AUDITED
BASIC FINANCIAL STATEMENTS

ERIE COUNTY FISCAL STABILITY AUTHORITY

(A COMPONENT UNIT OF ERIE COUNTY, NEW YORK)

DECEMBER 31, 2017

ERIE COUNTY FISCAL STABILITY AUTHORITY
(A COMPONENT UNIT OF ERIE COUNTY, NEW YORK)

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, 2017, 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. 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.

Opinions

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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018 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 solely 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 effectiveness of the Authority's 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, 2018

Management's Discussion and Analysis
Erie County Fiscal Stability Authority
Fiscal Year Ended December 31, 2017

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, 2017. 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 2017 fiscal year was again highlighted by controlling spending to 95% of it's allocated budget. With a 2017 general fund operating budget of general and administrative expenditures of $463,660 and actual G & A expenditures of $428,031 the Authority achieved a savings of $35,629 or 8%. For the twelfth consecutive year, the Authority has expended less than it's annual operating budget by at least 5% 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, 2017 and 2016.

Figure A-1

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2017	2016	
ASSETS:			
Cash and cash equivalents	$ 462	$ 333	38.7%
Restriced cash and cash equivalents	39,049	40,002	-2.4 %
Restricted investments	8,234	-	100.0%
Sales tax receivable	52,296	50,162	4.3%
Mirror bonds, loan and interest receivable from Erie County	434,516	336,581	29.1%
Other assets	9	16	-43.8%
Total assets	534,566	427,094	25.2%
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows-pensions	88	173	-49.1%
Deferred outflows - advance refunding	3,629	-	100.0%
	3,717	173	2048.6%
LIABILITIES:			
Accounts payable and accrued liabilities	40	55	-27.3%
Accrued interest payable on bonds	9,435	4,989	89.1%
Due to Erie County - sales tax	52,773	50,162	5.2%
Due to Erie County - debt set-asides	38,523	39,967	-3.6%
Due to Erie County - CAPi funds	8,281	-	100.0%
Bonds payable	431,893	326,293	32.4%
Net pension liability	80	147	-45.6%
Other liabilities	42	30	40.0%
Total liabilities	541,067	421,643	28.3%
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows-pensions	14	18	-22.2%
Deferred inflows - advance refunding	643	-	100.0%
	657	18	3550.0%
NET POSITION:			
Restricted for debt service	-	5,315	-100.0%
Unrestricted (deficit)	(3,441)	291	-1282.5%
Total net position (deficit)	$ (3,441)	$ 5,606	-161.4%

The Authority's overall total net position decreased 161.4% in 2017 as compared to an decrease of 54.0% in 2016 mainly due to increase in accrued interest on bonds payable.

Cash and cash equivalents increased 39% due to less than expected expenditures and an increase in sales tax interest income received by the Authority. The Authority withholds $40,000 each month from the interception of sales tax revenues and interest on sales taxes from New York State to fund it's operations. In 2017, the Authority withheld $40,000 for 10 out of 12 months due to the better than expected receipts on sales tax interest income. 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 ECFSA 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 increased primarily as a result of the issuance new and refunding bonds (long term debt) in 2017.

Accrued interest 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 2017 and 2016 issuance of bonds.

Figure A-2

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

	Governmental Activities		Total Percentage Change
	2017	2016	
GENERAL REVENUES:			
Sales tax	$ 439,840	$ 426,261	3.2%
Interest and other income	13,643	15,618	-12.6%
Less - distributions to Erie County	(439,440)	(425,781)	-3.2%
Total revenues	14,043	16,098	-12.8%
EXPENSES:			
General and administrative	442	434	1.8%
Interest and amortization	13,023	21,915	-40.6%
Other expenses-bond issuance costs	1,344	339	296.5%
Transfer to Erie County - CAPi funds	8,281	-	100.0%
Total expenses	23,090	22,688	1.8%
Change in net position	(9,047)	(6,590)	-37.3%
Net position - beginning	5,606	12,196	-54.0%
Net position (deficit) - ending	$ (3,441)	$ 5,606	-161.4%

The increase in sales tax revenues of 3.2% is attributable to improving economic conditions throughout 2017. General and administrative expenses slightly increased by 1.8% mainly due to additional legal and consulting expenditures in 2017. A decline in interest income accompanied by a decline in interest expense is attributable to an advance refunding on old 2011C bonds. The increase in bond issuance costs is due to the issuance of new 2017A – B – C – D series bonds.

