Audit Committee Meeting
Buffalo and Erie County Library Downtown Auditorium
May 31, 2023

Present: Chair James Sampson, Director Peter Marlette, Director James Connolly, Director Catherine Creighton, Director Oliver Young, Director Craig Speers, Director Peter Stuhlmiller and Executive Director Kenneth Vetter

Guests: Sarah Dayton and Liz Krauss from Lumsden McCormick

Chairman Sampson: **"**Good morning. I'd like to call to order the meeting of the Fiscal Stability Authority Audit Committee meeting prior to moving into our agenda at which we will review our 2022 financial audit. We have with us Sarah Dayton and Elizabeth Krauss from Lumsden McCormick. I would like to draw your attention to the minutes contained in your packet from our last meeting tonight can I get a motion to approve?"

Director Speers moves and Director Stuhlmiller seconds.

Chairman Sampson: **"**Sara, do you want to step forward or Elizabeth or one or both of you and do your presentation."

Exec. Director Vetter: **"**Yes and also, we have a PowerPoint presentation that was sent over early this morning to have it in our packet. Just so everyone knows that they had a fire on Mother's Day and had to find temporary space. So, they have no access to printers or anything at this point."

Sara Dayton: **"**Yes. Thank you, everyone. Good morning. I'm Sara Dayton and this is Liz Krauss. As Chairman Sampson said, this is our review of your audit for the 2022-year end that audit is required to be submitted to the State by March 31st of each year so that did happen. So, this is the review of those financial statements. Your deliverables include within the financial statements, three different reports. The main one that you hire us for is to render an opinion on the financial statements. We rendered an unmodified opinion, which is a clean opinion, meaning we found with the financial statements to be fairly presented in accordance with generally accepted accounting principles. There's also a report in accordance with government auditing standards, also known as Yellow Book Standards, that is required for all public authorities in New York State. And there were no findings for that report. Finally, a report on compliance with section 2920 53F of the New York State Public Authorities law that relates to ensuring that all of your investments are in accordance with your own guidelines and state guidelines. and we had no negative to that report either. When is this going to go through the financial statements. So before look to the next page or instead of just going to the next page, I'm going to ask you to go to pages four and five, which summarize the communications with those charged with governance and the management letter."

Sara Dayton: **"**I'll go through those first. So, the communication with those charged with governance is a standard letter where we're required to just disclose various information to you, including our responsibilities for the audit, which is really to render that opinion on your financial statements. There were no changes of plan, scope and timing of the audit. We would disclose those to you in this letter if there were. We're required to be independent, to be your auditors. So, we did comply with all of those independence requirements as part of the audit. We reviewed for significant accounting policies, estimates and disclosures. There were no significant changes in the accounting policies during the year. We would disclose any changes or any new standards that impacted your financial statements in this letter, if there were any. There are certain numbers that are estimates within your financial statements, so not every number is an exact science. We disclose those for you here. It's basically the estimate of your sales tax receivable at year end, the accrued interest receivable on the bonds, the accrued interest payable on the bonds, and then the premium amortization on those bonds and your net pension liability, which is an estimate calculated by an actuary hired by New York State or your New York State Employees Retirement System pension. So those are the main estimates within your financial statements. Then we also review the significant footnote disclosures and would say that your most significant footnotes are where those estimates are located.

Sara Dayton: "So the footnotes relating to your mirror bonds, the bonds payable and the net pension liability net pension assets this year would be the main significant footnotes for this. There were no significant difficulties encountered performing the audit. Any adjustments which are really just there's two sets of financial statements within a government's financial statements. Basis and accrual basis and we just make those adjustments as part of the audit and review those management. We really get most of those numbers from management. So those were all adjusted. There were no disagreements on accounting standards. There were no circumstances that affected or changed our auditor's opinion. We do require certain representations from management before we finalize our report, and they did provide those to us. There were no other matters or consultations with other companies required as part of our audit. Then the other report is our management letter that's summarized on the next page on page five. The main takeaway in your management letter is you've got no material weaknesses in your internal control as part of our audit. The only comments that we have within our management letter are just information regarding pronouncements that are upcoming. I don't expect any impact, most likely or much impact from these upcoming standards, but I just wanted to bring your attention to them GASB 96 will be effective for the current fiscal year 2023."

Sara Dayton: **"**That's subscription- based information technology arrangements that basically grosses up the authority's balance sheet with a right to use subscription asset and a subscription liability. If you have software that meets certain requirements and would require it to be accounted for differently. We found that most entities and most governments typically have termination clauses in most of those contracts are not required to present any differently as a result of that standard. We'll look at that during the year, but we don't expect a significant impact. GASB 100 is on accounting changes and error correction that is effective for 2024. Really, it just standardizes in which types of situations you need to either prospectively or retroactively account for changes, whether they're due to changes in your accounting estimates, errors in the accounting or certain other circumstances, and then what those disclosures have to be. Unless you have one of those situations that would have no impact on your statements. And then finally, GASB 101 just really standardize and standardize the calculations required for compensated absences so that the unused leave balances, if any, for employees. Again, we don't expect any impact on that statement either for the ability. I will turn it over to Liz and you're going to want to go back to the numbers starting on page two."

Director Connolly: “Can I ask one question? You indicate that there was an uncorrected and correct in the statements, you know, or could you let us know when you find it? What were corrected statements had to be corrected?”

Sara Dayton: “The only adjustments made were that reconciliation from the fund basis to the accrual basis that are both methods are included within the financials. While we're technically recording those entries, they're really entries. The numbers that make up those entries are provided to us from management. There's nothing we're really making on our own and the pension from the state. The point of that is that to maintain our independence, we would need management to take responsibility for those entries and agree with them if we were making them.”

