557 for the periods April 1, 2008 to March 31, 2009 and April 1, 2007 to March 31, 2008, respectively.

(8) Commitment

The Authority is obligated under an operating lease agreement for office and parking space which expires in September 2010. Obligations related to this lease are accounted for in the statements of activities and changes in net assets, and amounted to \$21,159 and \$19,841 for the years ended December 31, 2008 and 2007, respectively. Future minimum lease payments are as follows:

2009	\$ 19,476
2010	<u>14,067</u>
Total	\$ <u>33,543</u>

(9) Postemployment Benefits

The Authority has no obligation requiring financial statement reporting under GASB Statement 43 or GASB Statement 45, as there are no employees of the Authority who are currently entitled to postemployment benefits.

**TOSKI, SCHAEFFER & CO., P.C.**

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**INDEPENDENT AUDITORS' 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**

The Board of Directors  
Erie County Fiscal Stability Authority:

We have audited the financial statements of Erie County Fiscal Stability Authority (A Component Unit of Erie County), as of and for the year ended December 31, 2008, and have issued our report thereon dated February 20, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted that the Authority's accounting for efficiency grants was not modified to reflect a change in the requirements of New York State. The State now requires that the Authority, through Erie County, incur efficiency grant expenses prior to the Authority being reimbursed. In 2008, the grants were incorrectly recorded on a cash basis throughout the year.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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.

We noted certain other matters that we reported to management of the Authority in a separate letter dated February 20, 2009.

This report is intended solely for the information and use of the management of the Authority, the Audit Committee, the Board of Directors, the Erie County Comptroller, the New York State Governor, the New York State Senate Finance Committee, the New York State Assembly Ways and Means Committee and the Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

Williamsville, New York  
February 20, 2009

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH INVESTMENT GUIDELINES**

The Board of Directors  
Erie County Fiscal Stability Authority:

We have audited the financial statements of Erie County Fiscal Stability Authority (A Component Unit of Erie County), as of and for the year ended December 31, 2008, and have issued our report thereon dated February 20, 2009.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether management has complied with the Investment Guidelines for Public Authorities.

Compliance with the Investment Guidelines for Public Authorities applicable to the Erie County Fiscal Stability Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with Investment Guidelines for Public Authorities. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Authority complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the management of the Authority, the Audit Committee, the Board of Directors, the Erie County Comptroller, the New York State Governor, the New York State Senate Finance Committee, the New York State Assembly Ways and Means Committee and the Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

Williamsville, New York  
February 20, 2009