Financial Analysis of the Authority's Funds

General & Administrative Expenses

For the year ended December 31, 2017, the Authority's general and administrative expenses totaled $442,303 verses $434,150 in 2016. General and administrative expenses were 1.8% higher in 2017 compared to 2016 primarily due to increases in medical insurance, legal & Authority meeting costs

Figure A-3

General and Administrative Expenses (in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2017	2016	
Wages and employee-related expenses	$ 347	$ 359	-3.3%
Professional fees	58	41	41.5%
Office related	27	24	12.5%
Authority meetings	6	5	20.0%
Miscellaneous	4	5	-20.0%
Total	$ 442	$ 434	1.8%

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, 2017 there were three Authority employees. Wage and employee related expenses decrease of 3.3% is mainly due to a staff position reduction in 2016.

Figure A-4

Wages and Employee Related Expenses (in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2017	2016	
Salaries	$ 224	$ 235	-4.7%
Payroll taxes	17	18	-5.6%
Benefits	106	106	0.0%
Total	$ 347	$ 359	-3.3%

Professional fees are paid for independent audit, legal, financial advisory, payroll and banking services. Legal fees increased in 2017 due to additional legal counsel services. Audit fees decreased mainly due to a Board of Directors request of an external professional study of ECFSA's staffing needs conducted in 2016. Payroll and banking service fees increase due to additional trustee fee charges relating to new debt issuances.

Figure A-5

Professional Fees
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2017	2016	
Legal services	$ 30	$ 5	500.0%
Independent audit services	9	18	-50.0%
Payroll and banking services	19	18	5.6%
Total	$ 58	$ 41	41.5%

On November 1, 2010 the Authority agreed to continue it's tenancy on a month-to-month basis at the same monthly rate of the original lease. The month-to-month arrangement is still in effect through 2017. Lease & Utilities expenses increased mainly due to telephone charge corrections received from NYS IT services in 2017.

Figure A-6

Office Related Expenses
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change
	2017	2016	
Lease and utilities	$ 20	$ 16	25.0%
Office supplies	7	8	-12.5%
Total	$ 27	$ 24	12.5%

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, 2017 amounted to $439,839,843. The Authority received $164,769 in interest on sales tax transferred to the Authority by the New York State Office of the State Comptroller. In addition the Authority realized $374 in interest income on cash held in interest-bearing bank accounts and interest income on notes receivable from the County amounting to $13,524,241.

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 $378,026,137 in net sales tax revenues to the County in the 2017 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)608-2271, 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, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2017

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	462,533
Restricted cash and cash equivalents		39,049,112
Restricted investments		8,234,357
Due from other governments - NYS sales tax		52,295,726
Mirror bond receivable - Erie County - due within one year		40,860,000
Loans receivable - Erie County - due within one year		3,005,000
Prepaids		8,606
Interest receivable on receivables with Erie County		5,098,706
Mirror bond receivable - Erie County		216,659,059
Loans receivable - Erie County		168,893,273
Total assets		534,566,372
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows		88,057
Deferred outflows - advance refunding		3,629,233
Total deferred outflows of resources		3,717,290
LIABILITIES		
Accounts payable		412
Accrued liabilities		39,646
Accrued interest on bonds		9,434,518
Due to Erie County:		
Sales taxes		52,773,272
Debt service set-asides		38,522,987
Capitalized interest set-asides		8,281,141
Interest on debt service set-asides		1,190
Bonds payable:		
Due within one year		43,865,000
Due beyond one year		388,028,003
Unearned revenues - NYS efficiency grants		10,000
ECFSA funds held for payoff		30,770
Residual accrued interest		1,009
Net pension liability		80,262
Total liabilities		541,068,210
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows		14,309
Deferred inflows - advance refunding on loan		642,523
Total deferred inflows of resources		656,832
NET POSITION		
Unrestricted (deficit)		(3,441,380)
Total net position (deficit)	$	(3,441,380)

See notes to basic financial statements.

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Governmental Activities
GENERAL REVENUES		
State sales taxes remitted to Erie County	$	378,026,137
State sales taxes set aside for Bonds		61,413,706
State sales taxes retained by ECFSA		400,000
Interest earned on sales tax		164,769
Interest earned on notes with Erie County		13,524,241
Other interest income		374
Net change in fair value of investments		(46,356)
Total general revenues		453,482,871
EXPENSES		
General and administrative		442,303
Distributions:		
Erie County - NYS sales taxes		378,026,046
Debt service set-asides		61,413,706
Interest expense		13,023,275
Bond issuance costs		1,343,545
Transfer to Erie County - debt service reserve		8,281,141
Total expenses		462,530,016
Change in net position		(9,047,145)
Net position - beginning		5,605,765
Net position (deficit) - ending	$	(3,441,380)

See notes to basic financial statements.