Director Connolly: “Okay. Thank you very much.”

Liz Krause: “All right on slide two, we have a snapshot of your statement of net position with competitive activity for some of the features of 2021. The first section are your assets totaled at $312,311,000. You have cash and cash equivalents of $25,882,000. Those really are made up of amounts not yet to be counted. And then about in that number, about $588,000 of just operating cash. A long-term receivable due from Erie County of $215,471,000. You will see from the prior year that did come down and you had about $32.7 million of payments received and then a premium amortization of about $4.9 million on those premiums related to those bonds due from other governments. You have $70,926,000. This could go up from the prior year you'll see $68.3 million of that receivable is December sales tax. That's really a function of why that that's going up just with the volume increase with sales tax activity during the year. Then about $102.6 million in accrued interest from the county.

Then another minor, one of $22,000. But that is mostly your net pension assets, employee retirement system asset. It was fully funded in 2022, about 103.6% so that usually historically has been a liability on your balance sheet. But it did become an asset in 2022 and then you'll see deferred inflows and outflows relative to that actuarial valuation in the following lines. Overall, your total assets did increase by $29.1 million due to payments received under mirror bonds. The main piece about $1.9 million is your seasons log on the 2017 refunding that goes to 2028 or the difference of the new versus the old debt that was there. In my ability to have amounts due to Erie County of about $92,290,000. This is your sales tax due of about $69.3 million then your debt service set asides above $23 million and going up relative to those sales tax activity increases your funds. Bonds capable of about $215,093,000 roughly mirroring those receivables payments did come did go out of about $31.4 million, and then you had premium amortization recognized of about. $4 million and accrued interest and other you have about $2.5 million of that is specifically interest and then another $69,000 in making the rules and then deferred outflows of resources, you have about $450,000 recognized at the end of the year. Another $342,000 of that is related to the gain on bonds. The differences between your spending activity by default, you have net in that position of $3,306,000, you see a slight decrease in the prior year. Also, you will see that in the next slide but it's really just a function of the amortization recognized into revenue and expense on the year, bond gains and losses. It's a function of how that is going through the expense outweighs the revenue. On slide three, you have your statements of activities again, comparative for 2022 and 2021. General revenues at the end of the year totaled $592,164,000. That includes your sales tax revenue of about $586,693,000.”

Liz Krause: **"**You'll see that in your operating income this could go up about 5.9% from prior year. Again, COVID-19 sales activity volume and you can see a bigger increase from prior year kind of catching up with Covid, but your kind of back in the streamline of things with just more normal volume increases every year and then interest in other income $5,471,000. This is going down here just with the payments and bonds. Then within your expenses, you have your distributions to your county in New York State broken up between the sales tax debt, sort of set asides and remaining payments. The sales tax payments for $540,330,000 again coming in as going out and increasing with the volume of increasing that tax and then you get to set asides, you have about $42.3 million in debt service, set aside expense and then another $3.7 million in to OSD. General administrative, pretty consistent year to year $404,000. Then you had your interest in amortization at $6,330,000, rounding out expenses to $593,102,000 with an overall change that we saw on the previous slide of a of a deficit of $938.000 to your routine possession."

Director Connolly: **"**I'm not certain on this. The long- term receivables, $37 million. Now, can you just tell us a little more about that? That is that expected and how did that compare to previous periods?"

Liz Krause: We have I think ten bonds that are sitting in your receivables and there's no new activity. It's just going to be payments received and payments to go down. The payments $32.7 million are in line with the schedules. What we would expect that those organization recognized that. It's the amount to do from accounting that offset the bonds. It's the to do from accounting that offset the bonds payable. It's kind of a little circular, those narrow bonds. So those will ultimately go to zero it just adds the receivable is paid off. It's used to then pay the response fees."

Director Connolly: "Thank you."

Sara Dayton: "I was just going to say to that change in that position, the decrease of $938,000, you know, when you look at yourselves as an entity, basically all of the money is coming into the control board. Then you have a small portion that you use for your operations. So that $404,000, which is almost identical to that number, and then the rest of that money is either set aside or those bond payments or it's flows back through to the company. Any real gain or loss in a given year is just a function of that amortization of the premiums on the bonds receivable versus the bonds payable. The timing of those amortization is slightly different, but at the end of the day, all of those bonds will be paid off and it will net zero. It's just a function of fluctuations and amortization. You're its basically accounting fluctuations causing that gain or loss each year other than perhaps any slight difference between what you budget for your operations and what you actually spend."

Chairman Sampson: "Any other questions?"

Director Speers: "Yes one on the page, two on the assets due from other governments. $70,926,000. I'm assuming that's New York State sales tax inbound?"

Sara Dayton: "Yes, it was about $68.3 million of that was sales tax and then there was a third interest receivable just that gets paid in January. That's the difference."

Director Speers: "Okay, great. Thanks."

Chairman Sampson: **“**Any other questions?”

Sara Dayton: **“**Thank you.”

Chairman Sampson: **“**Could I have a motion, please, to accept the audit and to recommended to the full board?”

Director Speers moves and Director Connolly seconds. All in favor? Aye, aye. Opposed. Motion carries.

Chairman Sampson: **“**This is the same group. They are going to have a presentation by the sheriff who secured the new jail, as well as partnership with public opinion and the media. So, you're welcome to stay.”

Sara Dayton: **“**Okay. Thank you. Think we will leave this time only because we have fire related issues still. Thank you.”

Chairman Sampson: **“**Thank you very much.”

Chairman Sampson: **“**Can I have a motion to adjourn?”

Director Connolly moves and Director Young seconds.

Respectfully submitted,

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James Sampson, Chairman

May 31, 2023