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

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Debt Service Fund	Total
ASSETS			
Cash and cash equivalents	$ 462,533	$ -	$ 462,533
Restricted cash and cash equivalents	478,147	38,570,965	39,049,112
Restricted investments	-	8,234,357	8,234,357
Due from other governments - NYS sales taxes	52,295,726	-	52,295,726
Prepaids	8,606	-	8,606
Total assets	$ 53,245,012	$ 46,805,322	$ 100,050,334
LIABILITIES			
Accounts payable	$ 412	$ -	$ 412
Accrued liabilities	39,646	-	39,646
Due to Erie County:			
Sales taxes	52,773,272	-	52,773,272
Debt service set-asides	-	38,522,987	38,522,987
Capitalized interest set-asides	-	8,281,141	8,281,141
Interest revenue on bond set-asides	1,190	-	1,190
Unearned revenues - NYS efficiency grants	10,000	-	10,000
ECFSA funds held for payoff	-	30,770	30,770
Residual accrued interest	-	1,009	1,009
Total liabilities	52,824,520	46,835,907	99,660,427
FUND BALANCES			
Nonspendable - prepaid expenses	8,606	-	8,606
Unassigned (deficit)	411,886	(30,585)	381,301
Total fund balances (deficit)	420,492	(30,585)	389,907
Total liabilities and fund balances (deficit)	$ 53,245,012	$ 46,805,322	$ 100,050,334

See notes to basic financial statements.

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

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total fund balances - governmental funds (page 13)	$	389,907
Amounts reported for governmental activities in the Statement of Net Position (page 11) 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.		5,098,706
Purchase of loans and long-term bonds issued to the Authority for Erie County are reported as assets in the Statement of Net Position but not reported as assets in the governmental funds balance sheet.		385,790,000
Deferred outflows are not assets of the current period and therefore are not reported in the funds.		3,717,290
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.		(48,063,003)
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.		(9,434,518)
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.		43,627,332
Pension liabilities are not due and payable in the current period and therefore are not reported in the funds.		(80,262)
Deferred inflows are not liabilities of the current period and therefore are not reported in the funds.		(656,832)
Long-term liabilities (bonds payable) are not due and payable in the current period and therefore are not reported in the governmental funds.		(383,830,000)
Net position of governmental activities	$	(3,441,380)

See notes to basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
State sales taxes remitted to Erie County	$ 378,026,137	$ -	$ 378,026,137
State sales taxes set aside for bonds	61,413,706	-	61,413,706
State sales taxes retained by ECFSA	400,000	-	400,000
Interest earned on sales taxes	164,769	-	164,769
Other interest income	374	-	374
Principal payments received on notes with Erie County	-	44,485,000	44,485,000
Interest received on notes with Erie County	-	12,165,093	12,165,093
Net change in fair value of investments	-	(46,356)	(46,356)
Total revenues	440,004,986	56,603,737	496,608,723
EXPENDITURES			
General and administrative	428,031	-	428,031
Distributions:			
Erie County - sales taxes	378,026,046	-	378,026,046
Debt service set-asides	61,413,706	-	61,413,706
Debt service:			
Principal	-	44,485,000	44,485,000
Interest	-	12,165,093	12,165,093
Bond issuance costs	-	1,343,545	1,343,545
Other - advance refunding escrow		5,517,396	5,517,396
Total expenditures	439,867,783	63,511,034	503,378,817
Excess (deficiency) of revenues over expenditures	137,203	(6,907,297)	(6,770,094)
OTHER FINANCING SOURCES (USES)			
Proceeds from advance refunding	-	62,745,000	62,745,000
Premium from advance refunding	-	11,621,859	11,621,859
Payment to refunded bond escrow agent	-	(73,973,883)	(73,973,883)
Payment from Erie County - advance loan refunding	-	79,491,279	79,491,279
Purchase of loan by Erie County - advance loan refunding	-	(73,973,883)	(73,973,883)
Proceeds from bond issuance	-	135,780,000	135,780,000
Premiums on obligations	-	23,984,413	23,984,413
Purchase of mirror bonds by Erie County	-	(43,665,000)	(43,665,000)
Discount on purchase of mirror bonds		(7,923,216)	(7,923,216)
Purchase of loan by Erie County	-	(92,115,000)	(92,115,000)
Discount on loan to Erie County		(6,829,487)	(6,829,487)
Transfer to Erie County - debt service reserve	-	(8,281,141)	(8,281,141)
Total other financing sources (uses)	-	6,860,941	6,860,941
Net change in fund balances	137,203	(46,356)	90,847
Fund balances - beginning	283,289	15,771	299,060
Fund balances (deficit) - ending	$ 420,492	$ (30,585)	$ 389,907

See notes to basic financial statements.

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

RECONCILIATION OF THE STATMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds (page 15)			$ 90,847
Amounts reported for governmental activities in the statement of activities (page 12) are different because:			
Interest revenue accrued on bonds and loans with Erie County is reported in the governmental funds based on current financial resources received and is adjusted in the Statement of Activities to reflect all revenues earned.			1,359,148
The issuance of long-term receivables (i.e. bonds/loans) reduces current financial resources to governmental funds while the repayment of the principal of the long-term receivables provides the current financial resources of the governmental funds. Also, the governmental funds report the effect of discounts provided when the receivables are first recognized, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term receivables and related items:			
Issuance of long-term receivables (bonds/loans)	$	198,525,000	
Discounts on bonds/loans		25,981,586	
Deferred outflow - advance refunding		3,729,554	
Deferred outflow - advance refunding - amortization		(100,321)	
Repayment of bonds/loans to the Authority		(114,840,000)	
Discount amortization		(13,090,603)	100,205,216
The issuance of long-term debt (i.e. bonds) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of the governmental funds. Also, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Issuance of long-term debt	$	(198,525,000)	
Premium on obligations received		(35,606,272)	
Deferred inflow - advance refunding		(660,284)	
Deferred inflow - advance refunding - amortization		17,761	
Repayment of bonds		114,840,000	
Premium amortization		13,691,211	(106,242,584)
Interest expense accrued on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.			(4,445,500)
Change 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.			67,007
Change in the proportionate share of the net deferred pension inflow and outflow reported in the Statement of Net Position during the mreasurement period between the Authority's contributions and its proportionate share to the total contributions to the pension system 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.			(81,279)
Change in net position of governmental activities			$ (9,047,145)

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.

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

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Basis of Presentation:

1. **Government-Wide Statements:** The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). The statement of net position and the statement of activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are supported by sales tax.

   The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

2. **Fund Financial Statements:** Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues and expenditures. Funds are organized into one major category: governmental. An emphasis is placed on major funds within this governmental category.

   Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the Authority's major governmental fund types:

   General fund - the Authority's primary operating fund and accounts for substantially all activity of the Authority except those required to be accounted for in another fund.

   Debt Service fund – this fund is used to account for resources that are restricted, committed, or assigned to the expenditure of principal and interest payments on long-term debt obligations of governmental activities on behalf of the County. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund including sales tax set-asides.

B. Measurement Focus and Basis of Accounting: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Nonexchange transactions, in which the Authority receives value directly without giving equal value in exchange, include State aid and sales taxes. Revenue is recognized in the fiscal year for which taxes and State aid are earned or designated. 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 governmental fund statements are reported using the current financial resources measurement focus and 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 Authority receives sales tax revenue several times each month, and receives interest earnings from time to time as investments mature. Funds for debt service are required to be set aside from revenues on a monthly basis. The Authority also withholds, as necessary, amounts which in its judgment are required for operations and operating reserves. Residual sales tax revenues and investment earnings are then transferred to the County.

C. 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.

D. Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits and certificates of deposit with original maturities of three months or less, if applicable.

E. Restricted Assets: Restricted assets consist of unspent proceeds from debt transactions and sales tax set-asides for purposes of future debt payments.

F. Investments: The Authority's investment policy complies with the State Comptroller's guidelines for Public Authorities. Investments consist primarily of government obligations stated at fair value on a recurring basis as determined by quoted prices in active markets.

G. 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 has two items that qualify for reporting in this category. The first item relates to pensions reported in the government-wide statement of net position. It represents the effect of the net change in the Authority's proportion of the collective net pension liability and the difference during the measurement period between the Authority's contributions and its proportional share of total contributions to the pension system subsequent to the measurement date. See details of deferred pension outflows in Note 7. The second item relates to deferred charges on an advanced refunding. A deferred charge on refunding results from the difference in the net carrying value of the refunded debt and its reacquisition price. This amount is then amortized over the shorter of the life of the refunded or refunding debt. See details of deferred charges outflows in Note 8.

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 two types of items that qualifies for reporting in this category. The first item is related to pensions reported in the government-wide statement of net position. It represents the effect of the net change in the Authority's proportion of the collective net pension liability and difference during the measurement periods between the Authority's contributions and its proportional share of total contributions to the pension system not included in pension expense. See details of deferred pension inflows in Note 7. The second item relates to deferred charges on an advanced refunding. A deferred charge on refunding results from the difference in the net carrying value of the refunded debt and its reacquisition price. This amount is then amortized over the shorter of the life of the refunded or refunding debt. See details of deferred charges inflows in Note 6.

H. Bond Premiums: Premiums received upon the issuance of debt are included as other financing sources in the governmental fund statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized using the effective interest method as a component of interest expense over the life of the related obligation.

I. Equity Classification

Government-Wide Statements: 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" and therefore are available for general use by the Authority.

Fund Statements: GASB requires the classification of fund balance of governmental funds is reported in up to five categories based on the nature of any limitations requiring the use of resources for specific purposes, as defined below:

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

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

Restricted for debt service: represents funds to be used toward the future repayment of bonded debt.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the Authority's highest level of decision-making authority. As of December 31, 2017, the Authority had no committed fund balances.

Assigned – represents amounts that are constrained by the Authority's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

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.

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. Fair Value Measurements: In accordance with GASB Statement No. 72, investments are reported at fair value. U.S. GAAP establishes a framework for measuring fair value of assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that the Organization has ability to access.

Level 2: Valuation is based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Valuation is based upon unobservable inputs that are significant to the fair value measurement.

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics or inputs other than quoted prices that are observable for the security, and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

Following is a description of valuation methodology used at December 31, 2017:

U.S. Treasury Notes: Valued at the closing price reported on the active market on which the individual securities are traded.

L. Accounting Pronouncements: During the fiscal year ended December 31, 2017, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68*, *and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary object of Statement No. 73 is to improve the usefulness of information about pensions included in the financial statements that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

The primary objective of Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 82 is to improve address certain issues that have been raised with respect to Statements No. 67, 68, and 73.

The Authority has evaluated Statements No. 73, 74, 80, and 81 have determined that they have no impact on the Authority's operations. Statement No. 82 does however impact the proper presentation of the required supplementary information related as required under Statement No. 68.

The GASB has issued the following new statements:

- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending December 31, 2018;
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019;
- Statement No. 85, *Omnibus*, which will be effective for the year ending December 31, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending December 31, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.

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

NOTE 3. DEPOSITS AND INVESTMENTS

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

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

The Authority's aggregate bank balances were fully collateralized at December 31, 2017.

Restricted cash and cash equivalents consist of money market funds 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/loans payable to the Authority in a segregated trust account and not commingled with the assets of the bank. The balance in these accounts is $39,049,112 at December 31, 2017.

Additionally, funds set aside in a "capitalized interest fund" with the Trustee were invested into Treasury Securities on behalf of the Authority. The following table presents the investments and maturities of the Authority's securities with interest rate risk as of December 31, 2017:

		Investment Maturities			
Investment Type	Fair Value	Less than 6 months	6 months to 1 year	1-5 years	More than 5 years
U.S. Treasury Notes	$ 8,234,357	$ -	$ 4,020,366	$ 4,213,991	$ -

All of the Authority's investments were valued based on Level 1 inputs.

	Cost	Fair Value
U.S. Treasury Notes	$ 8,276,000	$ 8,234,357

Investment and Deposit Policy

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 4. TRANSACTIONS WITH AND ON BEHALF OF ERIE COUNTY

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

a. The receipt of sales tax revenues in 2017 of $439,839,843 and the subsequent disbursements of $378,026,137 were remitted to the County.

b. The Authority retained $400,000 of sales tax revenue in 2017 to offset the reduction in interest on sales tax revenue due to historically low interest rates.

c. Loans, serial bonds and accrued interest receivable in the amount of $434,516,038 were owed to the Authority by the County at December 31, 2017.

NOTE 5. DUE FROM OTHER GOVERNMENTS

Sales tax receivable amounted to $52,295,726 at December 31, 2017. These amounts are receivable from the State Comptroller and are also due to the County. These amounts were received by the Authority and transferred to the County subsequent to year-end.

NOTE 6. LONG-TERM LIABILITIES

Authority serial bonds, as follows:

	January 1, 2017	Increases	Decreases	December 31, 2017	Due within one year
Series 2010A bond, maturing May 2023 with interest ranging from 2.0% to 5.0% over the life of the bond, a portion was refunded in August 2016.	$ 52,230,000	$ -	$ 12,160,000	$ 40,070,000	$ 12,725,000
Series 2010B bond, maturing July 2022 with interest ranging from 2.0% to 5.0% over the life of the bond	11,520,000	-	6,870,000	4,650,000	1,535,000
Series 2010C bond, maturing March 2020 with interest ranging from 2.25% to 5.24% over the life of the bond.	25,500,000	-	5,935,000	19,565,000	6,215,000
Series 2011A bond, maturing April 2018 with interest ranging from 2.0% to 5.0% over the life of the bond.	14,290,000	-	6,970,000	7,320,000	7,320,000
Series 2011B bond, maturing September 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	10,950,000	-	1,355,000	9,595,000	1,420,000
Series 2011C bond, maturing December 2028 with interest ranging from 4.0% to 5.0% over the life of the bond. Refunded with series 2017C bond in the current year.	70,355,000	-	70,355,000	-	-
Series 2013A bond, maturing March 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	21,240,000	-	2,295,000	18,945,000	2,375,000
Series 2013B bond, maturing January 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	23,005,000	-	5,155,000	17,850,000	5,420,000

	January 1, 2017	Increases	Decreases	December 31, 2017	Due within one year
Series 2013C bond, maturing August 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	26,720,000	-	3,295,000	23,425,000	3,445,000
Series 2016A refunding bond, maturing May 2023 with interest ranging from 3.375% to 5.0% over the life of the bond.	44,335,000	-	-	44,335,000	-
Series 2017A bond, maturing June 2031 with interest ranging from 4.0% to 5.0% over the life of the bond.	-	32,075,000	-	32,075,000	-
Series 2017B bond, maturing November 2036 with interest ranging from 2.0% to 5.0% over the life of the bond.	-	11,590,000	450,000	11,140,000	405,000
Series 2017C refunding bond, maturing September 2034 with interest ranging from 3.0% to 5.0% over the life of the bond.	-	62,745,000	-	62,745,000	2,505,000
Series 2017D bond, maturing September 2039 with interest ranging from 3.0% to 5.0% over the life of the bond.	-	92,115,000	-	92,115,000	500,000
	$ 300,145,000	$ 198,525,000	$114,840,000	$ 383,830,000	$ 43,865,000
Premiums:					
2010A	$ 4,388,845	$ -	$ 3,441,999	$ 946,846	$ -
2010B	271,779	-	159,618	112,161	-
2010C	760,935	-	359,189	401,746	-
2011A	279,323	-	233,993	45,330	-
2011B	659,788	-	180,569	479,219	-
2011C	4,916,659	-	4,916,659	-	-
2013A	2,144,035	-	480,029	1,664,006	-
2013B	1,375,739	-	646,334	729,405	-
2013C	2,275,933	-	618,873	1,657,060	-
2016A	9,074,906	-	1,648,966	7,425,940	-
2017A	-	6,784,085	208,412	6,575,673	-
2017B	-	1,542,152	87,662	1,454,490	-
2017C	-	11,621,859	401,412	11,220,447	-
2017D	-	15,658,176	307,496	15,350,680	-
	26,147,942	35,606,272	13,691,211	48,063,003	-
Total	$ 326,292,942	$ 234,131,272	$128,531,211	$ 431,893,003	$ 43,865,000

Debt service requirements:

Year ending December 31,	Principal	Interest	Total
2018	$ 43,865,000	$ 17,857,634	$ 61,722,634
2019	40,005,000	15,556,168	55,561,168
2020	41,665,000	13,672,234	55,337,234
2021	29,990,000	11,952,831	41,942,831
2022	31,430,000	10,440,547	41,870,547
2023-2027	72,105,000	36,338,090	108,443,090
2028-2032	52,125,000	23,247,240	75,372,240
2033-2037	50,160,000	12,126,386	62,286,386
2038-2039	22,485,000	1,700,000	24,185,000
	$ 383,830,000	$ 142,891,130	$ 526,721,130

In September 2017, the Authority issued $62,745,000 in sales tax and State aid secured refunding bonds with interest rates ranging from 3.0% to 5.0% to advance refund $70,355,000 of outstanding Series 2011C serial bonds with interest rates of 5.0%. Proceeds of $79,884,255 (including a premium of $11,621,859 and other debt set-aside funds of $5,517,396) were used to purchase U.S. Government Securities of $79,491,279 and to fund estimated costs of issuance in the amount of $392,976. The securities were placed in an irrevocable trust with an escrow agent to pay for all future debt service payments of the original bonds until their call date of December 1, 2021. As a result, the original bonds are considered to be defeased and the liability has been removed from the financial statements. The amount outstanding on the original bonds at December 31, 2017 was $65,935,000.

The net carrying value amount of the old debt exceeded the reacquisition price by $660,284. This amount is being reported as a deferred inflow on the Statement of Net Position and is being amortized against interest expense over the remaining life of the refunding debt. The refunding reduced the total debt service payments over the next 17 years by $3,730,094 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $948,547.

Prior Year Defeasance of Debt

In the prior year, the Authority defeased serial bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2017, $46,295,000 of defeased bonds remain outstanding.

NOTE 7. 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 defined benefit retirement system. 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 fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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.

FUNDING POLICY

The System is noncontributory, except for employees who joined after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the system's fiscal year ending March 31st.

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

At December 31, 2017, the Authority reported the following liability for its proportionate share of the net pension liability to the System. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016. 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. This information was provided by the ERS System in reports provided to the Authority.

	ERS
Measurement date	March 31, 2017
Net pension liability	$ 80,262
Authority's portion of the Plan's total net pension liability	0.0008542%
Change in proportion since the prior measurement date	.0000633

For the year ended December 31, 2017, the Authority recognized a pension expense of $50,731. At December 31, 2017 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	$ 2,011	$ 12,188
Changes of assumptions	27,421	-
Net difference between projected and actual earnings on pension plan investments	16,032	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	16,776	2,121
Authority's contributions subsequent to the measurement date	25,817	-
Total	$ 88,057	$ 14,309

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2018	$ 19,948
2019	19,948
2020	17,561
2021	(9,526)
2022	-
Thereafter	-

ACTUARIAL ASSUMPTIONS

The total pension liability as of the March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.8
Investment rate of return (net of investment expense, including inflation)	7.0
Cost of living adjustments	1.3

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

	Target Asset Allocation	Long-Term Expected Real Rate of Return
Asset Class:		
Domestic equity	36.0%	4.6%
International equity	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bond and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	100.0%	

DISCOUNT RATE
The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially 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 present the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (asset)	$ 256,342	$ 80,262	$ (68,613)

PENSION PLAN FIDUCIARY NET POSITION
The components of the current-year net pension liability of the employers as of March 31, 2017 were as follows:

	(Dollars in Thousands)
Employers' total pension liability	$ 177,400,586
Plan net position	168,004,363
Employers' net pension total	$ 9,396,223
Ratio of Plan net position to the Employers' total pension liability	94.7%

PREPAIDS TO PENSION PLAN
Employer contributions are paid annually based on the System fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2017 represent the employer contribution for the period of January 1, 2018 through March 31, 2018. Prepaid retirement contributions as of December 31, 2017 amounted to $8,606.

NOTE 8. MIRROR BONDS AND LONG-TERM LOAN RECEIVABLE FROM ERIE COUNTY

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

	January 1, 2017	Increases	Decreases	December 31, 2017	Due within one year
Series 2010A bond, maturing May 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	$ 98,525,000	$ -	$ 12,160,000	$ 86,365,000	$ 12,725,000
Series 2010B bond, maturing July 2022 with interest ranging from 2.0% to 5.0% over the life of the bond	11,520,000	-	6,870,000	4,650,000	1,535,000

	January 1, 2017	Increases	Decreases	December 31, 2017	Due within one year
Series 2010C bond, maturing March 2020 with interest ranging from 2.25% to 5.24% over the life of the bond.	25,500,000	-	5,935,000	19,565,000	6,215,000
Series 2011A bond, maturing April 2018 with interest ranging from 2.0% to 5.0% over the life of the bond.	14,290,000	-	6,970,000	7,320,000	7,320,000
Series 2011B bond, maturing September 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	10,950,000	-	1,355,000	9,595,000	1,420,000
Series 2011C loan, maturing December 2028 with interest ranging from 4.0% to 5.0% over the life of the loan. Refunded with series 2017C bond in the current year.	70,355,000	-	70,355,000	-	-
Series 2013A bond, maturing March 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	21,240,000	-	2,295,000	18,945,000	2,375,000
Series 2013B bond, maturing January 2024 with interest ranging from 2.0% to 5.0% over the life of the bond.	23,005,000	-	5,155,000	17,850,000	5,420,000
Series 2013C bond, maturing August 2023 with interest ranging from 2.0% to 5.0% over the life of the bond.	26,720,000	-	3,295,000	23,425,000	3,445,000
Series 2017A bond, maturing June 2031 with interest ranging from 4.0% to 5.0% over the life of the bond.	-	32,075,000	-	32,075,000	-
Series 2017B bond, maturing November 2036 with interest ranging from 2.0% to 5.0% over the life of the bond.	-	11,590,000	450,000	11,140,000	405,000

	January 1, 2017	Increases	Decreases	December 31, 2017	Due within one year
Series 2017C Refunding loan, maturing September 2034 with interest ranging from 3.0% to 5.0% over the life of the bond.	-	62,745,000	-	62,745,000	2,505,000
Series 2017D loan, maturing September 2039 with interest ranging from 3.0% to 5.0% over the life of the bond.	-	92,115,000	-	92,115,000	500,000
	$ 302,105,000	$ 198,525,000	$114,840,000	$ 385,790,000	$ 43,865,000

Debt service receivables requirements:

Year ending	Mirror bonds		Long-term loans	
December 31,	Principal	Interest	Principal	Interest
2018	$ 40,860,000	$ 10,883,271	$ 3,005,000	$ 6,974,363
2019	36,875,000	8,410,668	3,130,000	7,145,500
2020	38,405,000	6,646,934	3,260,000	7,025,300
2021	25,760,000	5,085,531	4,865,000	6,867,300
2022	26,995,000	3,816,497	5,085,000	6,624,050
2023-2027	43,680,000	7,268,590	29,100,000	29,069,500
2028-2032	15,670,000	2,124,340	36,455,000	21,122,900
2033-2037	2,685,000	176,736	47,475,000	11,949,650
2038-2039	-	-	22,485,000	1,700,000
		$ 44,412,567		$ 98,478,563
Unamortized discount	26,589,058		17,038,274	
	$ 257,519,058		$ 171,898,274	

In September 2017, the Authority entered into a loan agreement with Erie County in the amount of $62,745,000, secured by sales tax and State aid with interest rates ranging from 3.0% to 5.0% to advance refund $70,355,000 of the outstanding Series 2011C loan with an interest rate of 5.0%. Proceeds of $79,884,255 (including a discount of $11,228,884 and other debt set-aside funds of $5,517,396) were used to refund the previous loan. As this is a mirror loan, related to the 2011C bond and 2017C refunding bond, the details of the defeased debt is further disclosed in Note 6.

The net carrying value amount of the old debt exceeded the reacquisition price by $3,729,554. This amount is being reported as a deferred outflow on the Statement of Net Position and is being amortized against interest expense over the remaining life of the refunding loan.

NOTE 10. DEFICIT FUND EQUITY

As of December 31, 2017, the Authority had a deficit fund balance in the debt service fund of $30,585. The cause of this deficit was the change in the fair value of the Treasury notes previously discussed in Note 3. This deficit is expected to be eliminated by the end of the fiscal year 2019 once the Treasury securities have fully matured.

NOTE 11. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after March 29, 2018 which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS*

	Year Ended December 31,		
	2015	**2016**	**2017**
Employees' Retirement System (ERS)			
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017
Authority's proportion of the net pension liability	0.0009212%	0.0009175%	0.0008542%
Authority's proportionate share of the net pension liability	$ 31,120	$ 147,269	$ 80,262
Authority's covered-employee payroll	$ 266,365	$ 271,693	$ 221,491
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12%	54%	36%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%

** Data prior to 2015 is unavailable.*

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

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	$ 20,432	$ 12,012	$ 18,888	$ 26,242	$ 63,142	$ 51,569	$ 49,588	$ 53,070	$ 42,566	$ 36,458
Contributions in relation to the contractually required contribution	20,432	12,012	18,888	26,242	63,142	51,569	49,588	53,070	42,566	36,458
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 224,803	$ 232,512	$ 248,201	$ 252,350	$ 262,572	$ 250,877	$ 263,553	$ 266,365	$ 271,693	$ 221,491
Conributions as a percentage of covered-employee payroll	9%	5%	8%	10%	24%	21%	19%	20%	16%	16%

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, 2017, 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, 2018.

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, 2018